From: Christoph Schnelle
Subject: The current share market
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Attachments: Share market client circular 22-01-2008.doc

Dear Clients and Friends,

The news from the share market has been bad lately. Is there anything to do?

The short answer is No. Read on for the slightly longer answer.

Shares have been returning about 7% per year more than bonds over the last 100 years and bonds have returned on average more than cash in the bank.

Then why isn't everybody buying shares rather than bonds or leaving their cash in the bank?

Because of times like these. You get a higher return in the long run with shares but you pay for that higher return with more ups and downs ("increased volatility" is the technical term).

Right now we are experiencing the 'Down' part of the volatility and for most long term investors who have invested the right way, the best action is simply to wait.

I invite you to call me and talk to me about your particular situation. It is times like these where you earn your money as an investor and we are very glad to help you through them.

Kind Regards,

Christoph Schnelle

Attached is a circular written by Peter Mancell from FYG Planners, our licensee.

Christoph Schnelle

Adv. Dip.FS(FP) Appointed Representative 308223

'Providing clear and up-front financial knowledge -
so that the client is truly served by being completely informed.'

Recent share market falls have been both large and rapid. A similar 20% decline in a matter of weeks occurred in 1998 only to rebound strongly.

Some are saying a “bear market” (an extended period of lower share prices) has begun and further falls are possible. Others choose to believe a rally in share prices is not far away…only time will tell which proves to be right because no one really knows.

Even with today’s strong fall across the local and global equity markets, share prices (whether they are held in your superannuation fund, allocated pension or investment portfolio) are just below where they were in August ’07 and still higher than they were 18 months ago. The 5 year returns are still above 10% per annum for the global markets and significantly higher for local shares.

Shares have been returning about 7% per year more than fixed interest investments over the last 100 years and fixed interest investments have returned on average more than cash in the bank.

Then why isn’t everybody buying shares? Because of uncertain times like these!

Shares provide a higher return in the long term but with more ups and downs.

Right now we are experiencing the ‘down’ part of the volatility and for most long term investors who have invested in a diversified way, the best action is simply to wait and be patient (as difficult as that may seem).

It is also important to remember that all shares being sold at current lower prices are being bought by someone else who sees value. For investors patience is usually rewarded and those who panic are usually punished to the advantage of those who remain patient.

Over shorter time periods (up to, say, a few years) share markets are inherently volatile places. What has been unusual has not been the volatility of recent months, but rather the lack of much volatility for the previous few years. Investors in shares need to be aware of this and remain invested for the longer term. History has numerous examples of share markets tumbling and nervous investors bailing out, only to miss an eventual recovery.

We continue to believe that trying to either forecast market returns in the short-run, or make short-term changes to asset allocation are both futile. Investors with a well-diversified investment strategy in place - a strategy that includes both Australian and global shares, among other asset classes - formulated as part of a long-term financial plan, should not be unduly concerned with the markets' recent moves.

The two biggest components of a good financial plan are, an assessment of your long-term financial needs and goals, and an assessment of your appetite for risk. If either of those two components has changed, please call us. If they have not, then it is most unlikely that anything has happened in the past few weeks to trigger a change in your strategy.

Finally, our belief in the ability of capitalism to drive investment returns in the longer term remains unwavering.

Sincerely,

Peter Mancell