

Economic overview & looking ahead to the remainder of 2011

2010 was a turbulent year in the market with two market corrections in the first half of 2010 and the All Ordinaries Index closing down 2% at the end of the calendar year. Companies in the mining and pharmaceutical sectors were the out performers throughout 2010.

As we reflect on the first half reporting season of 2011, market commentators outline that the resources sector continues to be the outperforming sector in the Australian market.

Most analysts' projections for the remainder of 2011 are bullish with consensus analyst end of year projections for the All Ordinaries Index of 5500. This would equate to a rise of greater than 14% over the next 9 months. The risk of the market not achieving these targets may include some of the following factors:

- Potential European debt crisis spreading to larger economies
- Political and civil unrest in overseas countries
- Overseas catastrophes
- US potentially fails to recover and prints more money
- High interest rates in Australia to restrict growth
- Flat or falling property prices in Australia
- Two speed economy with the resources sector propping up the Australian economy while farming, manufacturing, tourism, construction, development and retail continue to struggle.

With this in mind, no longer is the old adage of a 'set and forget' portfolio relevant to today's ever-changing markets and increased volatility. Quality advice is paramount and we suggest you keep in close contact with your adviser throughout 2011.

Growth of Self Managed Super Funds

The self managed super fund industry has experienced an amazing 20% annualised asset growth rate over the past 5 years. ¹Since July 1, 2007, new self managed super funds have been established at a rate of 2,000 – 3,000 per month. People have become more encouraged to establish their own self-managed super fund for some or all of the reasons listed in this table:



Reasons for Self Managed Super Fund growth...

- More control over investments
 - Flexibility of investments
 - Diversification of asset classes
 - Lower fees and transaction costs
 - Provide maximum flexibility in relation to the use of pension income streams such as Account Based Pensions inclusive of Transition to Retirement Income Streams
 - Provide the ability to own your business' real property (but not operating assets) in the superannuation fund, assisting funding and cash flow problems for many businesses.
 - Have the opportunity to borrow or gear an investment, via limited recourse borrowing arrangements, provided the asset is allowed under the rules of the SISA Act.
 - Control over income and capital gains
- There have also been a number of legislative changes that have benefited the growth of the self managed super fund industry.

¹ A Statistical Summary of Self-Managed Super Funds 10th December 2009



Introducing Andrew Switajewski

Swita Asset Management

In our first edition of the Gamma Wealth Management Newsletter, we welcome comments from International Investment Manager, Andrew Switajewski.

Andrew is the Chief Investment Officer of Swita Investment Management and he was previously a partner of world renowned fund manager, George Soros, at Soros Funds Management.

Swita Investment Management specialises in International funds management and global asset allocation through exchange traded funds (ETF's). Their investment style is typified by trends along with prudent risk management and a focus on finding value.

Andrew is optimistic about the market for 2011 but there are some issues that we are watching carefully that could increase volatility.

Andrew reflects that 2010 was very much a consolidation and recovery year hampered by sovereign debt issues in Europe. He believes that there is a strong recovery in earnings in the United States which he believes will continue to be assisted by quantitative easing into 2011.

We are currently positive about investing in these major asset class/industry themes and where there are favourable dynamics:

- 1 Technology** particularly US based investment cycle recovery theme (also driving Taiwan/South Korea)
- 2 Industrials/exporters** Weak dollar and investment cycle recovery – (US based and emerging markets)
- 3 Automobiles and auto parts** Cyclical recovery globally (US, Europe, Asia)
- 4 Chemicals** Leveraged to recovery – (Germany/US/Asia)
- 5 Energy/ Oil Services** More positive on particularly from a country perspective Russia– oil will drive market outperformance
- 6 Agriculture** (wheat, fertiliser, farm equipment, agricultural chemicals) first half 2011
- 7 Minerals and mining and commodities** (silver, palladium, platinum, gold, coal and iron ore) first half 2011
- 8) Internet Retail** (US)

He sees the following potential risks that could increase volatility in 2011:

- US municipal debt issues
- China's slowdown
- The continuing risks around European sovereign debt

Andrew in particular is focussing on the potential risk of China and the slowdown.

“China will encounter a road bump in its longer term growth profile in our estimation later this year as speculative excesses unwind. Chinese property long heralded as a bubble we feel will unwind causing a contraction in construction with flow on effects for the demand for steel and raw materials impacting negatively the commodities complex.”

Andrew went on further to say “In the meantime however, we feel that there could be a late stage bubble developing which in line with the theory of reflexivity of markets will cause a excessive late stage rally in commodities which may last several months.”

New Product Managed Investment Facility

There have been many changes since Gamma Wealth Management's inception two years ago. We are continually looking to introduce new products and services to reflect what our clients want.

Gamma Wealth Management is about to launch a new product - the Gamma Wealth Management Managed Investment Facility. The Managed Investment Facility provides investors with a professionally managed investment account where you select the style of portfolio to suit your needs and it is then managed on your behalf by an Investment Committee.

