



## I Was Too Sick To Work?

Falling seriously ill is probably the worst thing that can happen to a working person – and it does happen. According to the Australian Bureau of Statistics 2008 yearbook, 7,624 Australians were unable to work and were reliant on the sickness allowance which today pays just \$205.75 each person a week for a partnered person.

These unfortunate people are part of the 69% of Australians who do not have any personal income protection insurance.

With the average Australian mortgage of \$367,000, let alone the costs of a car loan and raising children, it is easy to see that illness will quickly mean poverty for most Australian families.

Income protection insurance is a sensible and inexpensive way to make sure hard working families are not at risk of quickly sliding into poverty. Our ability to earn a living is our single greatest asset yet Australians are insuring their cars and houses but not their incomes.

As an example, for a healthy, non-smoking male of 40 working in an office job and earning the wage of \$1,346 per week, income protection insurance costs \$71.60 per month (with a waiting period of three months). If he becomes sick the insurer will pay him \$1,010 per week (based on 75% of his gross wage)



until he is well enough to return to work – or until age 65 when the contract ceases.

Income protection can be easily accessed either through your superannuation fund or separately. One of the significant benefits of the product is that if it is bought outside of superannuation, it is a tax deductible cost, which significantly reduces its impact on the household budget. If you have no income protection insurance and wish to arrange cover, or if you have income protection insurance and wish to update the cover, or get a cheaper premium, call us on 03 9663 3477 or complete the form at the back of this newsletter and we will arrange a quotation for you.

### IMPORTANT

We pride ourselves on our performance and service to clients. We are especially proud of how well our clients have performed through recent difficult times. The growth and success of our business is based on our reputation as professionals and personal referrals from our clients. As a consequence we would like to thank you for your ongoing feedback and client referrals as this ensures we can continue to offer efficient service in a cost effective manner. Please feel free to recommend us to members of your family and friends who you believe may benefit from our services - remember our business is built on referrals.

We would also like to remind you that we are always available to discuss any issues regarding your financial well being. If your circumstances have change and you require some specific financial advice or if you simply wish to have us review your financial situation call us on 03 9663 3477 to arrange an appointment.

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# Australian Share Market Review

The Australian share market (as measured by the S&P ASX 300 Accumulation Index) declined by 11.2% for the June quarter. Over the 12 month period ending 30 June 2010, the Australian share market posted a positive return of 13.1%.

The Australian share market retreated sharply over the June quarter with broad based declines experienced across the majority of sectors. The pull back served as a reminder of the volatile nature of the share market and its forward looking nature with respect to the outlook for economic growth and for underlying company earnings.

After reaching a high of close to the 5000 point mark in early April, the S&P ASX 300 was sold down heavily as investor sentiment turned sour. Catalysts for the market sell off included a number of global factors such as the ongoing sovereign debt issues in Europe, weaker than expected economic indicators out of the US and economic tightening measures in China.

On the domestic front, the announcement of the proposed Resources Super Profits Tax (RSPT) dominated headlines and weighed on the market during the quarter. Company valuations in the resources sector were revised downwards as a result of the proposed tax, dragging the market lower. In addition, global investors viewed the uncertainty around the government's proposed tax changes as a form of "sovereign risk", causing the Australian market overall to be de-rated by offshore investors.

The RBA raised interest rates in May to 4.5% and then subsequently kept rates on hold following its June meeting. Interest rates to borrowers are now considered to be at their "average" levels of the past decade, which is a significant adjustment from the expansionary monetary policy stance from a year ago. Any further interest rate rises by the RBA will be aimed at curbing inflation, which remains at the upper levels of the targeted range.

A number of companies flagged earnings downgrades ahead of the upcoming August 2010 reporting season, highlighting the risks to corporate earnings in the current environment.

Stocks that fell into this category include Insurance Australia Group (IAG) and Sonic Healthcare (SHL). There were however some upgrades to profit guidance, including that made by AGL Energy (AGK) which operates in the less economically sensitive utilities sector.

During the quarter, the major banks all provided interim earnings and trading updates for the period ending 31 March 2010. The updates could be summarised as being generally positive about the economic outlook for Australia, however their outlook statements were tempered with caution. Within the banking sector, operating conditions are expected to remain challenging in the near term, due to subdued credit growth, higher funding costs and margin pressure. The banks have signalled that a full recovery from the GFC is still likely to take some time (highlighted by recent issues in Europe). Bank stocks are currently trading at levels significantly below previous highs.

