

intelligentinvesting

QUARTERLY INVESTMENT NEWSLETTER

CEO's ADDRESS

A little context in a world of divergence

Recently, I've had good cause to cast my mind back to those halcyon university days when, every now and then, something in the course syllabus pricked your interest. For me it was Economics IIA, and the notion of "stagflation" – a period of inflation combined with slow or no economic growth and rising unemployment. Sounds counter intuitive but there it is: falling economic growth, yet increasing prices. Caught between the devil and the deep blue sea!

And what a crisis it was, when, in the 1970s, the "long boom" (Post World War II) of prosperity in Australia ended, ushering in the Middle East war, with rising oil and gold prices. Economic growth hit a wall and the price of raw materials spiked. In the US, President Lyndon Johnson went on an inflationary spending spree, fighting poverty and communism in the jungles of Vietnam. Global inflation was out of control. Right here at home, an equally high spending Whitlam Government's "Great Society" initiative fuelled the inflationary flames, "*and added home-grown inflation to that imported from the US and Middle East*" (to use the words of the journalist/economist, Henry Thorton).

Sound familiar? Unfortunately it does in some parts of the world today, and over the past few months a handful of finance columnists have been raising the spectre of stagflation, harking back to the '70s, and justifiably so...

This current decade has seen the All Ordinaries Index move from just under 3000 points, to almost 7000 points. Undoubtedly, in Australia, we have seen an extended bull market. Arguably, the recent global downturn signals the end of strong financial markets across the developed countries. Like the '70s we have seen rising oil and gold prices; the beginning of what appears to be a significant economic slowdown (particularly in the US); a spike in the price of raw materials; and, like Johnson, Bush has spent billions on the war against terror.

And here's where things get interesting, because there is an emerging divergence between the paths the central banks are taking to deal with the current predicament. Central banks, with their interest rate and money supply levers, are largely responsible for cooling things down to curb inflation, or hotting things up to stimulate growth. The US central bank has been cutting interest rates and flooding credit markets with liquidity to stave off the

recession devil. The European Central Bank is erring on the side of caution, keeping a tight rein on interest rates. The UK is in the middle somewhere. And, up until now, the Reserve Bank of Australia has been hiking interest rates to levels not seen since the early 1990s.

However, despite the divergence in responses to the current financial crisis, here at Western Pacific, we hold the view that globally the financial system is severely stressed, if not broken, and it will be a painful process of repair (see this quarter's "Market Overview" for a more in-depth analysis). Most importantly though, Western Pacific's "Intelligent Investing" investment philosophy is designed to help cushion the blows of the recession devil and the deep blue sea of inflation by identifying appropriate investment opportunities for the times. We can't and won't always get it 100% right, but at Western Pacific we will strive to both protect the "downside" risk presented by the current economic conditions, as well as selectively pursue investments that may do better when concurrently faced with both the devil and the deep blue sea.

TONY McDONALD

CEO

Snowball Group Limited
(incorporating Western Pacific Financial Group)

"... the mother
of all crises."

Paul Volcker



MARKET OVERVIEW

In some ways, it is a case of "I am glad that is over" when it comes to considering the events of January, February and March 2008. Financial markets had a very hard time in the March 2008 quarter, and, as we have said in the past, it is impossible for us to be immune from those hard times in the short term.

Over the quarter, we estimate that our average Balanced Portfolio fell by a touch over 7%. This is towards the top end of what we would ever expect, i.e. it is a higher loss than we would like, and we would only believe that it would occur in the worst possible market environments. This is what we have had.

As an example, these are some of the falls that have been recorded for the March 2008 quarter in various asset classes:

ASSET CLASS	RETURN
Australian Shares (as measured by the S&P/ASX 300 Accumulation Index)	-14.60%
International Shares (as measured by the MSCI World ex Australia (hedged))	-11.80%
Listed Property (as measured by the S&P/ASX 300 Property Accumulation Index)	-19.14%

What is most interesting here is the broad based decline in asset prices. Basic diversification strategies just did not work. Further, even more complex diversification strategies (for instance, using alternative asset classes and investment strategies and "hedging" into commodities and precious metals) did not work as well as we would ordinarily expect.

