



INVESTOR NEWS

MAY 2012

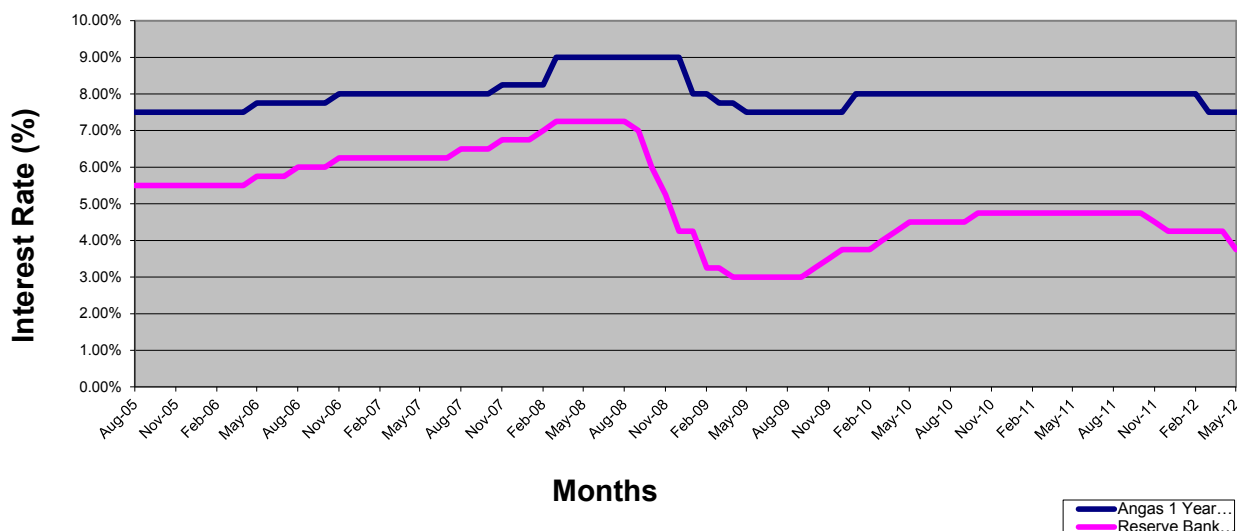
DEBENTURE RATES REMAIN ON HOLD

At its meeting held on 1st May 2012, the Reserve Bank Board lowered the cash rate by 50 basis points to 3.75 per cent. This decision was based on weaker prevailing economic conditions and a moderation in the inflation outlook. The Reserve Bank chose to reduce the cost of borrowing in order to stimulate the economy. The interest rates paid by Angas Securities are set independently of the Reserve Bank as is illustrated in the graph below. In August 2005, the Reserve Bank rate was 5.5 per cent and the Angas Securities rate was 7.5%. In May 2012, the Reserve Bank rate of 3.75% is precisely half of the Angas Securities rate.

Whilst Angas Securities operates independently of the Reserve Bank cash rate, it does not operate independently of the economic environment. Investors were disappointed when Angas Securities cut the one year rate by 50 points in March 2012 but now see that the Reserve Bank has done the same thing two months later. Until this reduction, the Angas Securities rate had not changed for over two years. Investment rates remain under review by the Angas Securities Board. The current rates of 7.5% per annum for one year investments and 8.0% per annum for three year investments will be held until 30th June 2012 at least. Updates will appear in future editions of Investor News.

2012
BUDGET
FALLOUT
SEE PAGE 2

ASL 1 YEAR INTEREST RATE V RBA INTEREST RATE



EARN

8.0%

DEBENTURE RATE
P.A. FIXED FOR 3 YEARS

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

2012 BUDGET FALLOUT

GOVERNMENT SCRAPS TAX DISCOUNT

Following an examination of the Australian tax system, the Henry Tax Review of 2009 made numerous recommendations to position Australia to deal with demographic, social, economic and environmental challenges in the 21st century. One such recommendation, referred to in previous editions of Angas Securities Investor News, was the implementation of a tax discount on investment income across the board. In response to the recommendations the Commonwealth Government in 2010 proposed to introduce a limited tax discount for interest income. Whilst well short of the Henry Panel recommendations, the subsequent Federal Budget confirmed that from July 2011 individual retail investors would receive a 50% discount on up to \$1,000 of interest earned on debentures, bonds and deposits. The discount was to encourage Australians to save thus boosting national savings, helping alleviate fiscal pressures and providing for an ageing population.

The discount was not implemented. Rather, the Federal Government announced in November 2011 that the discount was to be reduced to 50% and capped at \$500 of interest income received. Implementation was deferred until 1 July 2013. The cap was to be increased up to \$1,000 of income received and to take effect on 1 July 2014. It is disappointing to note that in its Budget announcement of May 2012 the Federal Government has now scrapped the discount altogether. Despite this decision, the challenges identified in the Henry Tax Review still remain.

