issue 15
[march 2011]

Poole Group
ACCOUNTANTS & INVESTMENT ADVISERS

Welcome to the first edition of 2011 Newsletter. We hope that you all had a wonderful Christmas and Happy New Year and are refreshed from a well-earned break.

2011 is well underway with March already upon us. The start to the New Year has presented many challenges. With the floods and cyclones bringing so much devastation and dire times to so many people, our thoughts and prayers go out to the families and friends who have lost loved ones.

The past several months have brought us many events, especially around the Christmas period. Our Poole Group Cheese & Wine night held in mid-December was a big success! The night was filled with tasty cheeses from **Bfresh**, gourmet pizzas from **Bella Venezia** and delectable wine from the **Purple Palette**. We thank them and our clients for providing such an enjoyable evening.

Staff and clients also enjoyed a nice and relaxing race day out at Corbould Park at the end of January. We had many punters, but by the sounds of it, no one had much luck on the day...see photos inside.

We welcome the following staff to the Poole Group: **Jill Craig** (Kerry McManus' Team), **Alex Clarke** (Don Poole's Team), **Tishi Smith & Helen Lee** (Admin Team). We congratulate **Natasha Ball** (Kerry McManus' Team) and husband Paul who are now proud parents to Jasper Richard Green. Both mother and baby are doing very well. Congratulations also go out to **Maxine Walkinshaw** (David Darrant's Team) who celebrated her 21st Birthday in January.

The Annual Poole Group Charity Golf Day is on again! The date of this year's golf event has been locked in and will be held on Friday 1st July at the Twin Waters Golf Club. Funds raised for the event will once again be donated to CanTeen. Information on registration for teams and individuals can be found inside this issue.

NOTE: Don 'The Great Poolini' Poole will finally take a well earned rest. He will be on long service leave during April and May and will be unavailable to see clients. In his absence please contact Neil Cooke or Kerri Welsh at the office.

We have many interesting articles this quarter and hope that you find it to be very informative and an exciting read.

The Team at the Poole Group

www.poolegroup.com.au

Coming up...

Annual Poole Group Charity Golf Day. For further information on sponsorship and game day details, please contact Angie Poole on 07 5437 9900 or email atpoole@poolegroup.com.au

Education Tax Refund

The education tax refund (ETR) helps eligible families with the costs of educating their children. You can claim the ETR for education expenses you incur while your child attends primary or secondary school, with refunds provided of up to 50% on a range of children's education expenses.

For the 2010-11 tax year refunds can be as much as:

- $397 for every primary school student (a 50% refund for expenses of up to $794 per child), and
- $794 for every secondary school student (a 50% refund for expenses of up to $1588 per child).

Keep your receipts. You need them to calculate your refund! If you are unsure keep them and we can check with you when we prepare your tax returns.

What can I claim?

Eligible expenses include the cost of buying, establishing, repairing and maintaining any of the following items:

- home computers and laptops
- computer-related equipment such as printers or USB flash drives
- computer repairs
- home internet connections
- computer software for educational use
- school textbooks and other printed learning material, and
- prescribed trade tools for secondary school trade courses.

If these expenses are incurred for more than one eligible child, you can share the expense between the children. If your expenses exceed your refund limit for the year, any excess can go towards your following year's refund claim, as long as you are still eligible.

Who is eligible?

You are eligible to claim an ETR for the period 1 July 2010 to 30 June 2011 if:

- you received family tax benefit (FTB) Part A for the child,
- a payment was made for the child that stopped you from receiving FTB Part A for that child, or
- your child stopped full-time school during the year and received enough income to stop you receiving FTB Part A.

How do I claim?

Parents can claim the ETR for eligible education expenses through their 2011 individual tax return at the end of the financial year. If you are not required to file a tax return you can apply for the ETR directly through the Australian Tax Office.

For more information on the Education Tax Refund please call our office or check online at www.educationtaxrefund.gov.au.

