Axis

MAGAZINE July 2008 | Financial food for thought

Historical beats hysterical

Avoid market hysteria and let history be your guide.

Also inside:

- Financial facts of life
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- Market review and more...

Asgard

Axis

Financial food for thought

Issue #6 | July 2008

What's inside

'If you haven't previously received Axis because you asked not to receive marketing material, we've sent you this issue due to some important regulatory content we've included this time.'

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Graphic Design: Fiona Walkley
Photography: istockphoto.com

Editorial

The value of advice

At Asgard we're great advocates of quality financial advice. Our business is built around helping financial advisers to give the best possible advice to their clients – investors like you. As we navigate our way through a turbulent period in worldwide financial markets it's a timely reminder about the real value of advice. Many people are currently benefiting from a professional reassurance about staying on the investment course they've already chosen or reviewing their portfolio to maximise new opportunities.

Historically, financial markets have experienced sharp rises and falls, along with extended periods of uncertainty. This is highlighted in our lead story, including some tips on how to ride what sometimes seems like an investment 'rollercoaster'. It's important that you try to keep this fluctuating performance in mind when you review your 30 June Investor Report, mailed with this edition of Axis. If you have any questions or concerns about your investments, please speak to your adviser about whether you need to make any changes to your portfolio. You can never underestimate the value of advice.

Bettina Pidcock
General Manager,
Marketing – Wealth

Centrelink data exchange makes life easier

Centrelink has recently introduced a new secure data exchange with Asgard that allows us to automatically provide them with your Centrelink Schedule information.

If you have an allocated or market linked pension, Centrelink traditionally sends you a review letter each August and February requesting up-to-date information so they can ensure you are receiving the correct rate of government payments such as the Age Pension.

Commencing in next month's August 2008 review, we will now provide detailed information directly to Centrelink. This means that, in most cases, Centrelink will no longer need to contact you directly to request this information, saving you valuable time!

It's important to note that this new initiative does not change your requirement to notify Centrelink, within 14 days, of changes made to your allocated or market-linked pension. For example, you must still advise Centrelink if you take a lump sum from your pension, make a change to your annual income, or commence a new income stream.

There may also be some cases where your data cannot be included in the new automated data exchange. If this is the case, Centrelink will continue to contact you directly and you can produce a Centrelink Schedule using Investor *Online* or contact your financial adviser to request one.

Using our services – a new declaration for investors

Last year the government introduced legislation aimed at detecting and preventing money-laundering and the threat to national security caused by the financing of terrorism. The Anti-Money-Laundering/Counter-Terrorism Financing Act (AML/CTF Act) has led to a number of changes in the financial services industry. To meet one of our obligations under the AML/CTF Act we need to advise you that as a consequence of continuing your use of our services, you will be taken to have agreed to the following:

1. You warrant that your use of the services we provide will not breach any law of Australia or any other country.
2. Where we consider it necessary for us to meet our regulatory and compliance obligations:
   (a) you must provide us with any information we reasonably request;
   (b) we will disclose information we hold to regulatory and law enforcement agencies, other financial institutions, third parties and members of the St.George Group; and
   (c) we may delay, block or refuse to provide any of our services.

We will not be liable to you or any other person for any loss or damage of any kind that may be suffered as a result of us exercising our rights as described above.

The cheque's in the mail... somewhere

If you're still writing cheques to make contributions to your Asgard super or investment account, it's probably time you discovered BPAY®.

BPAY offers you a simple and convenient alternative to your chequebook. It's a quick and secure way to transfer money from your bank account to your Asgard account – and you get an instant record of your transaction.

Unlike cheques, which take days to process, a BPAY funds transfer will happen on the next business day. No need to search for a post-box and no need to complete any investment instructions. Your unique customer reference number and biller code tell us who the contribution is from and where it's to be invested.

For more information about BPAY, contact your financial adviser or go to Investor *Online* and download our BPAY flyer. The flyer contains biller codes for different Asgard accounts and Investor *Online* will also provide you with your customer reference number.

