



BOUTIQUE

WEALTH MANAGEMENT GROUP

December 2008

AUSTRALIAN FINANCIAL SERVICES LICENSE 247070

WHEN MARKETS BOUNCE BACK

We all know equity markets rise and fall. However the current bear market has worn down many investors. Weary of asking – ‘have we reached the bottom yet?’ – investors want to know when the recovery will come.

Unfortunately, trying to pick the timing of a halt to the current downturn is difficult. But we can observe that the fall in the current bear market in shares is already bigger than the average for such episodes. On November 20 the Australian market was 51% below its 2007 peak; the average bear-market fall is about 33.3%. This makes the current bear market worse than the 1929-1931 bear market, which saw shares fall 46%, and the September to November 1987 crash, which saw shares fall 50.1%. Over the period since 1900, the current bear market is now second only to the January 1973 to September 1974 bear market, which saw shares fall 59.3%.

Also, if measured by conventional price/earnings ratios, share markets around the world are very cheap right now. Price/earnings ratios can mislead; they are only as good as the underlying earnings forecasts. But right now, world equity markets would be fairly priced (neither cheap nor expensive) if earnings were to fall by more than 40% next year. Do we really think that the crisis will be that bad?

There is no doubt that the situation is serious. Recession is now a given in key advanced economies. Japan and Europe have already had two consecutive negative quarters and it is only a matter of time before it is ‘officially’ declared in the US. While the emerging world is coming from a higher growth base than it was in the downturns of the early 1980s and 1990s, momentum there is also fading.

Australia is currently better placed than many countries. Our financial system is less impaired, it has more scope for interest rate cuts, growth in its trading partners is likely to remain above that in the advanced world and the fall in the Australian dollar will provide a boost to domestic production. But even in Australia, the risks are considerable given our high levels of household debt and house prices relative to income, and Australia’s high reliance on foreign capital.

The good news is that policy-makers and governments around the world are now working vigorously to provide circuit-breakers to this

financial and economic crisis, to fear and pessimism. Interest rates are on the way down. Bank deposits have been guaranteed in many countries, including Australia. Governments of the US, China, Great Britain and Japan – to name a few major powers - have been announcing massive fiscal packages amounting to hundreds of billions of dollars to stimulate their economies. The apparent determination of the forthcoming Obama administration to deal with the crisis is also seen as a positive.

Just as shares led on the way down, they will lead on the way up. Having now had 50% plus falls, shares are already factoring in a recession. While they are great value from a long-term perspective, the uncertainty about the outlook means it is too early to say the bear market is over, particularly with the economic news likely to continue to worsen into early next year. They should eventually benefit over the year ahead from high dividend and earnings yields relative to bond and cash yields and the anticipation of better economic and financial conditions in 2010.

While nobody can accurately predict when the bottom of this trough will be reached – or indeed if it has already - everybody knows that it will arrive.

And when it does, it will pay to be invested. Some of the highest returns are experienced suddenly in an oversold, overshot market. Periods where there are heavy losses on the markets are generally followed by significant bounce-backs.

To put it in perspective: after the worst Australian bear market of 1973-1974, which saw shares fall 59.3%, the market jumped 38% in the following year. After consecutive negative returns in 1981 and 1982, the market bounced back in a big way climbing 66.8% in 1983. In 2003 we also saw evidence of this bounce back phenomenon in action with the Australian market climbing 19% and the US shares rallying 26% from their lows in March 2003.

While it may be tempting to simply convert equities into cash and watch from the sidelines, history tells us that investors who give up on equities during falling markets risk missing a recovery that could help them rebuild their assets.



BOUTIQUE VALUE PROPOSITION

- **Consistently Excellent Customer Service**
- **Focus on Building Strong Relationships**
- **Considered Advice that is thoroughly explained and easily understood**
- **Honesty and Integrity in our dealings**
- **Comprehensive yet simple solutions to client problems**

TABLE OF CONTENTS

When markets bounce back.....	1
Stress management.....	2
A big thank you.....	2
Christmas closure.....	2
Agribusiness update.....	3
Boutique finance mortgage news.....	4
Selling your property.....	4
Quicktips for boosting you home's sale price.....	4



May the Spirit of Christmas be with You

May it bring peace and happiness to you and your loved ones

And may it remain with you throughout the New Year

CHRISTMAS CLOSURE

Our office will be closed from Wednesday 24th December and will be re-opening on Monday the 5th January 2008. As you can appreciate we are all away with our families over the festive period. However, if anything urgent occurs please contact your Investment Manager directly.

We would like to take this opportunity to wish you and your family a very safe and happy festive season.