Did you know...

- That the **ATO have 12 month interest-free payment arrangements** available for small business with a turnover of less than $2 mil. If you have an outstanding ATO debt please feel free to contact the ATO or Poole Group to take advantage of this concession.
- **Youth Allowance** - recipients are able to claim a tax deduction for educational expenses such as textbooks, stationery, computer depreciation etc.
- **Bad Debts** - To claim a tax deduction for bad debts they must be written off prior to the year end and an adjusting journal entry must be made in the books prior to 30th June;
- **iPad** - ATO have confirmed that the iPad can be claimed under the Education Tax Refund (to the extent it is used for study purposes);
- **Gifts to Clients** - An income tax deduction is available for gifts of alcohol or food hampers given to clients provided they are taken away for private consumption. This means that gifts made where there is an immediate consumption such as in a restaurant are non deductible. Gifts of other items such as cosmetics and perfumes are also tax deductible and GST may be claimed;
- **Salary Earners and Negative Gearing** - It is possible to have your PAYG Withholding reduced if you are a salary earner who has negatively geared investments. Please feel free to contact the Poole Group to discuss.
- **Superannuation** - only tax deductible when paid. Therefore ensure your superannuation contributions are actually paid prior to 30 June to enable a tax deduction to be claimed;
- **Freight** is included in the cost of the asset i.e. if you purchase a computer for $1,000 and incur $100 of freight charges the total cost of the computer is $1,100.

Australian Government Disaster Recovery Payments of up to $1,000

Individuals affected by the floods may be eligible for payments of $1,000 per eligible adult and $400 per eligible child. You may be eligible if any of the following apply:

- you were seriously injured;
- you are an immediate family member of an Australian killed as a direct result of the disaster; or
- your principal place of residence was destroyed;
- your principal place of residence sustained major damage;
- you were unable to gain access to your principal place of residence for a period of 24 hours or more;
- you were stranded in your principal place of residence for a period of 24 hours or more;
- your principal place of residence was without electricity, water, gas, sewerage services or another essential service for at least 48 hours (a utility failure) and the utility failure was caused by damage to public or private infrastructure; or
- you are the principal carer of a dependent child who has experienced any of the above.

Accomplish CashManager

Accomplish Cash Manager

We have been advised by Accomplish that they are saying goodbye to some of their older Cash Manager versions and moving forward.

As of 30th April 2011, they will no longer support any versions older than Version 10. Please refer to the information below for further explanation.

If you are still using one of these versions, this notification does not mean you have to stop using it.

It just means if you have a problem Accomplish will not be able to assist you – mostly because they no longer have the knowledge in house on how to fix these problems anymore.

Effective 30 April 2011, the following Accomplish products will be retired.

ALL VERSIONS OF:

- AccountManager
- BankManager
- CreditManager
- CashManager Version 7
- CashManager Version 8
- CashManager Version 9
- CashManager DOS ALL VERSIONS
- Report Writer in all Plus versions

To explore your options on updating to the latest version please contact us.

Diabetes in the Spotlight

What is Diabetes?

Diabetes is a chronic disease. For our bodies to work properly we need to convert glucose (sugar) from food into energy. A hormone called insulin is essential for the conversion of glucose into energy. In people with diabetes, insulin is no longer produced or not produced in sufficient amounts by the body. When diabetics eat glucose, which is in foods such as breads, cereals, fruit, starchy vegetables, legumes, milk, yoghurt and sweets, the glucose stays in the blood instead of being turned into energy. This is why blood glucose levels are higher in people with diabetes. Glucose is carried around your body in your blood. Your blood glucose level is called glycaemia.