Cutting paper, not trees

Please note that unless you ask us to post you a copy, the Asgard Super/Pension Annual Report will now only be available online. Like many organisations, we're helping to reduce the cutting down of trees by cutting down on the amount of paper we use.

You can elect to receive a hardcopy free of charge at any time by calling our Contact Centre.

The Annual Report contains the summary of the financial position of the fund and is not the same as your Investor Report which provides details of your personal portfolio.

The Annual Report will now be available by 31 December each year by logging on to Investor *Online* (www.investoronline.info) or by going to www.asgard.com.au.

If you haven't yet logged on to Investor *Online*, you'll need your Asgard account number and your unique PIN number.

"Whoever said money can't buy happiness simply didn't know where to go shopping."

Bo Derek

Historical beats hysterical when it comes to investing

Amidst the hysteria about recent market volatility it's worth taking a deep breath and reflecting upon what history tells us about market performance.

We all know that markets go up and markets come down. Sometimes they just keep going up and everyone gets excited. Then all of a sudden they start coming back down again and people start getting edgy.

Markets have always been characterised by rises and falls. It's a natural part of the process. Despite the 'rollercoaster' ride it sometimes seems to be taking, the historical, longer term trend for markets the world over has been a steady climb.

The chart opposite shows us how the Australian sharemarket has been tracking over the last couple of decades. You can see that despite market turmoil attributed to events like September 11, the climb continues. Along the way we can expect to see periods where markets rise steadily ('bull' markets) or they fall for a period of time as has been happening for the past few months ('bear' markets).

Bull markets are characterised by optimism, investor confidence and expectations that strong results will continue. Their pessimistic opposites, where the prices of securities are falling or are expected to fall, are known as bear markets.

The use of 'bull' and 'bear' to describe markets comes from the way the animals attack their opponents. A bull thrusts its horns up into the air while a bear swipes its paws down. These actions are metaphors for the movement of a market. If the trend is up, it's a bull market. If the trend is down, it's a bear market.

It's difficult to consistently predict* when market trends will change. This is because sometimes psychological effects and speculation can play a significant role. The important thing for investors is to buy a ticket on the rollercoaster and to seek regular advice about making your 'ride' suitably comfortable. And don't forget to stay on until you and your adviser decide the ride is over!

* See our Market Commentary on pages 10 and 11 where our investment experts share their market forecasts for the coming six to twelve months.

Tips for riding the rollercoaster

The big picture

Always keep your long-term goals and investment strategy in mind – don't be distracted by daily, monthly or even annual market performance, but review your goals regularly with your adviser.

Assuming you own one, you wouldn't sell your house if you read in the press that property prices may be falling. And you wouldn't be having your house valued every day either. When it comes to shares though, some people panic at the first sign of a downturn and begin selling off their holdings. This is a short-term view of what needs to be a long-term journey.