There is a simple reason for this; during financial crises, at least in the short term, correlations between all asset classes become stronger, that is, all asset classes tend to behave in a similar

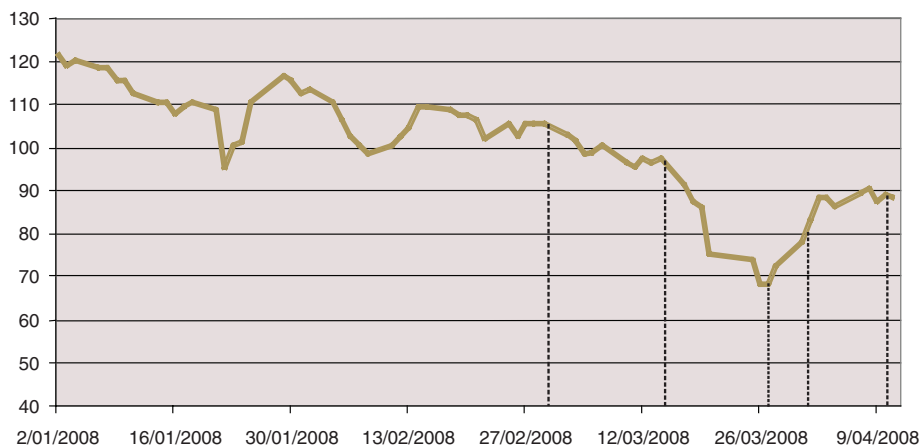
manner. While this is "simple", it is also incredibly frustrating, for it means that, in the short term at least, we have been unable to provide the consistent results we want to provide for you, and more importantly what we believe the underlying investments we have selected for you should provide in a "normal" market.

Now it is very easy to just sit back and blame "irrational" or "dysfunctional" markets for our current woes (and certainly a lot of people are doing just that), however, we would rightly expect you to be suspicious of such talk in the absence of proof. Spending a little bit of your time explaining why we believe certain unusual events have occurred, and why they have had extremely unusual (and we expect short term) impacts on our portfolios will hopefully provide you with some comfort during what is, we realise, an extremely difficult time.

Primarily, we have a situation globally where liquidity has dried up. Practically, this means that there is insufficient demand to ensure that prices of assets are trading correctly. A simple example should suffice:

You will notice that the traded price of Multiplex Acumen Property Fund (ASX: MPF) during the month of March moved from \$1.05 on 29 February 2008 to \$0.97 on 14 March 2008. In view of the difficulties that markets were experiencing during that period, this is not what we would call "irrational"; this was simply a function of more sellers than buyers. Events subsequent to 14 March 2008 were, however, completely irrational. By 27 March 2008, its share price had fallen to \$0.68 and at times there were NO buyers in the market for the stock at all. This is a graphic illustration of what happens when liquidity dries up, prices go into free fall, notwithstanding how the particular investment might be performing on a fundamental basis. For instance on 19 March 2008, MPF increased its quarterly distribution rate to 2.8325 cents per share or

Multiplex Acumen Property Fund



Source: Virtual Broker

MARKET OVERVIEW

11.33 cents per share on an annualised basis. At 97 cents, it was trading on an income yield of 11.7% p.a. which was probably about right in a difficult market. At 68 cents, it was trading on a yield of 16.66% p.a. This was clearly not a “rational” price; the price was purely a function of there being no buyers in the market at all.

This is obviously just one (small) example. However, as a general rule we tend to hold more illiquid investments in our portfolios, for the very good reason that there usually are, on average, better value opportunities in such areas. These have, just like MPF, been excessively impacted by recent events. Accordingly, we have found that:

- a) despite the fact that we have largely “read” circumstances correctly in terms of what was likely to transpire in financial markets, and hence
- b) we have placed our portfolios in a much more conservative position than the average fund out there; we have found that due to these “illiquid” investments that the short term results have been similarly bad to the average fund.

This is, as I am sure you are aware, incredibly frustrating. To get things wrong, is one thing. To get things (largely) right and to not get the right results (at least in the short term) is difficult to accept.