Type 1 Diabetes

In type 1 diabetes the pancreas stops making insulin. Without insulin, the body's cells cannot turn glucose (sugar), into energy. Without insulin the body burns its own fats as a substitute. Unless treated with daily injections of insulin, people with type 1 diabetes accumulate dangerous chemical substances in their blood from the burning of fat, which can be life threatening if not treated.
To stay alive, people with type 1 diabetes depend on up to four insulin injections every day. They must test their blood glucose levels several times daily. The onset of type 1 diabetes typically occurs in people under 30 years, but can occur at any age. About 10-15% of all cases of diabetes are type 1.

Type 2 Diabetes

Type 2 is the most common form of diabetes, affecting 85-90% of all people with diabetes. While it usually affects older adults, more and more young people, even children, are contracting type 2 diabetes.
In type 2 diabetes, the pancreas makes some insulin but it is not produced in the amount your body needs and it does not work effectively.
Type 2 diabetes results from a combination of genetic and environmental factors. Although there is a strong genetic predisposition, the risk of type 2 diabetes is greatly increased when associated with lifestyle factors such as high blood pressure, overweight or obesity, insufficient physical activity, poor diet and the classic "apple shape" body where extra weight is carried around the waist.
Type 2 diabetes can often initially be managed with healthy eating and regular physical activity. However, over time most people with type 2 diabetes will also need tablets and many will also need insulin. It is important to note that this is just the natural progression of the disease and taking tablets or insulin as soon as they are required can result in fewer complications in the long-term.

Are You at Risk?

In Australia, nearly two thirds of men and half of all women are overweight or obese. This is a key factor in the alarming rise of type 2 diabetes. Yet up to 60 per cent of diabetes cases could be prevented, or at least delayed, by people maintaining a healthy weight. The main keys to long-term weight loss and reducing your waist measurement are healthy eating and regular physical activity.

Fast Facts

- 275 Australians develop diabetes every day
- Diabetes is Australia's fastest growing chronic disease
- Nearly 1 million Australians are currently diagnosed with diabetes
- For every person diagnosed, it is estimated that there is another who is not yet diagnosed; a total of about 1.7 million people
- The total number of Australians with diabetes and pre-diabetes is estimated at 3.2 million
- Diabetes is the sixth leading cause of death in Australia
- Up to 60% of cases of type 2 diabetes can be prevented.

Source: Information in this article courtesy of the Diabetes Australia Website: www.diabetesaustralia.com.au and RiskInfo

Life Insurance: simpler is better

Australia is one of the world's strongest economies and we have one of the highest standards of living in the world. Despite this, often we are not focused on insuring ourselves for short term illness, serious health events and even death.
It doesn't make sense - but it's true. One in five Australian families will endure the death of a parent or see an accident or illness render a parent unable to work. Yet we have one of the developed world's highest rates of underinsurance.[1]

Making insurance better by making it simpler

One of the main reasons people don't have the appropriate insurance in place is its complexity.

Which insurance do you need? Life cover? Trauma cover? Total and Permanent Disability cover? What about income protection? How much of each is right for you? It can be hard to know what to do.
Fortunately, a new product in the Australian market called Macquarie Life Active addresses many of these questions resulting in one simple product which makes sense.
It is based around the idea that you buy a single lump sum of insurance cover which only decreases as you claim against it. This common-sense insurance provides cover not only for death or terminal illness but also for a whole range of Health Events (from accidents and injuries to long-term illnesses and very serious conditions).
Sensibly, payments are made in line with the severity of the Health Event you suffer and not by policy type or occupation. The more serious a health event is, the higher the claim payment.

Cover for life, not just death

Macquarie Life Active covers you anywhere in the world. You can roll optional income protection into your policy and as long as you pay premiums on time, changes to your health, occupation or pastimes will not affect your cover.
Crucially, the cover you buy is holistic - you receive more payments if your condition deteriorates and more payments if you suffer a different Health Event and there's one final benefit for you - you will generally have a minimum level of cover despite your claims history - right through to at least age 65.
They say that in life the simple things are often the best. It appears the same is true when it comes to life insurance.
This article was supplied by Tony Townsend. For risk insurance advice, call Tony on 54918977 or tony.townsend@twassociates.com.au.