STANDARD & POOR'S AFFIRMS RATING

On 6th April 2012, Standard & Poor's released the report of its annual review into Angas Securities. The rating was once again 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 wholesale investors (as that expression is defined in Chapter 7 of the Corporations Act).

ANGAS PREFERENCE SHARE ISSUE NO.3

Angas Preference Share issue No.3 closed on 11th May 2012. This followed the two successful redeemable preference share issues undertaken in 2011. RPS3 will pay a Dividend Rate of 9% per annum fixed until the first Re-Set Date due on 30 April 2015. Dividends will be paid on 30 April and 31 October each year. A new Dividend Rate will be determined prior to the First Re-Set Date. Investors can then choose whether to roll-over the investment for another three years or to redeem. The purpose of the redeemable preference share issue will be to fund business growth, enhance credit and build the capital base consistent with the core operations of Angas Securities.



STAFF PROFILE SENIOR LENDING MANAGER

Chris Venus is Senior Lending Manager. He joined Angas Securities several years ago from ANZ Bank where he was a Manager in the bank's Corporate and Business Banking divisions. Chris holds a Bachelor of Commerce majoring in Corporate Finance from the University of Adelaide, is an associate of the Financial Services Institute of Australia (FINSIA) and a full member of the Mortgage Finance Association of Australia (MFAA).

PICTURED: CHRIS VENUS, SENIOR LENDING MANAGER



DEBENTURE RATE
P.A. FIXED FOR 1 YEAR

7.5%

PROPERTY MYTHS DISPELLED IN RESERVE BANK STABILITY REVIEW

Households lifted their level of home loan repayments over the course of 2011. By the end of the last year, Australian households were paying, in aggregate, twice as much back on their loans as required by the terms of their loan. As a result, those with a mortgage succeeded, on average, in injecting the equivalent of three per cent of their annual income into their home as equity. These findings were published in the Reserve Bank of Australia's half-yearly Financial Stability Review. They highlight the continuing post-GFC trend among consumers to pay down their debts more quickly than was the case before the global financial crisis.

This Reserve Bank data puts a different light on media speculation as to the extent of "negative equity" in the housing stock that relies on only price trends in housing. In the Financial Stability Review, the Reserve Bank estimated that the level of excess repayments by borrowers with home loans was "roughly the same as required repayments in the December quarter 2011". This was up from an excess equal to about 80 per cent of required repayments in the March 2011 quarter. One factor lifting this ratio is the reduction in home-loan interest rates in late 2011 and the relatively static level of loan repayments. Many borrowers are paying more than they are required to. As rates come down, some borrowers are continuing to pay at the old rate.

The Reserve Bank estimates the rate of housing equity injection to be about three per cent of disposable income annually since 2008. This trend is a significant reversal since the middle of the 2000's

when the estimated level of average annual equity withdrawal at four per cent of disposable income. Drawing on data from the Household, Income and Labour Dynamics in Australia survey (the "HILDA Survey") the Reserve Bank noted that almost one quarter of indebted households made principal repayments of \$25,000 or more in 2010. This was close to twice the percentage of households that made repayments of this level earlier in the decade. There was a small fall in the percentage of households that took out (via redraws or refinancing) \$25,000 or more. These trends also help explain a decline in the level of loans past due. The Reserve Bank reported that arrears rate on housing loans for banks in Australia fell to 0.6 per cent at the end of December 2011 down from 0.7 per cent in the middle of 2011.

Angas Securities is not suggesting that there are favourable conditions prevailing in the property market at present. The property market is generally flat. Economic conditions are challenging and household budgets are tight. What the data does show is that borrowers will fight to retain their property even if it means making sacrifices in other areas. History has shown that real property has been a durable investment through successive economic cycles. As always, selection of investments in assets which maintain value comes down to experience and the discipline of following fundamental investment rules. First mortgage loans together with some direct property investments are the predominant asset classes in which Angas Securities invests its debenture funds. The track record of Angas Securities reflects core competence in asset selection and management.



PICTURED: MATTHEW HOWER,
MANAGING DIRECTOR

"By the end of the last year, Australian households were paying, in aggregate, twice as much back on their loans as required by the terms of their loan."



PERTH

Suite 12, 448 Roberts Road
Subiaco WA 6008

PO Box 1602
Subiaco WA 6904

Ph (08) 9380 4983
Fax (08) 9380 4480

ADELAIDE

Level 14, 26 Flinders St
Adelaide SA 5000

GPO Box 2948
Adelaide SA 5001

Ph (08) 8410 4343
Fax (08) 8410 4355

GOLD COAST

Suite 54, 1 Arbour Ave
Robina QLD 4226

PO Box 5116
Robina Town Centre QLD 4230

Ph (07) 5578 9311
Fax (07) 5593 2422

FIXED INTEREST DEBENTURE STOCK

YOU COULD BE EARNING

8.0%

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 Half Year to 31 December 2011 are posted at

www.angassecurities.com