Fortunately, we do know that we have been hit more by illiquidity than errors (for want of a better word), and, hence, the downside that our portfolios have undergone is more likely than not to be reversed as and when at least some liquidity returns. And that can happen quickly – witness the move in MPF above. By 31 March 2008 it had rallied back to 77.5 cents and by 8 April 2008 was trading back at 90 cents (almost back to a “reasonable”, if not still cheap, level).

So to summarise:

- While our short term results have been similar to the average portfolio, they have been achieved in a completely different manner.
- We held a lot of cash, so for our results to be as bad as the average portfolio, the investments that we held have obviously fallen by more than the market. In a lot of cases, these falls have been based on a complete lack of liquidity rather than any fundamental factors.
- Generally speaking this means that our portfolios currently represent better value, and more importantly, are better placed (due to the cash that they hold) to use their cash to pick up comparative bargains that are thrown up by the liquidity driven selling that we are seeing. Over time this should result in better returns.

Assuming that you are still reading, you are hopefully prepared to accept that we still know what we are doing and that we will

bounce back from what we concede have been some disappointing short term results.

What is it that we expect for the future of the financial world?

We believe:

- Globally, the financial system is “broken”. There is simply no other way to describe it.
- There *were* two possible ways in which this could be dealt with:
 1. Allow the losses to be taken, and in effect accept the hangover from the credit binge that we have been engaging in for the last 25 years or so; or
 2. Attempt to paste over the broken bits by bailing out failed and/or failing entities.
- The actions taken in March by the US Federal Reserve make it clear that option 1 has been dismissed and we are going to be heading down the path of option 2.
- Henceforth, any US financial entity (and due to the interrelated nature of modern finance even large non-US entities) which finds itself in even a spot of bother will be bailed out. US interest rates will be forced lower and money will be printed in extraordinary amounts.
- Simply, the world should prepare itself for a massive bout of inflation.

And the “simple” solution to this is that there is not one. One option would be to just put everything into a term deposit – that would be the “safer” option wouldn’t it? Well, no we don’t actually think it would be over the medium term. Firstly, as we have seen with Northern Rock, Bearn Sterns et al, financial institutions can and will fall over, what happens if you pick the wrong one? Secondly, as we have outlined above, we expect inflation will increase to levels that no-one is currently predicting, hence you would be locking into interest rates that history will likely show have not adequately compensated you for inflation. Thirdly, as we have seen in the US, each country’s reserve bank (in our case, the Reserve Bank of Australia) controls short term interest rates and could drop interest rates to stimulate the economy, even in the face of rising inflation, which would wreak havoc with your finances when your term deposit matures.

No, we continue to believe that an appropriately diversified, value biased portfolio of investments is the best manner in which to withstand the coming financial events, and that is exactly what we believe we have provided you with.

We are cautiously optimistic that our portfolios will provide better results in the June 2008 quarter, and we are looking forward to keeping you informed in relation to how we are managing the money that you have entrusted us with.

STOCK WATCH

Allco Equity Partners Limited

Allco Equity Partners Limited (ASX Code: AEP) is a listed investment company which can invest in private equity transactions and ASX listed businesses. The company focuses on investing in medium to large sized companies where it can take large and thus influential positions in order to bring about improved performance and value enhancement for shareholders.

AEP aims to complete one to two transactions per year with a minimum equity component of \$100 million. At present AEP is focussing on the domestic market, although it will consider offshore transactions on a selective basis. AEP bases its investment decisions on a range of criteria, with the main criterion being:

- The company needs to have a proven business model and be fundamentally sound with stable cash flows.
- There needs to be attractive market dynamics and the prospect for growth.
- The company needs to have an experienced management team.
- There is a medium term investment horizon for realising value in the investment.
- The company needs to show financial discipline.

As at 31 December 2007, AEP had three investments in its portfolio: Trans Tasman Collections, Signature Security Group and IBA Health, with \$141.7 million in cash. Whilst waiting for appropriate investment opportunities, AEP places its excess cash in term deposits with major banks. Although the company has access to debt facilities, to be used in investment transactions if appropriate, as at 31 December 2007 the company had no borrowings.

AEP has performed well financially over the past half year, increasing its net profit after tax by 5%, with a half year profit of \$13.4 million (as at December 2007). It also paid a fully franked interim dividend of 5.0 cents per share in early March 2008, which brings its total dividends since formation to 51 cents per share. As at 31 March 2008, our estimate of AEP's fair value is significantly higher than the traded price of \$1.86, thus representing good value, according to our assessment.

