

23 July 2009

Edition *Three*

Welcome to the third edition of Capital News

From time to time we call on our clients and industry peers to provide our readers with information that is both topical and relevant.

In this edition of Capital news we provide you with a financial market update. You would agree that the markets have been a cause for much discussion and scrutiny over the last 12 months and are likely to continue to be for the foreseeable future.

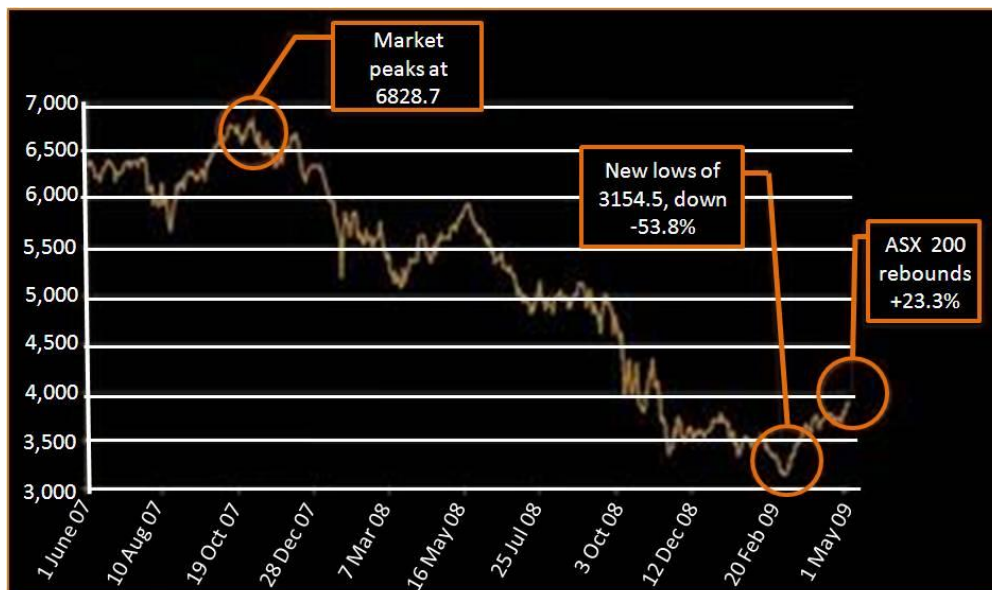
This complementary market update is provided by Rob Pedersen who has over 25 years of financial planning experience and is a founding member of Matrix Planning which was established in June 1999. He has six staff working with him in his Norwest Business Park office and the group has over 80 advisers nationally.

In addition, Rob is a Board Member of the Financial Planning Association (FPA) and a Board Member of matrix Planning Solutions Limited.

Market Update

Investor's patience is starting to be rewarded as markets rebound long before the signs of economic recover. The recent rally in equities markets suggests that investors with a longer-term focus are likely to benefit from the current low valuations of quality companies.

The chart below illustrates the movement of the ASX 200 (top 200 companies in Australia) from June 2007 to June 2009. The chart illustrates how the sharemarket fell 53.8% from the peak to the trough of the Australian sharemarket. It also illustrates how quickly the market has bounced back (+23.3%) from the bottom. For those people who cashed in their investments at the bottom, they would have missed out on the 23.3% rebound.



While it has been a devastating fall, we must remember our long term investment time frame and provide the market time to recoup the fall in the share price.

In looking ahead, there is the potential for significant investing opportunities, however, we need to tread

carefully (dollar cost average). It is important to focus on high quality companies with strong balance sheets.

Recent actions (intention to spend) by the Federal government and the Obama led US government, together with other world leaders have been significant in attempting to restart the financial sector. We are also starting to see more positive signs of improvement from China and India.

International Shares

Global sharemarkets are starting to digest the worst of the economic news and markets are rallying from the lows. While volatile, opportunities should present over the coming year in this sector. With all regions suffering uncertainty, looking forward on a 3-year outlook, the favoured areas are Asia and the emerging markets. Stock and country selection is going to be much more important over the coming year as volatility remains high. Investors should look to take a 3-year view when investing at this time.

Australian Shares

The underlying market fundamentals are starting to improve and quality large cap stocks are still preferred in this environment. Also, managers with strong stock picking skills are expected to outperform. Despite the prospect of the further dividend cuts, it's not all bad news for investors, In fact, even after factoring in a further 30% cut to dividends over this cycle, the Australian sharemarket would still be providing a yield somewhere in the vicinity of 5-6% - more than 7% if we include franking credits. At these levels, the markets yield is vastly superior to cash as interest rates have fallen.

Australian Listed Property

Property is likely to underperform equities on a 3-year outlook and suggest under weighting the sector. Stapled and highly geared stocks have been discounted relentlessly and are likely to remain subdued until the credit environment improves. Direct property valuations are likely to continue to come under downward pressure in this environment. With a large inventory of properties for sale negative growth across the unlisted sector is anticipated over the coming year. The property sector requires greater certainty around access to funding before it is likely to recover.

Fixed Interest

On a 3-year outlook a benchmark weighting is appropriate for this sector. With a trend to lower interest rates worldwide, limited opportunities exist in this sector. This credit market fallout should provide selected opportunities over the coming 1-3 years as credit spreads contract and investment grade credit becomes more attractive.

FOR MORE INFORMATION...

**A qualified financial planner can advise your on a strategy to adopt
in ever changing financial conditions**

Speak to Rob Pedersen of Matrix Planning Solutions today

To find out what strategies will suit your personal circumstances.

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