

# Focus



October 2010

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## Woolworths Buy-Back Offer

### Share Buy-Back Offer

Woolworths have recently mailed out to all existing shareholders information on a buy-back offer, whereby Woolworths will be offering to buy back shares from existing shareholders at a discounted share price. Please note, shareholders are not obliged to partake in this offer.

Shareholders will have the right to nominate the discount that is applied to their buy-back ranging from 8% to 14%. Woolworths is however not obliged to follow through with buying back these shares.

Effectively, at the end of the buy-back offer Woolworths will assess the discount they will be prepared to accept and apply that to all participated buy-back offers equal or greater to that amount. For example, if Woolworths decide to accept a 10% discount, then any shareholders who have offered a buy-back discount at 11% or greater will be purchased at the 10% discount. However, any shareholders that offered 9% or less will not be accepted and the shares will remain with the shareholders.

Please be advised that any client participating in this offer will be effectively selling their Woolworths shares at **less** than current market value.

Woolworths have received an indication from the ATO that the capital component of the buy-back price will be \$3.08 and that all of the other buy-back price in excess of \$3.08 will be treated as a franked distribution. No brokerage is charged on this as it is an off market transfer.

For further information about this offer, please contact your Focus Private Wealth Adviser today and make sure to read the Woolworths Off-Market Buy-Back Booklet for further terms and conditions.

## Catalyst

Catalyst Asset Management



Have you spoken to your Focus Private Wealth Adviser yet about Catalyst?

## Instreet ARC - Series 4

Closed 30th September 2010



Keep an eye out for Instreet ARC - Series 5!

## Interest Rates

### Interest Rates Ready To Lift, Says RBA

The central bank has given a clear sign it is ready to lift its policy interest rate if Australia's economic strength continues to point to higher inflation, the minutes of its September board meeting show.

The Reserve Bank left the cash rate untouched on September 7 after board members weighed the risks of a second global shock against a booming domestic economy.

The RBA said its decision to hold the cash rate at 4.5 per cent for the fourth straight month was partly based on perceived risks for a subdued global economic outlook, including a renewed downturn in the US.

"The central scenario remained for the Australian economy to grow at trend pace, or a bit above, over the next few years," the minutes said.

"While policy had to be alert to these risks, members considered that if the central scenario came to pass it was likely that higher interest rates would be required."

An interest rate rise of 25 basis points will add about \$48 dollars a month to repayments on a \$300,000 mortgage.

The central bank has held the cash rate at 4.5 per cent since it took it there from 4.25 per cent in May.

Since October, the RBA lifted the cash rate from 3 per cent in six quarter of a per cent increments.

Balancing the risks of a major downturn in the US or slower than anticipated growth in resource hungry China, against the comparatively healthy Australian economy, the board decided to leave the rate on hold in September.

The board noted the June quarter underlying rate of inflation had moderated to 2.7 per cent, to be within the two to three per cent target band set by the RBA.

However, the bank noted booming investment in the mining sector posed a threat to low inflation.

"Members observed that previous investment booms and increases in the terms of trade had posed

significant challenges for economic policy, and that high levels of resource utilisation were likely to put pressure on inflation."

While the bank was aware of the risks posed to the global and domestic economy, the board

decided there was no need to lift the rate in September.

"For the immediate decision, there had been no significant change in the overall outlook, with conditions looking a little stronger domestically than they had at the previous meeting, but looking a little weaker internationally," the minutes said.

"With the (Australian) economy currently growing at around its trend rate ... the board's assessment

was that the current setting of monetary policy remained appropriate for the time being."

The futures market on Monday is priced in a one in three chance the RBA will take the rate higher in early October following a speech in regional Victoria by RBA governor Glenn Stevens.

Mr Steven told his audience that the bank's task in the future will be to manage a robust economic upswing.

"Part of that task will, clearly, fall to monetary policy," he said.

Source | [News.com.au](http://News.com.au)

## Investment Dictionary

### What Does The Term "Ex-Dividend" Mean?

The term is used to refer to a share that is no longer carrying the right to the next dividend payment because the settlement date occurs after the Record Date determining the holders who will receive the dividend. For example, if ABC common share goes ex-dividend on April 1st, an investor purchasing the stock on or after that date will not receive the dividend payment in the next period.

Source | [Investment-dictionary.com](http://Investment-dictionary.com)

## Currency

### Dollar Dazzles As It Breaks Through US96c

The dollar has broken through the 96 US cent barrier to reach a two-year high but forecasting its next move is a mug's game.

AAP reports that the local currency hit its highest level since it touched 97.92 US cents on July 25 2008, this morning.

This strength is impressive, but guessing where it goes next is little more than a game of hit and miss. The surge in the Australian dollar has people salivating about cheap overseas holidays, cheap cars and also cheap electronics.

The most common question we're asked at the moment is: "Should I convert my holiday spending now or will the dollar go up even higher?"

Our answer is always: "If you're happy with the current rate, then do it now because no one has any idea of what the currency will do in the future."

Just to give you an idea, the highest the Aussie dollar has reached against the US dollar is US98.5, back in July 2008.

The lowest is US47.75 in April 2001. In just the last month, the Aussie dollar has risen more than 6 per cent.