[1] Swiss Re Economic Research & Consulting, 2007.

Happenings @ THE POOLE GROUP


RACE DAY


Wine & CHEESE NIGHT




VANUATU CONFERENCE








CHRISTMAS PARTY




Poole Group
Annual Charity
Golf Day

The Poole Group will be holding their Annual Charity Golf Day at Twin Waters Golf Club. All proceeds will once again be donated to CanTeen (The Australian Organisation for Young People Living with Cancer).

Date: Friday 1st July 2011
Time: 7:30am Registration
8am Shotgun Start
Place: Twin Waters Golf Club - Twin Waters
Cost: Sponsorship Team (4) $660
Banners displayed on course
Individuals $99

If you would like to enter a Team as a sponsor or play as part of a team, please direct all enquiries to Angela Poole: atpoole@poolegroup.com.au or phone 5437 9900

Costs includes: Cart Hire, Green Fees and BBQ Lunch

We would also like to hear from anyone who would be happy to donate prizes for our Mega Raffle and Mini Auction.

Any Local businesses who wish to donate can also arrange with Angie to have their Business advertised on the day and in our September Newsletter.

Superannuation Fund Purchasing Property in the Land of the Samurai

Often clients ask me about specific investments that they would like to make with their Self Managed Super Fund. Recently I was in a discussion with a client about the potential purchase of Real Estate in Japan.

This got me thinking:

Given Australia's growing economic ties with Asia, did the asking of this question represent an investment opportunity for me, myself and the Poole Group? My first thoughts of Japan were the old stereotype of "An apple a day keeps you broke in Japan. "I had heard that everything was too expensive in Japan. With a population of close to 130 million and a standard of living similar to Australia, maybe in an open global economy this stereotype was no longer valid.

Numerous Movies have highlighted the fact that Japan is a country steeped in history, tradition and a culture very different from the rest of Asia, maybe a little like England in relation to continental Europe. That may be the case but Japan has an economy that is the same as many of the economies of Western Europe. Japan has the advantage that it counts as its neighbours some of the real power houses of the "New Emerging Economic World Order", namely China, South Korea, Taiwan and Vietnam. Further, it has a long history of engagement with Western Nations in the Asia/Pacific region such as the USA and Australia. So, armed with these facts I thought that maybe the time was right to open the mind and find out some more.

I started to do some research, which culminated in a recent trip to Japan to get a first hand feel for what could be done and how costs play out. With regard to both points I was pleasantly surprised. I would dare to say that many investors would be surprised at the prices of Real Estate investments in Japan once you have converted the prices to Aussie Dollars. As I have a particular professional interest in advising clients on Self Managed Superannuation, I was keen to see how property could help in this area.

Self managed superannuation funds can purchase Real Estate as a general principle however any purchase of Real Estate should only be acquired after consideration is given to the following core principles:

- Is the purchase consistent with the Sole Purpose Test?
- Is the purchase consistent with the Investment Strategy of the Fund?
- Is the purchase consistent with the rules associated with purchase from an associated party?
- Is the purchase consistent with the Borrowing Rules associated with Superannuation?
- Does the purchase provide Audit problems for the Fund?

Assuming the above rules are satisfied then as a general principle a SMSF may purchase Real Estate in an overseas jurisdiction.

With regard to Japan I was able to make the following personal observations. Many economic commentators speak of Japan's economic performance as being sub-par in the period 1985 to 2000, often referred to as the lost decades in Japan. However, when compared to many other Western Economies, Japan seems to have weathered the financial storm of recent years better than most. Maybe this was because it went through its economic pain prior to 2000. Japan in the past has shown us its ability to export its way out of financial problems and with Asia continuing to grow, maybe better days are ahead for Japan, its economy and in turn its property market.