OVERVIEW OF ALLCO EQUITY PARTNERS' INVESTMENTS:

Trans Tasman Collections

Trans Tasman Collections (TTC), trading as Baycorp Collection Services, is a holding vehicle for businesses in receivables management and integrated debt recovery services. It is one of the leading debt collection businesses in Australia and New Zealand with a broad customer base and a diverse service offering to the private and public sectors. TTC has the following investments:

- Baycorp Collection Services
- Portfolio Management Group

- A 10.3% interest in Collection House Limited.

Baycorp Collection Services, the largest holding in TTC, acquires debt ledgers, mainly from companies in the financial services or telecommunications sectors, and provides its services either on a fee contingency basis or by acquiring ledgers from the debt originators.

Signature Security Group

AEP purchased Signature Security Group in January 2006, and owns 96% of the security company. Signature is one of the three largest security firms in Australia and New Zealand, alongside Chubb and ADT. Its services include the installation, monitoring, maintenance, sale and leasing of electronic security equipment to both residential and commercial customers.

Since purchasing Signature Security Group, AEP has worked with management to implement initiatives to enhance growth. Achievements to date include:

- Several acquisitions completed with a number of other opportunities currently under negotiation
- Rollout of a renewed authorised dealer program
- Customer care and customer save initiatives introduced to control the rate of customer attrition.

IBA Health

IBA Health is the most recent acquisition by AEP, purchased in October 2007. The investment was made to provide funding for IBA Health's takeover offer for iSOFT Group, which was subsequently completed in late October. AEP holds its investment through a combination of shares and convertible notes, and if all the convertible notes are converted to shares, AEP will then hold 30.6% of IBA Health's issued shares.

IBA Health is the largest health information technology company listed on the ASX, and one of the largest in the world. It provides information and communication solutions to connect providers, payers, patients and communities. IBA Health's range of systems are designed to support workflows across all health sectors including hospitals, clinics, aged and community care facilities, and primary care as well as claims and patient processes.

Allco Equity Partners Limited is a current Western Pacific Special Situation Investment and is also an investment in the Officium Special Situations Fund. For further information on either of these investments please contact your financial adviser.

FUND WATCH

Officium Special Situations Fund

As many of you would be aware the Officium Special Situations Fund was created to replicate the allocation to “special situation” investments within your individual portfolio. This was done to provide further diversification within the portfolio, enable quicker buying and selling of “special situation” investments, and also allow for access to securities and products not available to retail clients. The Officium Special Situations Fund follows the same investment philosophy as always, that of providing “absolute returns” using a value based investment strategy, i.e. “Intelligent Investing”.

Specifically, the Fund’s name, “Special Situations”, refers to making investments in areas of the market which are overlooked or disregarded by other investors; for example, small to medium sized companies, “fallen angels” (formerly well-regarded companies which have fallen on hard times), complicated securities, under-researched securities or sectors, and unfashionable securities or sectors. These companies are comprehensively researched and analysed by the Officium Capital investment team, led by the fund manager and chief investment officer of Officium Capital, David Guy, who has been managing the “special situations” investments for Western Pacific for over 10 years.

Officium Capital’s highly developed understanding and execution of its value investing approach for more than a decade ensures that the key principles of “intelligent investing”, i.e. preservation of capital and the minimisation of risk to achieve positive gains over the medium to long term, remain firmly entrenched. This is seen in the investment team’s approach to identifying suitable “special situation” investments, wherein comprehensive qualitative and quantitative analysis is used to identify investments which are undervalued.

The Officium Special Situations Fund is highly concentrated with 12 investments within its current portfolio (see table below for the list of Top Ten Holdings within the Fund). This concentrated investment portfolio means that the Fund focuses on investing in the most

attractive opportunities rather than diversifying investments across asset classes. This concentrated approach also means that at times, when little value is found in the market, the Officium Special Situations Fund will hold higher amounts of cash, as the Fund will only invest when it has located suitably attractive value opportunities. Therefore, the Fund may hold up to 100% in cash and at other times, as at present, be nearly fully invested with only 5.58% in cash.