In other stock specific news, merger and acquisition activity featured in the form of Newcrest Mining's (NCM) takeover bid and merger proposal with fellow gold company Lihir Gold (LHG). In the Healthcare sector, Healthscope (HSP) shareholders were the beneficiary of a takeover bid from a private equity consortium, which included a revised second proposal to acquire the shares in the company. The HSP board has thus far recommended that share holders take no action in regard to the offer.

In a financial update during the quarter, Fosters (FGL) announced that it would pursue a demerger of its beer and wine business into separate listed entities, subject to a further detailed evaluation. The market generally viewed this announcement as a positive in potentially unlocking value for shareholders given the different nature of the two businesses.

Similarly, Orica (ORI) announced plans to demerge its consumer products division, namely DuluxGroup, allowing ORI to concentrate on its core mining services operations.

# Companies in Profile

## Macquarie Group Limited (MQG)

Last Updated: 30 September, 2010

**Recommendation: Accumulate**



Note: Marker indicates price at previous close.

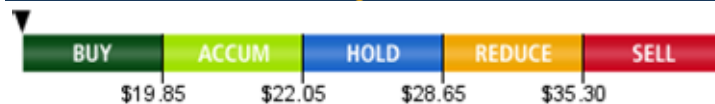
INVESTMENT RATING (Last update: 03/08/2010)

MQG is Australia's most successful investment bank. Strength lies in the diversity of the income stream with six individual operations contributing 10% or more to group earnings. International expansion adds another dimension to group earning capacity. The duplication of the successful Australian model offshore provides upside but only when favorable investment banking conditions exist. Management is sharp and astute ever ready to take full advantage of market situations.

## Origin Energy Limited (ORG)

Last Updated: 30 September, 2010

**Recommendation: Buy**



Note: Marker indicates price at previous close.

INVESTMENT RATING (Last update: 25/08/2010)

ORG is positioned in the competitive rather than regulated energy segment. Integration of exploration, production, generation and retail of gas and electricity lifts the range of development opportunities and reduces risk. Strategy is to explore and develop gas where easy to market. The country's largest coal seam gas reserve holder is leveraged to potential export parity pricing. Financial objectives are steady and predictable cash flows and EPS growth of 10-15% pa. In the five years to FY10, average annual EPS growth was 10.0%. A number of new projects will produce over the next few years. In future expect a 60% payout thanks to ConocoPhillip's US\$5bn up-front cash injection for 50% of CSG. Suitable for investors seeking a medium risk energy exposure with growth potential.

## Woodside Petroleum Limited (WPL)

Last Updated: 30 September, 2010

**Recommendation: Buy**



Note: Marker indicates price at previous close.

INVESTMENT RATING (Last update: 19/08/2010)

As Australia's premier oil and gas play, WPL's operations encompass LNG, natural gas, condensate, crude oil and LPG. Forays into the US and the Middle East add a minor international complexion. LNG interests in the North West Shelf Joint Venture (NWSJV) offshore Western Australia are the mainstay. Production is forecast to grow strongly. WPL pays a reliable dividend stream and Shell's 34.3% stake adds spice. Well managed with a strong balance sheet, WPL is suitable for conservative investors seeking oil and gas exposure and stand-out long term growth. It represents a cornerstone energy exposure in a balanced portfolio.

# Income Protection Quotation

If you, a friend or a member of your family are interested in obtaining a quote for income protection insurance, please complete this form and return it to Open Financial Services:

Fax: (03) 9663 7593

Mail: Open Financial Services Pty Ltd  
PO Box 58  
Carlton South, Vic 3053

## Personal Details

First Name	
Surname	
Gender	
Date of Birth	
Smoker Status (1)	
Phone Number	
Email	
Address	
Suburb	
State	
Postcode	
Occupation	
Annual Income	
Waiting Period (2)	14 day / 1 month / 2 month / 3 month / 6 month / 1 year / 2 year
Benefit Period (2)	2 year / 5 year / to age 60 / to age 65
Additional Comments (eg. details of any existing income protection insurance cover )	

Notes:

1. Write 'smoker' if you have smoked in the last 12 months.
2. In most circumstances we recommend a waiting period of 3 months and a benefit period to age 65.

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