The investor retains the benefits of investing in the share market, including direct beneficial ownership of the shares, portfolio holding transparency and dividends & franking credits whilst at the same time having the peace of mind knowing that their investments are being professionally managed.

Clients also receive full tax and performance reporting that assists them in managing and monitoring their portfolio.

The three model portfolios to be launched within the Managed Investment Facility are Gamma Core Leaders, Gamma Active Opportunities and Gamma Enhanced Income.

Please contact Gamma Wealth Management to speak with an adviser about the Managed Investment Facility.





ASX Listed Fixed Income, Corporate Bonds and Hybrid Securities

Over the past decade there has been tremendous interest from sophisticated investors and the retail client in the ASX listed fixed income and hybrid market.

More recently there has been an increase in the growth of the corporate bond market. Gamma Wealth Management has been involved in several ASX listed issues including ANZ Convertible Preference Shares, CBA Perls V, Heritages Notes and Healthscope Notes.

Outlined below is a list of some of the ASX listed fixed interest, hybrid and bond instruments. These type of investments compliment a balanced portfolio and provide investors with generally higher levels of income. Gamma Wealth Management will continually be involved in these type of issues so if you are interested in these type of investments please contact your adviser or contact us at info@gammawealth.com.au

Hybrid Floating Rate Franked / Tax Deferred Securities

Name	Price (\$)	Time to Maturity / Reset (yrs)	Running Yield (%) Net	Running Yield (%) Gross	YTM (%) Net	YTM (%) Gross
(ANZPA) ANZ CPS2	\$ 102.10	5.81	5.6	8.1	5.2	7.6
(CBAPA) CBA PERLS V	\$ 205.80	3.69	5.9	8.4	5.5	8.4
(RHCPA) Ramsay Health Care	\$ 102.50	0	7.3	10.4	4.4	14.3
(SBKPB) Suncorp CPS	\$ 101.17	2.31	5.9	8.4	5.7	8.5
(SWWPA) Seven Group TELYS4	\$ 94.01	0	7.8	11.1	0	0
(TPAPA) Transpacific SPS	\$ 74.50	0.6	8.8	12.6	0	0
(WCTPA) Westpac TPS	\$ 92.00	5.35	4.6	6.6	5.9	7.9

Prices as at 23rd February, 2011

Hybrid Floating Rate Unfranked Securities

Name	Price (\$)	Time to Maturity / Reset (yrs)	Running Yield (%) Net	Running Yield (%) Gross	YTM (%) Net	YTM (%) Gross
(FXJPB) John Fairfax Holdings SPS	\$ 100.50	0.18	6.9	6.9	16	16
(GMPPA) Goodman Plus	\$ 75.80	2.07	9.5	9.5	24.3	24.3
(NFNG) Nufarm NSS	\$ 74.00	0.75	10.1	10.1	0	0
(ORIPB) Orica SPS	\$ 99.00	0.77	6.7	6.7	8.7	8.7
(PXUPA) PaperlinX SPS	\$ 68.50	1.35	11.5	11.5	0	0
(SAKHA) Southern Cross Airports	\$ 98.65	0.85	7	7	11.5	11.5
(WOWHB) Woolworths Notes	\$ 99.70	0.56	6.3	6.3	9	9

Prices as at 23rd February, 2011

Life Insurance and Super

Superannuation is one of the most tax-effective ways of saving for retirement and can also be one of the best vehicles for taking out personal insurance. There are, however, areas that you must consider when incorporating insurance within the superannuation fund.

All life insurance proceeds received by your superannuation fund in the event of your death can be paid as a tax free lump sum to your spouse, children under age 18 or other persons who were "dependant" on you at the time of your death. While it may make good sense to have your life insurance cover held by your superannuation fund, this decision can change following a divorce or separation.

For example, after a divorce settlement you may wish your superannuation to pass directly to your children, or via your Estate. If your children are over the age of 18, the proceeds of life insurance paid by your superannuation fund may be taxable at

31.5%. If the insurance benefit was part of your estate directly, not part of your superannuation fund, then there would usually be no tax payable. In the event of divorce, you may wish to investigate options for continuation of life insurance outside of superannuation.

Comments from Chris Campbell who is the Director of Superannuation Services at Hanrick Curran Chartered Accountants, with more than 20 years experience in superannuation and self managed superannuation funds. www.hanrickcurran.com.au

A day at the races!

Gamma Wealth Management was pleased to host and sponsor their inaugural Race Day on the 11th of December last year. With clients and industry associates in attendance, everyone had a great time. Not only was it a great chance to finish the year in a social setting but we were also able to raise funds for two very worthwhile charities, the National Jockeys Trust and the Gold Coast Hospital Foundation.



We welcome your feedback to continually improve the products and services we offer. Please contact us at info@gammawealth.com.au with your feedback.

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