The objective of the Fund is to provide positive returns over the long term (five years plus) by realising the value of a share once it is better understood by, or back in favour with, the market. However, both the concentration of the Fund and misunderstood nature of the Fund’s intended investments mean it is likely that the Fund will be very volatile and produce its returns independent of broader asset markets. The table below illustrates both the Fund’s volatility (with just over 50% of monthly returns being positive), as well as its ability to perform in falling as well as rising markets, with a return of 5.92% for February 2008, a month in which the broader Australian share market lost ground.

PERFORMANCE RETURNS AS AT 29 FEBRUARY 2008

PERFORMANCE SUMMARY	OFFICIUM SPECIAL SITUATIONS FUND	S&P/ASX 300 ACCUMULATION INDEX	UBS BANK BILL INDEX
Since Inception p.a. (6/9/04)	8.31%	n/a	n/a
1 Year	15.90%	-0.76%	6.83%
2 Years p.a.	17.56%	10.83%	6.50%
3 Years p.a.	6.65%	14.77%	6.26%
1 Month	5.92%	-0.67%	0.54%
Profitable Months	52.38%	64.31%	100.00%

TOP TEN HOLDINGS AS AT 29 FEBRUARY 2008

TOP TEN HOLDINGS	% OF PORTFOLIO	BRIEF DESCRIPTION	VOLATILITY
Resolute Mining Limited (RSG)	49.41%	RSG has been a special situation investment for quite some time, and whilst the share price has increased over this time, Officium Capital believe that there is still further value to be realised in this gold producing company. RSG develops and operates mines in both Australia and Africa, with its projects yielding over 140 tonnes of gold.	High
Alco Equity Partners Ltd (AEP)	11.60%	Please refer to this quarter’s Stock Watch for information on AEP.	Medium
LinQ Resources Fund (LRF)	9.24%	LRF is an actively managed resources fund listed on the ASX, which specialises in investments in small to medium resources companies both in Australia and overseas. LRF is currently trading below its net tangible assets of \$1.83 (31 March 2008).	Medium
EquiGold Ltd (EQI)	6.92%	EQI is also a gold producer with mines in both Africa and Australia, and recently announced its intention to merge with Lihir Gold Limited (LGL).	Medium
Emperor Mines Limited (EMP)	4.24%	EMP is a gold producer focused on the Australasian and Pacific Rim region. EMP owns and operates the Totukuma Gold Mine in the Central Highlands of Papua New Guinea, and has a number of exploration tenements in the country. EMP recently completed a merger with Intrepid Mines Limited.	High
Lion Selection Limited (LST)	3.84%	LST invests in companies with gold and other metal projects in Australia, Africa and South East Asia, and may bid for the remaining interest in the Cracow Gold Mine located in Australia, which would make it primarily a gold producer. However, this will not be determined until May. LST is currently trading below its net tangible assets of \$1.82 (29 February 2008).	Medium
Mariner Pipeline Income Fund (MIT)	2.91%	MIT is an investment in the Moomba to Sydney Ethane Gas Pipeline, which transports ethane from the gas producing plant in South Australia to the gas processing facility in New South Wales. MIT paid an annualised income distribution of approximately 10.80% for the six months ending December 2007.	Medium
Perseverance Corporation Limited (PSV)	1.98%	In late February, PSV was acquired by Northgate Minerals Corporation, which is a mid-tier gold and copper producer with mining operations, development projects and exploration properties in Canada and Australia.	Medium
Paladin Energy Limited (PDN)	1.89%	PDN is a mineral resource miner with a focus on uranium and has projects in both Australia and Africa. The Officium Special Situations Fund has reduced its exposure to PDN over the past 18 months as the share price has, periodically, exceeded Officium’s assessed value.	High
Perseverance Corporation Limited Options (PSVO)	0.79%	Please refer to Perseverance Corporation Limited summary above.	Medium
Remaining Holdings	1.60%	Includes a small allocation to Alco Finance Group Limited (AFG) and an unlisted holding in Daisy Holding Company Limited which is a Gold Coast based producer of boutique beer.	Medium
Cash	5.58%		Low
TOTAL	100%		

For further information on the Officium Special Situations Fund please visit www.officiumcapital.com.au or contact your financial adviser.