Further, I have noticed an increased interest in Japan. From an investment point of view, a number of associates have taken a keen look at Japan, particularly so in the number of large Japanese Ski resort areas.

During my recent trip to Japan, I was pleasantly surprised by the relative cheapness of property.

Locals told me that during the last 15 years, prices of land and buildings had fallen significantly in both the city and country areas. Unlike the west, houses in Japan can be compared to depreciating assets such as cars and equipment. Over time the value of the houses decline slowly until only the value of the land remains. The usual house life quoted is approximately 25 to 30 years. This is so different to Australia where a home could be 30, 40 or 50 years old and still going. In recent years the materials used in Japan has increased in quality and this has extended the life of the properties, so recently constructed properties in Japan may present real opportunities for investors. In the Hakuba Valley west of Tokyo, there are over 700 accommodation houses. Many were built and acquired during the golden years of the Japanese ski boom and purchasers paid inflated prices. Many of these same owners are now approaching retirement and are burdened with high debt over properties that are worth a fraction of what they paid.

Sadly this set of economic circumstances create opportunities for others. Foreigners and non-residents are able to buy real estate in Japan. Given the strength of the Aussie Dollar against a number of currencies, more Australians may be interested in researching investments overseas.

To purchase property in Japan, generally the buyer first signs a Commitment to Purchase. This document means the real estate agent can take the property off the market to prepare the sales documentation. It will take about one week for the agent to draw up a statement of important matters and a real estate contract. Generally when the contract is signed a deposit of 10% or 20% is payable. In Japan the deposit is paid directly to the seller, with the balance payable in about four weeks time. At this time the solicitor registers the transfer of title and creates the title deed.

Given that many Investors may not live in Japan, there are a number of property management companies set up in Ski areas such as Hakuba that deal with the management issues associated with maintaining the properties in high snow fall areas.

Unfortunately, it is very difficult for a non-resident foreigner to obtain financing for a Japanese situated property from a Japanese bank. With this in mind careful cash flow planning is essential before even contemplating any purchase.

All over the world property purchasers seem to attract the interest of Government from a taxation point of view and Japan is no different. At purchase, a buyer will need to pay an acquisition tax. This is assessed at 3% of the council's evaluation of the value of the real estate in question. From January 1st of the year following the purchase, the buyer will be eligible to pay fixed asset tax. This is calculated at 1.4% of the council's evaluation and is payable in May of the same year. For individuals selling on for a profit within 5 years, a capital gains tax is levied in the region of 40%. These taxes are in addition to any taxes that may be payable in Australia, by Australian resident taxpayers.

Obviously, with all these different rules it is important to source Solicitors in Japan. Their role is to check the real estate contract and statement of important matters and explain the issues to you. They prepare the necessary information, register the title transfer and create the title deed. The solicitor should also check that the real estate in question is free of debt. Strictly speaking the "solicitor" involved during the real estate transaction is actually a judicial scrivener. The legal responsibility to ensure all the information regarding the property is correct lies with the Real Estate agent and the Transaction Manager. They can be held legally responsible for providing false information, intentionally or negligently.

The research trip was definitely worthwhile, it highlighted to me that we truly live in a global community with enormous opportunities to invest. Sure the economies of the world have been battered lately but the principles are always the same. Regardless of where we live in the world eventually people move on in an attempt to make the best of the time they have been allotted. It is this desire that creates economic activity and investment opportunities that in some cases mix adventure with investment.

Lets see in my retirement years how owning and operating a "Bed and Breakfast" in the ski fields of Japan sound? Now there is a change of life plan to discuss with the wife!

Continued from page 5

At the Poole Group we have staff who specialise in Superannuation and Property investments. Further we have contacts/staff who can speak foreign languages including Vietnamese, Japanese, Mandarin and French. We see our roll as assisting our clients as much as we can so please get to know us, understand what we can help you with and don't be afraid to ask the questions. I am considering putting together a seminar and fact finding trip to Japan in mid January 2012. At this stage the idea is in its infancy but if people are interested I will research some more, so let me know if this sparks any interest and by all means refer us to your friends.

