

MONITOR



...and the trading band continues

Greek debt crisis, Spanish unemployment, China slowing, US double dip recession - right now, it's all bad news. But is bad news really good news? These negative sentiment factors are all known by the market. The market tends to be priced on future expectations, not what is already known by the market place.

In the December 2010 quarter we wrote:

"In the past few months the market has traded in a 10-15% band as we swing from the glass being half full to half empty. This volatility is likely to continue for some time, but we suspect with an upward bias.

Since the last MBM the market has continued to trade within this range, however, the trading band has been narrower, with the market failing to go below the 4550 level."

This has held true for the past six

months, with the exception being on the 8th June when we closed at 4,536. On the day prior and day after this date the market traded below this level, only to close the day above the 4,550. RBSM technical analyst believes that the market risks trending back to the 4,400 level now that a previous key resistance level of 4,585 was broken.

We're not quite sure. Below is a graph of the ASX200 that made its first appearance in our quarterly MBM in 2002. The trading band delineated by the two lines still provides a good long term (20 yr) perspective when trying to make sense of all of the short term noise thrown at us from the media.

As you can see, we are again right towards the bottom of this trading band. This does not necessarily signal an immediate recovery, but it does mean that a bounce is getting more and more likely in the short term.



Stock Review Nufarm Reset Pref. Share

Nufarm Reset Preference securities (NFNG) are an ASX listed Income Security. They have been issued by the parent company, Nufarm Limited (NUF). NUF is a global agricultural chemical company involved in the registration, manufacture, marketing and sale of branded, off-patent crop protection products such as herbicides, fungicides and pesticides. It holds either the number one or two position in each of its core products.

NFNG were issued by NUF in November 2006 with a reset date of five years. On this reset date, November 2011, NUF has the option (at their sole discretion) to redeem the security for its face value (\$100), convert the securities into ordinary shares (at a 2.5% discount so holders would receive \$102.50 of ordinary shares), or step up the security.

If the security is stepped up, NUF must increase the income distributions on the securities by 2.00% so that moving forward on an ongoing basis they will pay 3.90% plus the 90 day BBSW per annum. Based on current rates this would equate to an annual distribution of \$8.90 per annum. This would put it on a running (annual) yield of 11.43% based on their last traded price of \$77.80 per security.

NUF had several downgrades to profits over 2009 and 2010 but earnings seem to have bottomed, along with the parent companies share price. On a worst case scenario, we believe a perpetual security yielding 11.43% per annum is an attractive investment.

Last Chance To Qualify For Super Co-Contribution

What is the Government Co-Contribution?

The Government Co-contribution for low income employees, which applies from 2003/04, is provided by the *Superannuation (Government Co-contribution for Low Income Earners) Act 2003* and associated regulations. The co-contribution effectively replaces the tax rebate to which a low income employee may have been entitled before 2003/04. The Scheme was introduced to allow low income earners the opportunity to increase their superannuation savings for retirement.

How the scheme works

The co-contribution works in the following way:

1. If you earn \$31,920 or less in the 2010/11 financial year as assessable income (including reportable fringe benefits), the Government will contribute one dollar for every dollar you personally contribute into your superannuation, up to a maximum of \$1,000 in that year.
2. Where your income is more than \$31,920 but less than \$61,920 in the 2010/11 financial year, your co-contribution payment will be adjusted based on your income and how much you personally contribute. For example, if you are eligible and your income is \$42,000 and you make a personal super contribution of \$1,000 during the year, you will be entitled to a co-contribution payment of \$664 (this equates to a reduction of \$33.33 for every \$1,000 of assessable income above the minimum threshold).

Eligibility for the payment

The criteria for eligibility is:

- a tax deduction cannot be claimed on the personal contributions; and
- the personal, after tax contribution must be made to a complying superannuation fund in the same year; and
- a person's assessable income for the financial year in which the personal contribution is made must meet the required income thresholds for either a full co-contribution payment, or a pro-rata co-contribution payment; and
- 10% or more of your total income is derived from eligible employment (from 2007/08 this includes self-employed people where at least 10% of total income is earned carrying on a business, eligible employment or combination of both); and
- You do not hold an eligible temporary resident visa at any time during the year and you lodge an income tax return for the year of income; and
- You are under age 71 at the end of the financial year.
- the Australian Tax Office will automatically determine who is eligible to receive the co-contribution and payments will be made to your superannuation fund.

Reminder To Make Your Concessional Contributions Before 30th June

In the 2009 Federal Budget, Treasurer Wayne Swan outlined changes to the concessional contributions limits to apply from the 2009/10 financial year. For the current (2010/11) financial year and next financial year (2011/12), the total concessional contribution (including the 9% superannuation guarantee) limits are:

- \$50,000 for persons aged 50 or over
- \$25,000 for those less than 50

 RBS Morgans

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