ECONOMIC OVERVIEW

This last quarter we have seen economies weaken, stock markets fall sharply, interest rates both cut (US) and raised (Australia), resources continue to boom and consumer confidence falter. In the United States alone the March 2008 quarter is the worst quarter since the first half of 2002 as the crippling sub-prime mortgage market crisis goes on, and the housing market continues its downward trend.

AUSTRALIA

Westpac's Index of Consumer Sentiment plunged to its lowest level in almost 15 years following the Reserve Bank of Australia's decision to raise interest rates, and the sharp decline in domestic and global share markets; the Index fell 9.1% in March to 88.6. Whilst the NAB Business Sentiment Index rose 2 points to minus 2 in February, it still shows that the number of respondents expecting business to deteriorate outnumbers those predicting an improvement. The Business Conditions Index is also down, recording the lowest level in more than two years. However, the unemployment rate fell to 4.0% in February, down from 4.1% in January.

New home sales rose strongly in the first month of 2008, attributable to the continuing resources boom in Western Australia and Queensland. Sales of new homes and units in January rose 11.3% after a 1.3% decline the previous month.

Over the quarter the Reserve Bank of Australia has increased rates to 7.25%, with no further increase made at the most recent 1 April meeting.

AMERICA

Consumer confidence is again falling as the decline in home prices accelerates, with the Conference Board's Index of Consumer Confidence falling 11.9 points to 64.5, a level usually only seen during recessions. Consumer expectations were also low, reaching the lowest point since 1973.

Retail sales fell 0.6% in February; the second decline in three months, led by auto dealers and restaurants. The ISM Manufacturing Index decreased to 48.3 in February from 50.7, and industrial production also declined by 0.5%.

Meanwhile, home prices continue to falter, falling a further 2.4% in January, now down 10.7% from a year earlier. According to Standard & Poor's, house prices have fallen at an annualised rate of 20% over the past three months in most areas. The median house price decreased 2.7% from a year earlier in February, although existing home sales unexpectedly rose for the first time in seven months, increasing by 2.9%. Whilst homeownership has climbed to record heights in recent years, home equity has fallen below 50% for the first time with Americans owing a massive \$10 trillion on home equity loans. Residential construction decreased at a rate of 25% last quarter, the most since 1981.

The Federal Reserve cut interest rates by 75 basis points to 2.25% at the 18 March meeting.

JAPAN

Consumer confidence slid to a five year low in February as rising oil prices and real wages decreased households' spending power. Consumer prices also rose in February, as companies passed on the higher costs of oil and food. Confidence among Japanese manufacturers also fell, to the lowest level in four years. Unexpectedly, the unemployment rate rose from 3.8% to 3.9% in February.

On the positive side, export growth accelerated in February as demand from emerging markets helped Japanese auto-makers ride out the slump in US spending. Exports climbed 8.7% from a year earlier after increasing 7.6% in January.

On 7 March the Bank of Japan left rates unchanged at 0.50%.

EURO-ZONE

Consumer prices in the 15 nation euro region rose 3.5% in March, the most in almost 16 years. Consumer and business confidence fell to 99.6 in March from 100.2, led by a fall in confidence concerning the construction industry.

French consumer confidence also fell, recording a record low as retail sales slowed and inflation took its toll on the euro region's second-largest economy. In the region's largest economy, Germany, unemployment fell to its lowest since 1992 (7.8%) and manufacturing accelerated, counteracting weaker growth in both Italy and Spain.

Other European countries are struggling in the midst of the global credit crisis, with fears that Iceland will be one of the first victims as the implied likelihood of its biggest banks defaulting rose above 49%. Iceland's central bank abruptly increased interest rates 1.25% to 15% in an attempt to restore confidence in its struggling currency and stave off a full-blown economic crisis.

The European Central Bank left interest rates unchanged at 4.00% on 6 March.

EMERGING MARKETS

The recent global economic slowdown seems to be having little impact on China's growth. Producer prices increased 6.6% year on year in February, the fastest pace in more than three years, although industrial production grew at the slowest pace in more than a year as exports slowed and the worst snowstorms in half a century shut down factories and disrupted power supplies.