FROM THE DESK OF THE SUPER FUND TEAM - David Darrant, Stacy, Maxine and Anthony. For any questions please give us a call on (07) 5437 9900.

Okonomi - Japanese for 'favourite' by Stacy Barnes

Before commencing my accounting career specialising in Superannuation, I trained as an apprentice chef for a few years. The success of a good meal and successful dinner party requires careful planning, the best of quality ingredients, the advice of your cookbook and a clear focus on what you like and wish to achieve.

Think of retirement planning through superannuation as preparation for your ultimate retirement dinner. You want to enjoy it. Superannuation is a lifestyle choice and your investments must be a recipe to suit your appetite. Take a look at your Super and ask yourself does this suit my taste,am I satisfied, do I crave something different, should I try something new and is it my favourite?

NOT FOR SALE - National Treasure

At the end of the day we have an opportunity to control our retirement and as a result our lifestyle, so choose what you hunger for and make it happen.

Okonomiyaki - Japanese Pancake (Traditional Recipe) Serves 4

Ingredients:

200g thinly sliced Pork Belly (can substitute with seafood/vegetables)
200g Cabbage
4 Green onions
Red pickled ginger to taste

Batter:

140g wheat flour
2/3 cup water
45g Yam peeled & grated
4 eggs
1/2 tsp salt

Topping:

Nori (seaweed), Vegetable oil, Chuno (Like BBQ Sauce) & Japanese Mayonnaise

Method:

1. Beat the eggs and add all batter ingredients, then all other ingredients.
2. Heat large pan with a tbsp of vegetable oil
3. Pour in the mixture and cook on medium heat for 3 minutes our until golden brown
4. Turn and cook for another 3 minutes, then reduce heat to low and cook both sides for another 3 minutes each.

Top with Chuno, Japanese Mayo, Nori and Bonito flakes to your liking.
Ingredients now available at Woolies/Coles or Asian food stores.

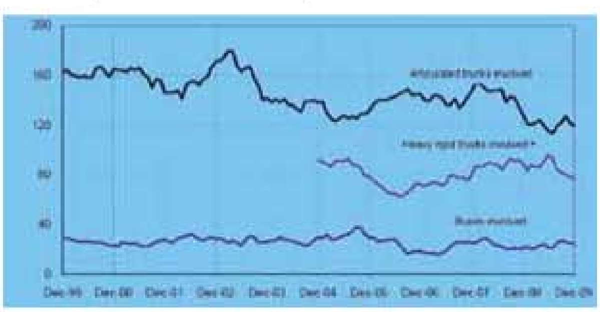
Transport Industry

According to the Bureau of Infrastructure, Transport and Regional Economics, not only does road transport account for approximately 72% of freight carried throughout Australia but more than most countries, we are heavily reliant on road freight because of our low population density and the long distances between markets. In many urban areas, trucks are the primary means of freight distribution and are the only freight transport mode available in many regional areas.

The hire and reward freight sector of the trucking industry is estimated to contribute $18 billion to national income (approximately 1.7% of GDP). Heavy vehicle registrations for 2006-2007 numbered 428,321 (including 35,557 buses) with an additional 187,187 heavy trailers.

In addition to the income it generates, trucking is a relatively labour intensive industry and is a significant source of employment. In 2007-08, the Commonwealth Department of Education, Employment and Workplace Relations reported there were almost 180,000 truck drivers engaged in the industry, with many more thousands of workers employed as mechanics, schedulers, workshop managers, fleet managers etc.

Despite the sizeable contribution road transport makes towards employment and GDP, the industry still generates bad publicity because of the number of truck accidents. While there has been a slight reduction in the number of heavy vehicle crashes during 2009, we still experienced 211 heavy vehicle accidents on Australian roads accounting for 246 deaths. The National Transport Commission estimates that heavy vehicle crashes cost approximately $2 billion each year.