Time is on your side

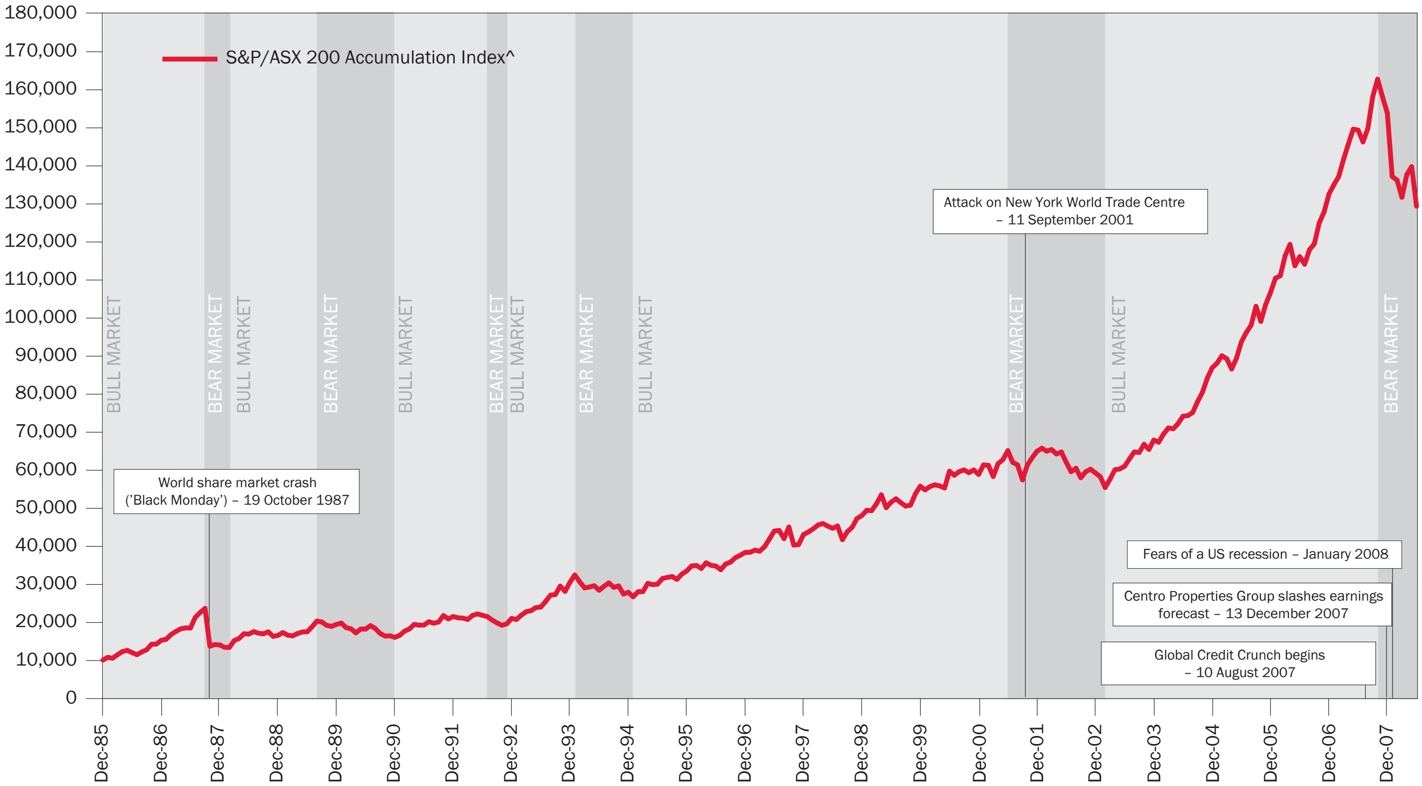
Hang in there. History shows that the longer you stay in the share market, the lower your chance of losing money on investments – you'll also reduce your buying and selling transaction costs and minimise the risk of missing out on gains. Trying to time the sudden changes in the market and moving money around is risky business – stay on the ride and you're less likely to reduce your profits or incur significant losses.

Keep it regular

By investing a set amount regularly, you're effectively buying fewer shares when the prices are high and more shares when prices are low – over time, this approach can reduce the impact of sharp declines and help smooth the returns. Regular investing removes the emotion from the investment decision and ensures you don't get caught up in the market hype and 'noise'. It also helps you

"The important thing for investors is to buy a ticket on the rollercoaster and to seek regular advice about making your 'ride' suitably comfortable."

Australian sharemarket performance



Source: St.George Investment Solutions, Bloomberg
^ The S&P/ASX 200 Accumulation Index was introduced in March 2000, prior to this the ASX All Ordinaries Accumulation Index was used. This chart is based on an initial investment of $10,000 as at 1 December 1985.

avoid buying when the market is peaking or selling just before a boom.

May the force be with you

Einstein reputedly called it 'the most powerful force in the universe'. Compound interest, or the interest you earn on your interest, really helps build wealth. Thanks to this force, you also don't need a huge sum of money to start building long-term wealth. And the longer you're on the ride, the greater the effects of compounding.

