

# Pitcher Investment News

**Financial Markets** – the 2007/08 year has finished with multi-decade levels of low performance. The world share market is down 11%, European and Japanese markets are down 26%, the USA is down 15% and the Australian market is down 17%. The hardest hit sectors have been consumer discretionary and highly geared banks/financials, listed property and infrastructure. The Australian energy sector is up 35%, materials are up 18% and other bright spots have been selected emerging markets - the Saudi stock market made a stunning gain of 34%!

**Tax Losses and Gains** – 30 June year end tax planning is having a significant impact on Australian share markets in recent weeks as investors sell out of loss making investments to offset against realised capital gains. Despite poor performance in most parts of the markets, some managed fund investors can expect to receive taxable distributions at year end - a strong argument in favour of direct share holdings in client portfolios where the tax impact can often be better managed.

**Year End** – the Australian Tax Office has tightened its rules and contributors of concessional super contributions now need to submit their notice of intention to claim a tax deduction to their superfund before they lodge their individual tax returns.

**Crisis #1 - Sub-Prime and Credit** – the write-off of most of the financial losses arising out of last year's sub-prime mortgage meltdown by global investment banks; the significant recapitalisation of those investment banks together with the 'rescue' of Bear Stearns and Northern Rock; and general emergency liquidity provided by central banks, saw the first phase of the credit crisis come to an end in March 2008. The second phase, which is currently underway, is in response to ongoing access and cost of funds issues. This phase incorporates continued deleveraging of companies through asset sales, capital raisings and reduced distributions; resulting in further price weakness in the highly geared sectors of the market - property, infrastructure and financials.

**Crisis #2 - Oil, Food, Low Growth and High Inflation** – the new crisis that is influencing financial markets is the rising cost of oil and other energy; the rising cost of food, particularly grains, as crops are suffering weather damage and are also diverted to fuel and meat production; and emerging inflation in both the mature and emerging markets, to which central banks can typically only respond by raising interest rates. None of these factors are good for markets as they raise costs, reduce demand and undermine confidence.

**Corporate Activity** – despite all this doom and gloom, some corporates are acting on the long term value that is now evident in many market segments, with takeover proposals made for Rio Tinto, St George Bank, Insurance Australia Group, Origin Energy, FKP Property and Macarthur Cook Property.

**Outlook** – investors may enjoy some recovery from current market weakness in July, which is statistically the 4th best investment month of the calendar year. We do not expect, however, that market volatility will lessen this calendar year nor indeed until the market adjusts to the new economic conditions. Long term though, market prices will return to trend (see table below) and long term investors are strongly encouraged to maintain their agreed asset allocation ranges provided sufficient income is being generated.

## Compound Real Rate of Return after Inflation 1900-2000

	AUSTRALIA	WORLD
SHARES	7.5% PA	5.8% PA
BONDS	1.1% PA	1.2% PA
CASH	0.4% PA	0.9% PA

Source: Dimson, Marsh and Staunton, 2002

**New Pitcher Partner** – we are very pleased to advise that Adam Stanley will be admitted to the partnership on 1 July 2008.



*Sue*

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**New Pitcher Parents** – we are also very pleased to advise that Kellie and Luke Davidson have become the proud parents of twins - Jack William and Sophie Louise.

## Financial Markets - 30 JUNE 2008

Share markets	Current Level	2 Month Return	12 Month Return
MSCI AC World ex-AUS	351	-7.3%	-11.27%
AUS ASX 200	5215	-6.79%	-16.89%
AUS ASX 200 (Acc)	33875	-6.04%	-13.40%
US Dow Jones	11350	-11.47%	-15.35%
US S&P 500	1280	-7.62%	-14.86%
US Nasdaq	2293	-4.97%	-11.92%
JPN Nikkei	13481	-2.66%	-25.67%
UK FTSE 100	5626	-7.58%	-14.86%
German DAX	6418	-7.63%	-19.84%
French CAC	4435	-11.24%	-26.76%
HK Hang Seng	22102	-14.18%	1.51%
Shanghai Comp	2736	-25.91%	-28.39%
Jakarta IDX	2349	1.93%	9.81%
Philippines	2460	-10.54%	-32.88%
India Sensex	13462	-22.13%	-8.12%
Sth Korea Kospi	1675	-8.25%	-3.94%
NZ All Index	840	-11.24%	-28.57%
Saudi Tadawul	9352	-7.09%	34.11%

Property			
ASX 200 Prop (Acc)	27166	-18.94%	-36.35%

Commodities			
Gold (oz)	925	6.30%	42.52%
Oil (barrel)	140	23.10%	98.61%
Corn	25	19.16%	84.78%
Aluminium	3075	6.22%	14.48%
Copper	8776	1.39%	14.71%
Lead	1736	-35.25%	-34.44%
Nickel	21675	-25.01%	-39.54%
Tin	23310	42.31%	65.91%
Zinc	1875	-14.60%	-43.20%

Currency			
AUD/USD	0.9586	1.57%	12.86%
AUD/EUR	0.6086	0.74%	-2.98%
AUD/GBP	0.4811	1.31%	13.78%
AUD/JPY	101.81	3.88%	-2.67%

Official Cash Rates	
New Zealand	8.25%
Australia	7.25%
China	7.47%
United States	2.00%
United Kingdom	5.00%
Euro-Zone	4.00%
Japan	0.50%

Aust Interest Rates	
PPIS ANZ	6.75%
St George AT CALL	7.23%
SGB 30 Day TD	7.81%
SGB 60 Day TD	7.95%
SGB 90 Day TD	8.09%
10 Yr Govt Bond	6.45%

*"In investing, what is comfortable is rarely profitable."*

Robert Arnott (1954 -)