Source: Regulatory Impact Statement, Australian Govt. Figure: Australian fatal crashes involving heavy vehicles for ten years ended December 2009

Given the diverse nature and demands of today's transport industry, it is of utmost importance to select an astute insurance company who provides a tailor-made product for this sector. There are a number of Insurance Companies now who are providing a bundled insurance package.

The transport package typically provides protection for the Motor Fleet, including prime movers and goods carrying vehicles, Sedans, Utilities etc, Business Resilience Cover (provides payment for loss of income when a motor vehicle from your fleet is a total loss or your prime mover is involved in an accident) and Combined General and Products Liability Section.

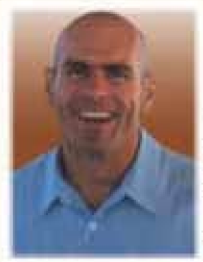
Rounding off the bundled transportation product are two marine cargo covers - which are:

Goods in Transit (Carriers) Insurance with cover for loss or damage to goods carried or death of livestock while in a carrier's care, custody and control.

The Carriers Cargo Liability policy covers the liability of the carrier in the event that it is found liable for loss of or damage to goods or death of livestock whilst in their care, custody and control.

If you are a transport operator, please contact Jennine from Poole General Insurance Brokers on 07 5437 9900 for further information and a quotation.

Source: Zurich and Associated Marine Insurance



A word from Kirk Themes for thought

We are nearly to the end of the reporting season and there hasn't been too many surprises, corporate Australia is in pretty good shape. One of the most important events that has occurred though was the lifting of dividends by CBA from $1.20 to $1.32 or 10%. This is a return to growth experienced by the major banks who are unloved at present. There are a couple of themes that we are following here at Poole & Partners Investment Services (PPI) that is the resource sector, agriculture sector and the banking sector. We are positioning our portfolios accordingly to capture opportunities that shares can offer us by investing in these themes.

Resources

Firstly, resources have outperformed any other sector since the start of the financial year and we are very happy with our overweighting to BHP and RIO. BHP's reported a record profit (again) and our research from some of the best brokers suggests a $56.12 month share price target. RIO Tinto is also looking attractive with some discussing $107 plus over a 12 month time frame. Whilst these commentators are talking about stock specifics, we look at some broader statistics that help our decision to invest in resources:

- Emerging markets (EM) have expanded by 7% and the IMF forecasts average growth of 6.5% out to 2015.
- Chinese iron ore imports rose 19% in January to a record 68.97 million tonnes.
- Billionaire George Soros says "overall in Europe it's not that bad, there's growth".
- The world is underinvested in US shares and the fund flow is shifting. Since March 2009 there has been over US$110 billion of outflow from US markets. Over the last 4 weeks US markets have seen the largest inflows in 8 years. Confidence is returning to the US market.

The expansion of EM economies will continue to fuel the need for Australia's prized assets and there is a multitude of information about this expansion. It appears that the "stronger for longer commodity cycle theory" remains intact.

Agriculture

If you do your family shopping you will notice the cost of food has gone up and the RBA suggests that inflation for this sector will continue. The largest implication that I see despite National floods and other natural disasters is the simple fact that Chinese businesses are preparing for a multibillion dollar push into the Agriculture sector to secure food supplies.

This can be backed up by:

- Stronger EM economies looking at more affluent diets as their national incomes rise.
- World population is expected to increase by approximately 2.2 billion by 2030 from the current population of 6.7 billion.
- 600 million people are expected to move from rural areas to cities by 2020 with 60% of the world's population to live in cities by 2030. (*Source: USDA Foreign Agricultural Service*).
- Recent QLD floods are estimated to have caused a downgrade of 50% of Qld grain crops alone (*Source: International Business Times, Jan 4 2011*).
- The cost of fertiliser is expected to increase between 15 – 20% during 2011. (*Source:The Australian December 15 2010)*.
- Demand for biofuels will continue long term.