A balancing act

One of the most reliable ways to maximise your long-term returns and reduce the risk of losing money is through diversification. By taking a balanced approach to your investments, i.e. spreading your money across different asset classes, regions, sectors and investment managers, you may be able to achieve superior risk-adjusted returns. And by spreading your investment across different sources of return, your chances of having at least some exposure to the best-performing assets is increased.

For more information on market volatility please visit www.asgard.com.au or speak to your financial adviser.

Changes to Asgard Separately Managed Accounts – Funds portfolios

This summary is provided to ensure you are kept informed about changes to the Separately Managed Accounts – Funds (SMAF) portfolios in 2007-08.

To find out more please go to www.asgard.com.au and click on 'Axis newsletter' under the 'For investors' menu. Alternatively, you should speak to your financial adviser.

There have been three significant changes during the 2007-08 financial year.

1. Strategic asset allocation changes – October 2007

Why the changes?

St.George Investment Solutions (SGIS) recommended a change in the strategic asset allocations of the SMAF portfolios. The changes for the five SMAF portfolios are listed in the table below.

The new asset allocations are designed to take into account future expectations of risk and return for each asset class, based on long-term economic and financial market forecasts. The philosophy behind this change is to look beyond short-term market dynamics and to focus on long term future expectations, generally ten years into the future.

There's a reduction in the allocation to Australian Equities and Cash with an increase in the allocation for International Fixed Interest and International Equities.

The benefits

The new strategic asset allocations take into consideration the future expectation of the risk and return of each asset class and the belief is that they will outperform the current allocations in terms of risk and return, based on the recommended minimum investment term for each of the portfolios.

2. Implementing the Advance 'active currency' strategy – March 2008

From March 2008, the Advance International Shares Multi-Blend Fund, available through SMAF and other Asgard accounts, started actively investing in currencies with the aim of enhancing long-term risk-adjusted performance.

An active currency strategy involves buying and selling currencies with the objective of generating positive returns. The value of the Australian dollar, relative to other currencies, moves independently of the international shares into which the underlying manager invests. Actively managing the currency position offers the potential to add value to the fund as exchange rates move.

The specialist managers of the active currency strategy are entitled to a performance fee and, if paid, this will impact upon the investment fees of the International Shares Multi-Blend Fund and correspondingly, the SMAF portfolios, including the 'Defensive' portfolio.

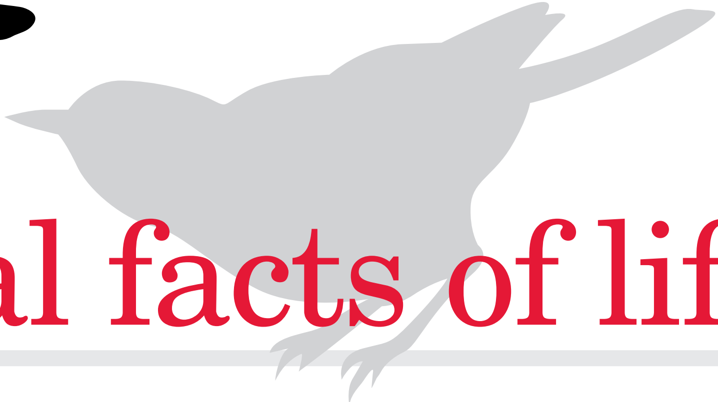
The overall aim of the strategy is to enhance performance of the Advance fund - and consequently the SMAF portfolios - over the long term.

3. Adding global property to the Advance Multi Blend Property Securities fund – September 2007

From 25 September 2007, the Advance Property Securities Multi-Blend Fund was restructured to allow a strategic asset allocation of 50% to global property. This modification was made to deliver a better risk/return trade-off than what is currently expected from a pure domestic listed property exposure.

The Asgard SMAF Super/Pension products invest in this Advance fund to varying degrees, depending upon the type of portfolio you have, i.e. 'Defensive' 'Moderate', 'Balanced, 'Growth' or 'High Growth'.

