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Interest Rate Schedule



INTEREST RATES, FINANCIAL MARKETS AND THE ECONOMY

Strong Growth Scheduled to Continue

The Australian sharemarket and our wider property market are both enjoying stellar runs at present. Furthermore, our unemployment rate remains low and production at near capacity, which seems to be "business as usual" for the Reserve Bank of Australia (RBA). In fact, Australia has not seen any hint of a recession for over 15 years since the early 1990's, which is a remarkable feat considering the recent economic resume of our trading counterparts.

The fact of the matter is that Australia has been extremely lucky in terms of what it has to offer to the rest of the world. By this, we mean our resource deposits including iron ore, gold, silver, nickel, copper, aluminum and zinc, just to name a few.

QUOTE

"The way I see it, if you want the rainbow, you gotta put up with a little rain."

- Dolly Parton

Fact

Australia has not been in a recession since the early 1990's, which represents over 14 years of sturdy economic growth.

As categorical evidence of just how much Australia has benefited from the resource boom, we only have to look at our terms of trade over the past three years which have, according to the RBA, risen by over 40% in this time period.

Other support can be derived from our dollar movements, which have risen sharply as it currently oscillates well above 84 U.S. cents per dollar. This is evidence that Australian currency is being used by international purchasers, and big time.

But the big question beckons: When will it all end?

While not easy to forecast, some analysts have predicted that strong resource demand could keep the Australian economy afloat for another seven to nine years at least. Others aren't so comfortable with the length of this estimation, but regardless to

Market Statistics

Official Cash Rate: **6.25%**
U.S. Fed. Funds: **5.25%**
90-Day Bill Rate: **6.45%**
5 Year Bond Rate: **6.42%**
\$AUD (US cents): **85.91**
All Ordinaries (Aus): **6421.3**

As at 9 July 2007

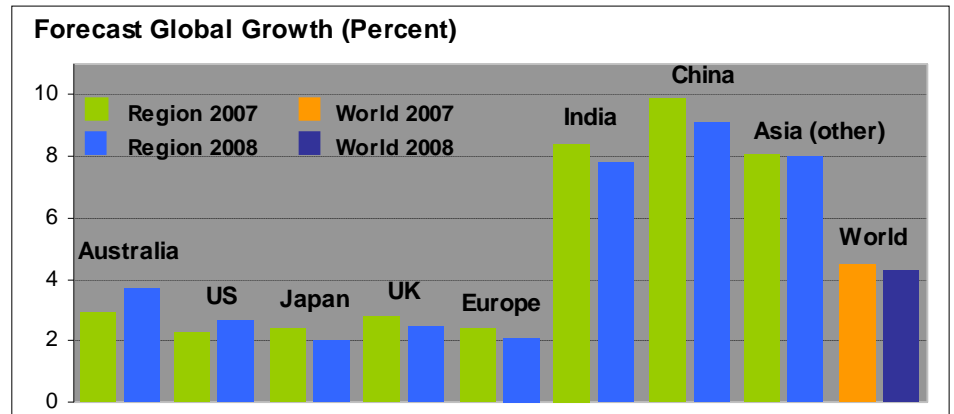
say, there seems to be some agreement that these prices will remain strong, pushing even higher in the next year or so.

Moving on, we can draw several conclusions if, as predicted, resource demand remains high. These include continued sustainability of our low unemployment rate, robust wage growth, strong business revenues and share prices as well as budget surpluses due to taxed business profits.

Invariably, economists believe that domestic GDP growth will start to inch higher over 2007 to 2009 which may push our interest rates higher in line with RBA policy.

Evan Tepper, MCP Group

Forecast Global Growth (Percent)



Global Growth Remains Strong: World global growth is set to continue at above 4% per annum in 2007 and 2008, with China and India leading the way.