A BIG THANK YOU

Thanks to all who have referred friends, family and colleagues to Boutique Wealth Management over the past year.

This is the greatest compliment we can receive.

As our business has grown, we are happy to receive further referrals and would be delighted to offer the same level of service and advice as we have to all existing clients.

Thank you once again.



STRESS MANAGEMENT – Adam Herps

When was the last time you felt truly calm and relaxed? Was it on holidays in some far-away place so long ago you can hardly remember it! Unfortunately most of us know that we are trying to fit too much into our lives. It is no doubt one of the worst aspects of our modern world and its starting to catch up with many people.

But there's a growing number of Australians who suffer more than just a full schedule. Work and life stresses them to the point where their health suffers.

Stress evolved as response to a physical threat or a danger – like a predator or an intruder. It's the body's way of switching to red alert known as the "fight or flight response". The adrenal glands pump out adrenalin and cortisol - hormones which make our heart pump harder and faster, increase blood pressure, prime our muscles for action, and speed up breathing. Once the threat is dealt with, the body goes back to its resting state. But if the threat doesn't go away – in 2006 it's more likely to be impossible deadlines or a hundred emails every day – then the hormone levels stay elevated and start to cause illness. Chronic stress has been linked to:

- Heart disease;
- Poor immunity (and hence greater susceptibility to disease);
- Cancer (though this is contentious);
- High blood pressure.

Manage your stress and be a healthier, happier and more pleasant person to be around. Let's cut to the chase...

1. Lower your stress hormones daily

During the course of a busy day your body responds to stressful moments with the release of adrenaline and Cortisol. To feel calm and relaxed we need to lower the levels of stress by replicating "fight or flight". Exercise is the best way known to quickly reduce stress hormones, so build it into your daily routine.

2. Copy good stress managers

When people around are losing their head, who keeps calm? What are they doing differently? What is their attitude? What language do they use? Are they trained and experienced?

Figure it out from afar or sit them down for a chat. Learn from the best stress managers and copy what they do.

3. Use deep breathing

You can trick your body into relaxing by using deep breathing. Breathe in slowly for a count of 7 then breathe out for a count of 11. Repeat the 7-11 breathing until your heart rate slows down, your sweaty palms dry off and things start to feel more normal.

4. Know your stress hot spots and trigger points

Presentations, financial collapses, interviews, meetings, giving difficult feedback, tight deadlines..... My heart rate is cranking up just writing these down!

Make your own list of stress trigger points or hot spots. Be specific. Is it only presentations to a certain audience that get you worked up? Does one project cause more stress than another? Do you drink too much coffee?

Knowing what causes you stress is powerful information, as you can take action to make it less stressful. Do you need to learn some new skills? Do you need extra resources? Do you need to switch to de-caffeinated coffee?

5. Eat, drink, sleep and be merry!

Lack of sleep, poor diet and no exercise wreaks havoc on our body and mind. Kind of obvious, but worth mentioning as it's often ignored as a stress management technique. Listen to your mother and don't burn the candle at both ends!



Sandalwood germination.

AGRIBUSINESS UPDATE

As part of our Agribusiness due diligence process, our Managing Director Gary Hasler inspected two separate Agribusiness projects which some of our clients have invested in over the past couple of years.

TFS INDIAN SANDALWOOD

The first visit was to the Tropical Forestry Services (TFS) Indian Sandalwood plantation in Kununurra. TFS have been planting Indian Sandalwood in the Ord River region since 2000, with the 2008 planting the 8th year of investor projects available. Although we have inspected the project in previous years the sheer size and scale of the 2008 planting and the new proposed 2009 project was impressive. Indian Sandalwood contains valuable oils used in top perfumes in the world.

As part of the due diligence we inspected the older projects (back to 2000), which with the abundant water and perfect tropical conditions have matured into perfectly formed trees. The Oil from these older project trees was recently tested overseas, with an independent laboratory assessing the Oil as high quality. Clients invested in the older projects can be assured that they are tracking well with an independent foresters report advising that the assumptions in the original Policy Disclosure Document (PDS) either on target or in excess of target in terms of growth, yield and most importantly price expectations for the final product.



Sandalwood – pumping station.

REWARDSTEAK

The second visit was to Tully, two hours drive south of Cairns where we inspected the Rewards Teak Project and in particular the recent plantings some Boutique clients have invested in. The Rewards projects are all located within a region which was until recent times dominated by sugar cane and bananas. Due to Brazil dominating the world sugar markets, most of these plantations now are struggling to compete and with the land perfect for High Value tropical Timber plantations, Teak has become a cornerstone of the evolving community. The market for Teak is worldwide, and is used in the production of boats, furniture and other household items. Plantation Teak will soon become the only available Teak left as natural forest supplies become extinct.