	Defensive		Moderate		Balanced		Growth		High Growth	
Asset Class	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
Australian Shares	16%	13%	29%	22%	36%	31%	42%	37%	50%	45%
International Shares	9%	10%	12%	15%	22%	24%	27%	32%	45%	42%
Australian Property	5%	7%	6%	8%	9%	9%	10%	9%	5%	6%
International Fixed Interest	18%	20%	11%	17%	5%	9%	0%	5%	0%	0%
Australian Fixed Interest	25%	25%	22%	23%	12%	14%	9%	7%	0%	0%
Alternative assets	0%	0%	5%	5%	6%	6%	7%	7%	0%	7%
Cash	27%	25%	15%	10%	10%	7%	5%	3%	0%	0%
Growth assets	30%	30%	52%	50%	73%	70%	86%	85%	100%	100%
Defensive assets	70%	70%	48%	50%	27%	30%	14%	15%	0%	0%



Financial facts of life

The Investment and Financial Services Association (IFSA)^ has released some enlightening data about Australian investors and their preparedness – or otherwise – for retirement. These financial facts of life are the result of a number of research efforts over the past two years. How would you stack up in these surveys? Are you prepared, still preparing or unprepared?

Fact 1

Australians have the largest levels of personal investment in the world...

At the end of 2006, Australians each had an average of $50,738 invested in managed funds. This compares to $41,496 in the US, $34,757 in France and $23,505 in Sweden. Thanks to super, Australia's individual investments are growing at a faster rate that any other country, more than doubling since 2001.

Investment Companies Institute, US

...but we still fall short of the investment needed for a comfortable retirement.

A couple retiring today require $48,648 per annum to live a 'comfortable' lifestyle. To generate this level of annual income, a lump sum at retirement of approximately $600,000 or more is required. However, the average super balance for those in the 60-64 age bracket is only $202,600.

Westpac-ASFA Retirement Standard research report – Rice Warner's Superannuation Market Projections

Fact 2

There's a distinct lack of engagement in super and even those approaching retirement feel woefully unprepared...

11% of baby boomers have not given much thought to retirement and have made no preparations, 24% have given some thought to it but made very little preparations and 44% have made some but 'not enough' preparations.

Mercer Wealth Solutions, Simple Super Research, May 2007

...this is partly because Australians don't think of themselves as investors...

Most investors [surveyed] did not see themselves as investors; rather they felt they were simply saving for their future/retirement – most felt that an investor is someone who invested on a full-time basis.

ASIC Investor Research, Consultation Paper 89, August 2007

...and partly because they lack the knowledge and confidence to engage in super.

Compared to other money management issues tested, Australians say they're not confident and would like to learn more about investing and ensuring they have enough money for retirement.

Financial Literacy Foundation, Australians Understanding Money, September 2007

Fact 3

In terms of gaining knowledge, financial advisers and accountants are the preferred source of information...

82% of Australians said that their preferred source of financial information and advice is a financial adviser, followed closely by an accountant at 81%.

Financial Literacy Foundation, Australian's Understanding Money, September 2007

...and as people approach retirement they're more likely to seek professional help.

Only a third (32%) of baby boomers have not engaged with either an accountant, personal banker or a financial adviser in the last 12 months.

Mercer Wealth Solutions, Simple Super Research, May 2007

Fact 4

Almost one third of Australians use the services of a financial adviser...

In total almost 30% of Australians currently use the services of a financial planner. This increases with age from just 10% of those aged 16-24 years, 27% of those aged 25-34, 32% of those aged 35-49 and 37% of those aged 50+years.

Galaxy Research prepared for the FPA, May 2008

...and as a result they're more likely to feel prepared for retirement.

84% of those that have seen a planner in the last 12 months say they are very or fairly confident that they will have enough money to retire comfortably. This compares to 57% among those that have not seen an adviser at all.

Nielsen Research Commissioned by ING Australia, 2007

Summary

It's clear from these findings that as a country we're definitely on the right track. However there's still a way to go before people are sufficiently prepared for the future. Not surprisingly, it's also evident that those who've taken steps to engage a financial adviser are in the best position of all.