MCP GROUP FAREWELLS JADE WEBSTER

MCP farewelled Jade Webster in late June, who had been with our Group for two and a half years. Jade is scheduled to take a well earned break through Europe prior to beginning a finance role in the U.K. We wish Jade all the best with her new position and hope to see her back at MCP Group in the future.

QUESTIONS AND ANSWERS

The MCP Group team will answer a selection of our clients' queries in each edition of our monthly newsletter. To submit your query to our office please contact our Group by phone on (03) 9620 2001 or email (enquiries@mcpgroup.com.au).

Legal

My husband and I are selling our investment property to our daughter and son-in-law. Will they be able to save on stamp duty if we sell the property for below market value?

According to a host of government websites, stamp duty payable depends on the greater of the contract price or the value of the property. If you agree to sell the property at a discount the State Revenues Office (SRO) would deem stamp duty to be payable on the actual valuation of the dwelling.

Put simply, you cannot, by the terms and conditions established by the SRO, save on stamp duty by selling your investment property for below market value.



MCP
COMMERCIAL
LAWYERS

PRIVACY

Generally, the federal Privacy Act covers the collection, use and disclosure, quality and security of personal information. The federal Privacy Act also gives you rights to access and correct personal information about you. You also have the right to make a complaint if you think your personal information has been mishandled.

The eleven Information Privacy Principles in the federal Privacy Act protect your personal information and

give you rights in the way Commonwealth and ACT government agencies handle your information.

Manner and purpose of collection of personal information

Personal information can't be collected unless it's directly related to a specific function or purpose, and it can't be collected unlawfully.

Solicitation of personal information from individual concerned

A collector has to take steps when collecting personal information to ensure that the individual knows why the information is being collected, that it is being legally collected, and to whom the information will be disclosed.

Solicitation of personal information generally

When a collector collects personal information, they must make attempts to ensure that the information is relevant, complete and current, and it does not intrude unreasonably upon the personal affairs of the individual.

Storage and security of personal information



Protect Your Privacy: A record keeper in possession of personal information must ensure that your details are protected from misuse.

A record-keeper in possession or control of personal information must ensure that it is adequately protected from misuse and that if the information is passed on to a related party everything possible is done to prevent misuse of that information.

Information relating to records kept by record-keeper

A record keeper in possession or control of personal information, must ensure that their records are kept in such a format that it is clear what the

records are and what their purpose is if someone is to make enquiries, except where they are allowed by law to refuse to provide that information.

Access to records containing personal information

An individual who provides information to a record-keeper is entitled to have access to that record, unless the record-keeper is required by law to refuse to provide that information.

Alteration of records containing personal information

A record-keeper must ensure that appropriate amendments are made to ensure that records are current and accurate, and requests by individuals to have their records altered must be addressed if possible.

Record-keeper to check accuracy of personal information before use

A record-keeper is obliged to ensure that personal information is accurate and up to date before using it for the intended purpose.

Personal information to be used only for relevant purposes

Personal information can only be used for a relevant purpose.

Limits on use of personal information

Personal information can be used for a purpose other than for which it was originally obtained only if consent has been obtained from the individual, it is a matter of 'life or death', or of public safety, or it is required or allowed by law. Any use of personal information used in relation to law enforcement must be recorded.

Limits on disclosure of personal information

A record-keeper cannot pass on information to another entity unless the individual is aware that kind of information is usually passed to that entity, they have consented to the disclosure, it is a matter of 'life or death' or of public safety, and/or it is required for law enforcement purposes. If it is required for law enforcement purposes this must be reported.