Some stocks that may be of interest due to these structural changes could be Graincorp, PrimeAg Australia, Australian Agricultural Company and Incitec Pivot.

Banks

Australian banks have been trading very flat over the last 12 months but they have paid some excellent dividends over the period. One of the reasons why they have traded flat is that offshore hedge funds have heavily shorted Australian banks, as they question why Australian house prices haven't collapsed like they saw in UK, Europe and the US.

Though housing prices in some areas may be still overvalued the earlier run up in prices was not associated with the usual symptoms of a "speculative bubble". I feel that what we are seeing is a period of stagnation rather than outright falls particularly due to the undersupply of housing that still exists in Australia.

It should be remembered that there are just 8 banks in the world rated AA and the big 4 Australian banks are all in there. So why do we still buy them:

- Their dividend yields are very attractive. Average 2011 dividend yield fully franked NAB 7.2%, Westpac 7.1%, CBA 6.4% and ANZ 6.2%. Now add on the imputation credits in a tax effective super structure (an extra 42.85% dividend return).
- Overall statistics on Banks are all attractive:
  - Absolute PE is 10 times average of 12.5 times
  - Relative PE to Industrial sector is currently trading at 33% discount to its long term average. (what this means is that it is trading cheaper than the industrial sector).
- They are also disliked at present due to the government rattling sabres over regulation and competition but if you consider the period from 2004 to 2007 when there was a massive expansion of lenders and aggressive marketing from Wizard, Aussie , GE RAMS etc., and they were all coming to take on the local Big 4, then you would have missed the run in CBA from $29 to $59.

In Summary

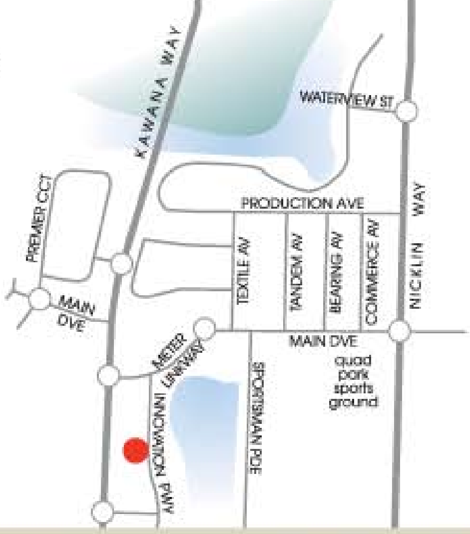
Confidence has started to climb back to stock markets.

Some market commentators are expecting the Australian economy to accelerate by 4.5% and that our market (ASX 200) could rally to 5600 by the end of the year. Other forecasts include Resource's earnings per share growth would be up to 40%. If they are correct then the 4.5% dividend that the market is paying with growth of 12% could provide share investors a solid return of 16.5% for the year. However inflationary pressures still remain high. This will mean a lot more stress for large mortgage holders and may stall the retail sector whilst online shopping takes greater market share. Overall, though our market looks to be in fairly good shape at present there may be some impact on a high Australian dollar on companies that export to the global economy. With the latest round of company reporting behind us this new information should be the catalyst to adjust portfolios from their current investments and sweep out any underperforming stocks.

Good investing *Kirk Jarrott*

Advice Warning:

Please be advised that this is for general discussion purposes only and that any material published in this report is not specific advice.



Poole Group
ACCOUNTANTS & INVESTMENT ADVISERS

Level 1, Stockland House,
8 Innovation Parkway,
Birtinya Qld 4575
P.O. Box 206, Mooloolaba Q. 4557

P: (07) 5437 9900
F: (07) 5437 9911
E: poole@poolegroup.com.au
W: www.poolegroup.com.au