^ IFSA represents the retail and wholesale superannuation, funds management and life insurance industries and has over 140 members who are responsible for investing over $1.3 trillion, on behalf of more than ten million Australians.

Source: Investment and Financial Services Association May 2008 www.ifsa.com.au

Budget brief for investors

On 13 May 2008, the federal government delivered its budget for 2008-09. This is a snapshot of the issues we believe will have some impact on investors, bearing in mind that it's only general information and doesn't consider your personal circumstances. Many of the measures are also subject to the passing of legislation by the government.

Bryan Ashenden
Head of Technical Consulting
Asgard Wealth Solutions

Tax savings for most

The government has stuck to its pre-election plan to reduce personal taxes progressively over the next three years. By 2013-14, the government's goal is to have only three rates of personal tax – 15%, 30% and 40%.

The low income tax offset has been extended and the proposed changes are:

	Current	Proposed 2008/09	Proposed 2009/10	Proposed 2010/11
Maximum offset	$750	$1,200	$1,350	$1,500
Lower threshold	$30,000	$30,000	$30,000	$30,000
Upper threshold	$48,750	$60,000	$63,750	$67,500
Effective tax-free threshold	$11,000	$14,000	$15,000	$16,000

Income tax payable at selected taxable income levels (ignoring Medicare levy and tax offsets):

Taxable income	Current tax 2007/08	Proposed tax 2008/09	Proposed tax 2009/10	Proposed tax 2010/11
$30,000	$3,600	$3,600	$3,600	$3,600
$35,000	$5,100	$4,500	$4,350	$4,350
$75,000	$17,100	$16,500	$16,350	$16,050
$80,000	$19,100	$18,000	$17,850	$17,550
$150,000	$47,100	$46,000	$44,450	$43,450
$180,000	$60,600	$58,000	$55,850	$54,550

Shifting the surcharge

From 1 July 2008, the existing annual Medicare Levy Surcharge thresholds of $50,000 for a single person and $100,000 for a couple or family will be increased to $100,000 and $150,000 respectively.

These thresholds determine the income level at which the Medicare Levy Surcharge of 1% will apply to you if you don't hold private hospital insurance.

Concessional FBT treatment amended

The previous Fringe Benefits Tax exemption for eligible work-related items, such as laptop computers, personal digital assistants, briefcases and tools of trade, will be amended to limit the exemption to items used primarily for work-related purposes and provided directly to you as an employee by your employer.

Family matters

The hourly rate of child care benefit is currently reduced over certain income ranges to a minimum rate (currently up to $28.20 per week for 50 hours of approved care). The abolition of this minimum rate from 7 July 2008 will mean that families with incomes over $110,000 per annum will no longer be eligible to receive any child care benefit.

The child care rebate is a tax rebate claimable on out-of-pocket expenses for approved child care. To encourage parents to return to the workforce, from 1 July 2008 the rebate will be increased from 30% to 50% of expenses. The maximum level of expenses claimable will also increase from $4,354 to $7,500 (indexed) per child per year.

Payments will be made quarterly instead of annually, commencing from October 2008.

From 1 January 2009, the baby bonus will only be available to families with an adjusted taxable income of $75,000 or less in the six months after the birth of a baby (equivalent to $150,000pa). Parents with babies born before 1 January 2009 will not be affected. For the first time, the bonus will also be paid to parents for newly adopted children between 2 and 16 years of age.

The bonus will now be paid in 13 fortnightly instalments from the date of claim, not as a lump sum.

The government will introduce an education tax refund of 50% on eligible education expenses from 1 July 2008. Under this proposal, families in receipt of Family Tax Benefit Part A will be eligible to claim refunds in their annual tax return of:

- 50% per year for up to $750 of eligible education expenses for primary school children (a maximum benefit of $375pa per child)
- 50% per year for up to $1,500 of eligible education expenses for secondary school children (a maximum benefit of $750pa per child).