Shane Frost, MCP Legal

Land Titles Office

The Land Titles Office has changed their fees as follows:

Registration and Deregistration of Mortgages up to **\$76.90**

Lodgement Fee up to **\$96.00**

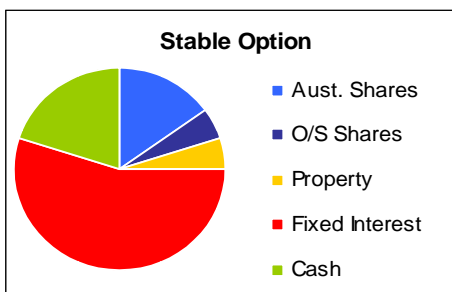


MANAGED FUNDS: THE BARE ESSENTIALS

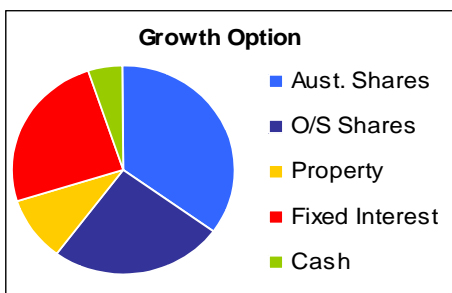
What are managed funds?

A managed fund is a pool of monies from multiple investors which are used to purchase investments in accordance with the underlying goals of the Fund.

Professionals buy and sell varying asset classes including shares, property and fixed income securities in order to meet the objectives of the Fund manage the investments. The mixture of these assets depends on the Fund's objectives.



Stable Growth: A higher proportion of defensive assets (75%) compared to aggressive assets (25%) ensures a more consistent, albeit lower return than a Growth Option Fund.



Growth Option: A higher weighting of growth assets (66%) generally produces a higher long-run return but with greater fluctuations.

Naturally, if a higher return is desired the Fund would have a larger portion of their assets in more aggressive assets such as property and shares.

How are managed investments priced?

The investor is normally allocated units when they buy into a managed fund. The number of units that are purchased is deemed to be the investor's share. All units have an equal weighting, although their price can vary on a daily basis in line with the performance of the Fund's investments.

What returns am I likely to receive?

The return accrued within the managed Fund will consist of either capital returns or periodic income from the fixed interest securities and cash as well as company dividends.

Periodic income, if received, is taxed at your marginal tax rate less any provisions made from franking credits (tax that a company has paid on their profits). If a capital gain is made on an asset 50% of the income is included in your assessable income for tax purposes, assuming that the asset has been held for longer than 12 months. If held for less than 12 months 100% of the capital gain is included as assessable income for taxation purposes.

Costs?

There are varying costs associated with holding managed funds which may include the following:

- ◆ **Contribution Fee** – Charged for initial and periodic contributions (rebated under MCP Financial Fee for Service fee structure) .
- ◆ **Withdrawal Fee** – Generally incurred upon the sale of units (rebated under MCP Financial fee for service fee structure) .
- ◆ **Ongoing Fee** – For the ongoing administration and expenses incurred for managing your investments.

Benefits?

1) Low Entry Costs

You can gain entry into a managed fund for as little as \$1,000 (lump sum) or \$500 if you invest into a managed fund and agree to make regular contributions.

2) Professional Management

By investing into a managed fund you alleviate many of the time constraints associated with controlling your investments. A managed investment allows investors to gain access to the knowledge, experience and resources of the Fund Manager.

3) Diversification

As your investment is spread across several different financial assets you can gain instant access to a diversified and varied investment portfolio. Generally, smaller personal investors find it difficult to properly diversify as acquisition costs create barriers to entry, especially in asset classes such as property.

4) Liquidity

Your units can readily be sold and proceeds are generally received within two weeks.

5) Ability to Leverage

Many managed funds allow gearing (ability to borrow funds against the asset) which enables investors to increase their investment exposure. This can be particularly useful within superannuation.

Conclusion

While there are costs associated with managed funds, they can offer substantial benefits. Please speak to David Mac Manus or the writer for further information.