Rewards planted their first plantation in 2000 and has recently undergone its first commercial harvest (thinning) and sale earlier this year in Mumbai (India). In a region that measures its rainfall in meters rather than inches, we were amazed at the growth of the Teak trees inspected only a few years ago.

We inspected the land where the 2007 project is just about to be planted. It has recently been converted from sugar cane, with the year's saplings ready to plant from the nursery where they have been growing for 12 months. The 2008 project saplings have also now been



Sandalwood – young plantation.



Teak canopy.



Teak plantation.

germinated and will move to the nursery to be planted before next year's wet season.

It would seem that both TFS and Rewards are the Australian leaders in their respective areas of Indian Sandalwood and Teak plantations. With the assistance of independent foresters reports and independent research house Australian Agribusiness Group (AAG), we are happy that the two respective projects inspected are in line with the original Policy Disclosure Statement (PDS) requirements and forecasts.



Teak – land ready for planting.



FPA

FINANCIAL PLANNING
ASSOCIATION
of Australia Limited
PRINCIPAL MEMBER



SHANE WILL
Senior Mortgage Consultant



CHERYL QUABBA
Mortgage Consultant

BOUTIQUE FINANCE MORTGAGE NEWS

Well, what a couple of months it has been in the lending markets.

The Reserve Bank has dropped interest rates by a massive 3% in the last 3 months and by all accounts that may not be the last of the rate reductions with a lot of economists predicting further interest rate cuts in the New Year.

The federal government has also increased the first home owners grant significantly. Hopefully these factors will help stimulate the property market and home owners can start to see some increases in their property prices in the near future.

Sadly, I would like to inform everyone of Cheryl Quabba's departure. Cheryl will be returning to Queensland at the end of December. Cheryl has been working with Boutique Wealth Management Group and Boutique Finance for the past four years. I would like to thank Cheryl for her hard work and commitment to the Group and wish her every success in her future. Joanne Maxwell has recently commenced with Boutique Finance and will assist me going forward. Joanne has many years of experience in banking and finance.

I trust you'll enjoy this issue of Boutique Finance Mortgage News.

Sincerely

Shane Will
Senior Mortgage Consultant

SELLING YOUR PROPERTY

Selling in a buyer's market can be tough but with the right approach you should still be able to achieve a solid sale price.

Are you looking to move on to something bigger and better? Perhaps work has taken you to a new area or maybe with the kids now moved out you're ready to downsize? It can be a tough gig selling in a sluggish market but with the right approach you can still achieve the best sale price.

Before you embark on the sales process you'll need to consider your objectives: most importantly, are you looking for a fast sale or to achieve the maximum price? While there's still every chance you'll achieve both, it's best to consider which is more important as this will dictate your sales strategy.

With your strategy established you can start to think about preparing your property for sale.

To achieve the best result you'll need to think like a buyer and consider what a prospective buyer will like and dislike about your property.

First and foremost you'll need to detach yourself from your emotions – it's important to remember

that the things that appeal to you about your home may not necessarily push someone else's buttons. So make a list of all the aspects of the property that may be a problem and consider what can be done to mitigate the negatives.

While there's obviously nothing you can do about location and structural matters, you can have a considerable impact on cosmetic appearance. If you have a yard, for example, get to work on fixing it up as soon as possible so that when prospective buyers arrive it's clean and green. Fencing is also something that can make a big difference since buyers with young kids or pets may well look for a well fenced property.

You can also make a big impact on the interior without having to spend a fortune. You may well love all your furnishings and ornaments but will buyers? If you've chosen an auction over private sale it may be worth stripping out all your belongings and shipping in hired furniture for a day – it may well make your place feel bigger if it's not so cluttered.

With your home looking at its best you'll be in the best position to attract your desired price. You'll also feel a lot more confident when it comes to negotiating.

QUICK TIPS FOR BOOSTING YOUR HOME'S SALE PRICE

Mini make over: Take the time to fix up any small problems such as damaged fly screens, loose door handles and peeling paint. These are inexpensive to repair and can spoil the overall feel of your house. Such blemishes can also send potential buyers' minds speeding into "spot the flaw" mode.

A cheat's renovation: Some smart decorating can be just as good a renovation – and a lot cheaper. Make sure your home is shiny clean from head to toe, clutter free and dressed to impress. Fill your vases with fresh flowers, ensure fruit bowls are filled with fruit and why not finish it all off with some scented candles?