Social security and welfare

In a repeat of previous years, the government has announced lump sum payments will be made to eligible carers receiving Carer Payment and/or Carer Allowance as at 13 May 2008. Recipients of the Carer Payment and DVA Carer Service Pension will receive $1,000, while recipients of the Carer Allowance will receive $600.

In addition, individuals who, as at 13 May 2007, are in receipt of Age Pension, Veterans' Pension, Widow B Pension, Wife Pension, Seniors Concession Allowance, Mature Age Allowance, Widows Allowance or Partners Allowance will receive a one-off payment of $500.

A number of changes were announced for recipients of Veteran's Affairs payments and we recommend you speak to your adviser if you are in receipt of these. The most significant change is that from 1 July 2008, the qualification age for a Partner's Service Pension (currently 50 years) will increase to bring it into line with the Service Pension age eligibility for veterans (currently 60 years for men and 58.5 years for women). However, this change will not apply to existing recipients or to applicants with dependent children or those who are partnered to a TPI veteran.

Redefining 'income' for entitlements

From 1 July 2009 the government will amend what is defined as 'income' for determining your level of entitlement to claim a range of benefits, including:

- income support payments for people below Age Pension age
- family assistance
- child support
- superannuation co-contribution payments
- Commonwealth Seniors Health Card.

The new definition of income will include amounts that are salary sacrificed to your super, reportable fringe benefits and net financial investment and rental property losses. Importantly, it's only a change in definition for qualification purposes. It doesn't make these amounts subject to personal taxation.

What does it all mean?

The reforms to Australia's personal marginal tax rate system, tax offset eligibility and Medicare Levy Surcharge arrangements will have the result of increasing the level of disposable (after-tax) income that most people will have.

The question is, what will you do with this extra money? Speaking to your financial adviser would be a good start!

Market review and outlook

The 2007-08 financial year witnessed a sharp rise in commodity prices, higher headline inflation, and higher market volatility, with economic weakness spreading from the USA to Europe, Japan and now the emerging economies. St.George Senior Investment Strategist Felix Stephen tells us about the volatile year that was and what might happen in the year ahead.

Felix Stephen
Senior Strategist,
St.George Investment Solutions

Global economic overview in 2007-08

The global economy is likely to have grown at a subdued pace of 3.7% during the first half of 2008 after a robust 4.7% expansion during the whole of 2007. This deceleration in growth in this year's first half was driven by complex economic conditions in developed countries. Although there is speculation that the world could enter into a deep global recession, the estimated annualised growth rate of 3.7% for the remainder of the year matches the global average since World War II.

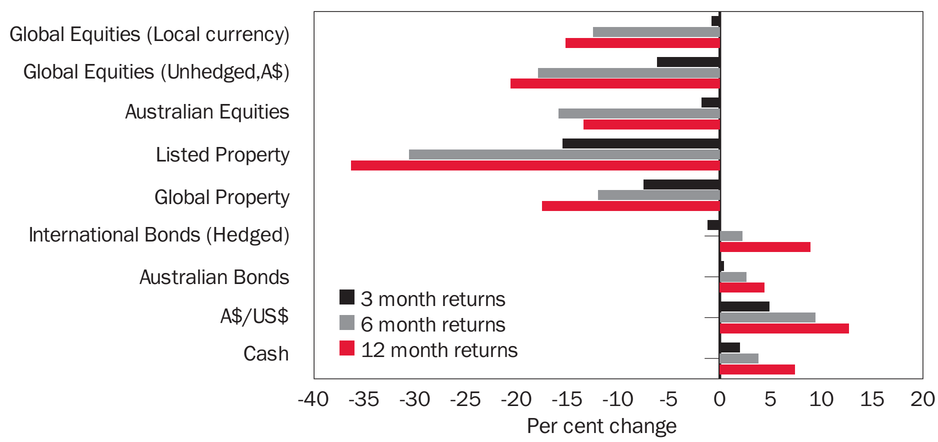
Key engines of growth in the first half of this year were the emerging and developing economies like India and China, while industrialised economies like the USA were stuck in a sharp slowdown brought about by a fall in consumer spending and business outlays. Tentative signs are emerging that the US housing market's decline is beginning to level out. The Australian economy remained resilient, benefiting from strong Asian growth.