John Ross, MCP Financial



LO DOC LENDING: WHAT YOU NEED TO KNOW

Introduction

Lo Doc (Low Documentation) Home Loans are exactly what they describe themselves to be; loans in which little documentation is required for unconditional approval. Traditionally, prospective borrowers were required to provide a bevy of financial information to the lender to be approved for a loan including financials, taxation returns, tax assessment notices if self-employed, payslips and/or a letter from an employer if a PAYE em-

ployee. This created a substantial barrier to entry, particularly for established self-employed professionals who could genuinely repay a loan, however, were not in a position to provide tax returns and company financials. Hence, the Lo Doc Home Loan was born.

Lo Doc loans have been available in Australia for over a decade. Most financiers have a Lo Doc product, with NAB the last of the major four banks to release a Lo Doc Lending product a few years ago.

Lo Doc Lending Conditions?

Lo Doc Loans offer potential borrowers to lend up to 80% of the value of the property without supplying the necessary paperwork in the form of income verification documents. In some instances, the borrower will be required to sign a declaration of income and/or a statement of liabilities and assets.

Some financiers will charge a premium to their normal rates, as Lo Doc Loans are considered to be a greater risk to the bank than traditional or verified loans (where the borrowers



No paperwork? Lo Doc lends are useful to borrowers who cannot provide financial documents such as taxation returns.

have provided proof of income). Other financiers request a letter from the applicant's accountant to verify that the borrowers can repay their loan based on their financial circumstances which, resultantly, brings the interest rates down to those offered to fully verified applicants or similar.

An asset lend is another permutation of the Lo Doc loan. In this scenario the financier lends money to the potential borrower at a Loan to Value Ratio of 60%, without requiring the borrower to sign an income declaration or provide a letter from their accountant.

Some securities such as inner city apartments are prohibited to be used as collateral under some Lo Doc lending policies (unless a non conforming lender is used).

Advantages

The primary advantage of a Lo Doc Home Loan is the ability for Self-employed applicants to gain access to credit which they may not be able to receive under a full documentation loan.

Other advantages include:

- An easy and hassle free application process;
- The ability to borrow up to 80% of the value of the property; and
- Possible interest rate deductions if repayments are made on time, for a set period such as three years.

Disadvantages

The main disadvantage with Lo Doc Lending is its ability to be misused amongst applicants. For example, lets assume that a borrower completes an income declaration and purports their income to be slightly higher than it actually is. If they receive a loan they may, in some circumstances such as rate rises, struggle to repay their loan.

There are numerous other disadvantages including:

- ✗ A maximum Loan to Value Ratio (LVR) of 80% unless the applicants sources the loan from a third tier, or non-conforming lender;
- ✗ The requirement for a clean credit history;
- ✗ The requirement for the applicant to pay a Lenders Mortgage Insurance premium if they loan above 60% to 80% of the value of the property;
- ✗ Higher interest rates (some lenders);
- ✗ Less product features (some lenders); and
- ✗ A decrease in the type of collateral that can be used to secure the loan (e.g. the lender may not allow rural properties, inner city apartments or luxury

homes to be used as security).

Conclusion

Lo Doc Loans have their place in the Australian mortgage market. We advise borrowers to consider the pros and cons before committing to these often restrictive loans as they are often costly.

Adam Maciejewski, MCP Finance

VENTURE CAPITAL/PRIVATE EQUITY

In the range of \$2million to \$200million do you have a need to:

- Raise capital;
- Acquire businesses for growth; or
- Divest all or part of your business.

Historically, this transaction size has tended to be difficult to execute efficiently and profitably. However, MCP Group has established a relationship with an equity provider who brings a fresh approach to this market segment through the following process/structure:

- The appointment of a small task team which comes mostly from senior management backgrounds with extensive experience in Mergers and Acquisitions and capital raisings;
- Use of an extensive network to identify counterparties that would otherwise not be identified;
- High network individuals seeking opportunities;
- Inviting accountants, lawyers, bank managers and executive search firms to target their contacts and clients to find the best possible match for the needs of the client; and
- Targeting other members of the network across Asia, Europe and the Americas to take part in this process.