But since Paul Keating floated the Australian dollar 27 years ago, the average value against the US dollar has been in the mid US70 range.

That's a big range for such a small economy. In fact, the Aussie dollar is the fifth most traded currency in the world.

A higher Australian dollar means cheaper imports but less competitive exports. So it's a two-edged sword.

We're not even going to pretend to know with any certainty about where the Aussie dollar will go next. But looking at how it got to this level will provide some pointers on what to look for if circumstances change.

The major reason the Aussie has shot up is because the US dollar has been absolutely crushed over the past year.

The US economy is struggling to achieve any sort of significant rebound from the global financial crisis.

Unemployment remains high (9.6 per cent) and there is very little job creation.

As a result, American consumers (the people who drive that economy) simply aren't spending because they're scared of losing their jobs. Plus, the housing market has been savaged and millions of Americans have either been turfed out of their houses or are sitting on massive property losses.

The second reason the Aussie dollar is doing so well is we pay higher interest rates than most other countries.

We're not only at record highs against the US dollar but also the euro, British pound, Japanese yen and NZ dollar.

At any one time, there are billions of investment dollars swishing around the world electronically from big investment funds chasing the best interest rate returns. Because we have such a strong economy, our interest rates are higher than other major developed countries, so a lot of that investment cash is coming here, which pushes up the currency further.

Overseas investors also see our currency as a great commodity hedge. High commodity prices mean the economy is stronger and a good place to invest.

While our economy is riding the commodities boom, all markets move in cycles and the good times won't last forever.

Analysts say that if the currency gets above what's called a "resistance level" of US96.5, it could head higher towards parity with the greenback. Others say the currency is overvalued by 25 per cent.

That's why we don't forecast currencies. We just look at what's affecting them and try to anticipate if any of those conditions change.

Source | National Features / News.com

By David & Libby Koch - 27th September 2010

## Superannuation

### Image Improves, But Funds Still Viewed As Not-So-Super

Sentiment towards superannuation funds has improved for the first time since the onset of the global financial crisis in 2008 but more than half of working Australians still distrust their super fund.

The latest Mercer Superannuation Sentiment Index, based on a survey of 1000 people in June, showed sentiment improved 3 points to 40 out of a possible 100.

Sentiment towards super had been falling since the first survey was conducted in June 2008, reaching a low of 37 points in December last year, The Australian reported.

"Confidence in superannuation took a hit with the share market volatility," Mercer Partner Heather Dawson said.

The survey also found more than half still don't trust their super fund, with only 49 per cent describing their main super fund as trustworthy.

However, Mercer said feelings of trustworthiness were linked strongly to the level of knowledge of super. Among those who regarded themselves as having high knowledge, 81 per cent trusted their

main super fund while only 39 per cent in the "low knowledge" category felt the same.

Mercer noted sentiment towards super had improved with the rise in the share market in the first half of this year but warned the improvement lagged the improvement in the market, therefore the fall in the share market since its post-GFC high in April may again have turned people against super and it was yet to show up in the index.

Many super funds have struggled to outperform the share market or even cash over the past decade.

Recent research from Superratings showed the average balanced super fund, in which 80 per cent of workers have their retirement savings, returned an average 4.51 per cent

a year over the past 10 years, less than an equivalent investment in Australian shares and barely ahead of a cash deposit.

Among top concerns about super from the Mercer survey were low returns and not having enough funds for retirement.

Should you wish to speak with your Focus Private Wealth Adviser today about your super fund, please do not hesitate to contact our office to arrange a review meeting.

Source | The Australian / Focus Private Wealth

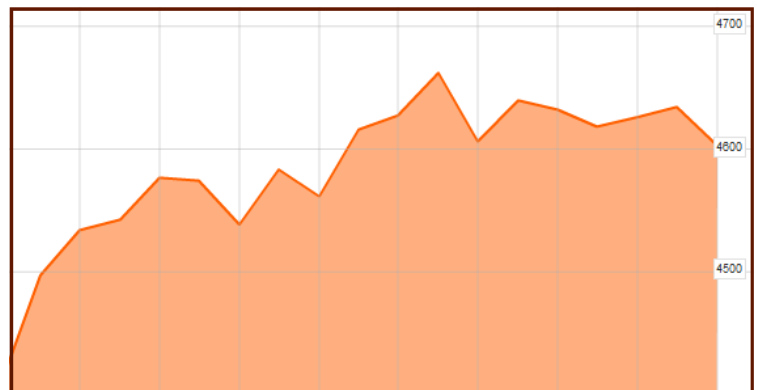
## Australian Equity Market

S&P / ASX 200 - September 2010

1st September 2010 to 27th September 2010

Month High: 4681

Month Low: 4513



Source | Commsec / Bloomberg

### QR National Share Offer

The QR National Share Offer is expected to open on Sunday, 10th October 2010. For further information in regards to this Share Offer or to pre-register to receive a Share Offer Document, please refer to the following website link:

<https://qrnshareoffer.com.au>

The price of the Shares has not yet been determined. The Queensland Government will announce details of how the price will be determined once the QR National Share Offer opens and these details will be available in the Share Offer Document.