Asset class performance in 2007-08

The value of growth assets declined during the twelve-months ending 30 June 2008 as investors became more sensitive to risks and the global investment outlook turned more complex. The $A was strong against the $US and the British Pound, and this contributed to unhedged international share investments underperforming currency-hedged international shares, in local currency terms. Both global and Australian bonds produced solid returns over the twelve-month period, despite tight credit conditions.

Chart 1 shows performance by various asset classes over the past three, six and twelve months.

Chart 1 – Asset class performance to 30 June 2008



International equity market returns were disappointing in both local currency and unhedged $A terms. Financial market turmoil, rising inflation and declining economic prospects contributed to this. In local currency terms, global shares fell by 15.2%. In $A terms, the decline was 20.6%.

Australian equities performed poorly in the twelve-months ending 30 June 2008 and fell by 13.4% as measured by the ASX/S&P 200 Index. The Index had a modest return of 3.0% during the first-six months of the year to 31 December 2007, while the second-half saw a 15.9% decline. The reasons for the sharp decline were the same as for global equities, although the magnitude was slightly lower.

"A relatively high dividend yield and resource sector exposure makes Australian equities attractive to a medium- to long-term investor.

Fixed interest markets had a solid twelve-months, despite the bond markets coming to terms with rising inflation and falling housing prices.

The JP Morgan Global Government bond index returned a solid 8.9% over the twelve-month period while the Australian bond market, despite official interest rate hikes by the Reserve Bank of Australia, returned 4.4% (measured by the UBS Warburg Composite Bond index).

Both Australian and Global Property sectors continued to deteriorate, recording falls of 36.3% for the ASX/S&P 200 Property index and 17.5% in the Global REIT hedged index for the twelve-month period. Investors in this sector remained concerned about the cost of loan rollovers, tight lending criteria and high financial leveraging by several geared listed trusts.

Global economic outlook for 2008-09

US economic activity is expected to pick up during the second half of 2008 and then gradually expand close to trend during the second half of 2009. The Euro Zone and the UK are expected to show weak growth during the second half of this year and well into next year, following the US economy's growth slowdown by 9- to 12-months. Japan is expected to experience subdued economic growth over the next 12 months before it too enjoys a gradual pick up in economic activity towards the end of 2009. Emerging economies are expected to experience slower economic growth as their authorities raise official interest rates to counter accelerating inflation. We expect growth in Australia to moderate into the end of 2008 and into 2009 because of slower domestic aggregate demand and subdued emerging economic growth in Asia.

Asset market outlook for 2008-09

Australian shares

A relatively high dividend yield and resource sector exposure makes Australian equities attractive to a medium- to long-term investor. Financial stocks are especially attractive due to their compelling valuations. However, given that market sentiment continues to be extremely negative, we suspect that Australian shares are vulnerable to moving lower at first and moving higher in the medium term.

International shares

Global equities appear attractive on a total return basis. However, given extremely negative market sentiment, investor risk aversion and a weak global economic outlook, we suspect that global share markets are vulnerable to move lower in the very short-term, before trending higher in the medium-term.

Diversified listed property trusts

Global listed property markets offer relatively good value to investors but appear vulnerable due to the higher cost of capital. Global property securities should offer better value, relative to Australian listed property, through efficient diversification.

International bonds

Interest rate advantage relative to other countries has made the interest rate 'carry' favour International Bonds (hedged) in the short- to medium-term. Global credit markets are becoming increasingly more attractive to investors because of the recent sharp widening of credit spreads relative to sovereign debt.

Australian bonds

We expect yields to fall gradually over the next few months as global economic weakness continues into late 2008 and early 2009. We favour the selective buying of domestic credit.

Currencies

The $A is likely to soften against a strong $US while it is likely to be stronger against the Euro, British Pound and the Yen.

Asgard Capital Management Ltd, ABN 92 009 279 592,
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