On 18 March the People's Bank of China decided to raise the RMB reserve requirement ratio for depository financial institutions by 0.5% to 15.5%.

TECHNICAL UPDATE

Salary sacrificing some of your pay to super can be a tax-effective way to increase your retirement savings. The amount you sacrifice is deducted from your assessable income and may reduce your income tax liability.

Instead of paying tax at your marginal rate on the money, when you salary sacrifice your pay to super the contribution (plus any future income earned from the investment) is generally taxed at a maximum rate of 15%.

LIMITS ON SALARY SACRIFICES TO SUPER

Because of the generous tax concessions, the government restricts concessional contributions (which include superannuation guarantee, salary sacrifice and personal deducted contributions).

An employer can contribute to super on your behalf and claim a tax deduction for an unlimited amount, but if your concessional contributions exceed \$50,000 in a year, you'll pay tax at 31.5% (in addition to the 15% tax paid by the super fund) on the excess. You'll receive a tax bill for this, but you'll be allowed to withdraw money from your super fund to pay it.

If you're 50 or older at any time to 30 June 2012, your concessional contribution limit is \$100,000 (instead of \$50,000) before excess tax is charged. The \$100,000 limit applies for each year you're over 50 until 30 June 2012, when it reverts back to \$50,000.

EXAMPLE

Jodie earns \$50,000 and is considering sacrificing 6% of her salary to her super account. This table compares the effects of not sacrificing vs. sacrificing the 6%.

	NO SALARY SACRIFICE	6% SALARY SACRIFICE
Salary (pre tax)	\$50,000	\$47,000
Tax on salary	\$10,350	\$9,335
Salary (after tax)	\$39,650	\$37,665
Super contributions	\$4,500	\$7,500
Tax on super contributions	\$675	\$1,125
(Salary + super benefits)	\$43,475	\$44,040
Total tax paid (Salary & super)	\$11,025	\$10,460
Total tax saved	Nil	\$565

Although Jodie's weekly income is \$38.17 less, her annual super contributions have increased by \$3,000 and her overall annual package increases by \$565 (the amount of tax she saves). Over the long term, this strategy has clear benefits for Jodie, and gives a huge boost to her super for her retirement.

THINGS YOU SHOULD CONSIDER

Don't salary-sacrifice funds you think you may need before you retire. If you're younger, it may be more beneficial to pay off non-deductible debt (such as your home loan) instead.

Disclosure

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If you're older, the reverse could be true. Generally, salary-sacrificed funds will have been taxed at 15% and once you retire you can access the funds tax-free and pay off any outstanding debts. Make sure you have a written agreement with your employer before making the contributions.

Before you consider making the "supreme sacrifice", talk to your financial adviser.

Did you know an estimated \$4.5 billion of "dirty money" is laundered through the Australian economy every year? New laws are designed to protect Australian business from being used for money laundering activities.

In an effort to detect and prevent money laundering in Australia and the threat to national security caused by the financing of terrorism, the Australian Government recently introduced the Anti-Money Laundering/ Counter-Terrorism Financing Act.

The new laws meet higher international standards to protect Australian businesses from being used for money laundering and terrorism financing purposes. These laws will make it more difficult for criminals to disguise and use the profits of their crimes, and for terrorists to receive money to carry out terrorist acts.

FINANCIAL ADVISERS NEED TO KNOW THEIR CUSTOMERS

Since 12 December 2007, a range of businesses, including financial advisers, have been required to identify and verify all clients prior to providing a 'designated service', as part of the "Know Your Customer" (KYC) obligations.

A "designated service" includes opening an account, sending and receiving electronic funds transfer instructions, accepting a contribution, rollover or transfer in respect of a super fund member and withdrawing from a super fund.

Businesses that don't comply with the obligations face civil penalties of up to \$11 million from the national anti-money laundering regulator, the Australian Transaction Reports and Analysis Centre.

GUIDELINES AND FORMS

The two industry bodies IFSA and the FPA have developed guidelines and forms to help financial advisers meet their KYC obligations and ensure consistency across the wealth management industry. Western Pacific has aligned its approach with the IFSA/ FPA Guidelines so you can be confident that your financial adviser is acting in accordance with industry practice.

WHAT DOES THIS MEAN FOR YOU?

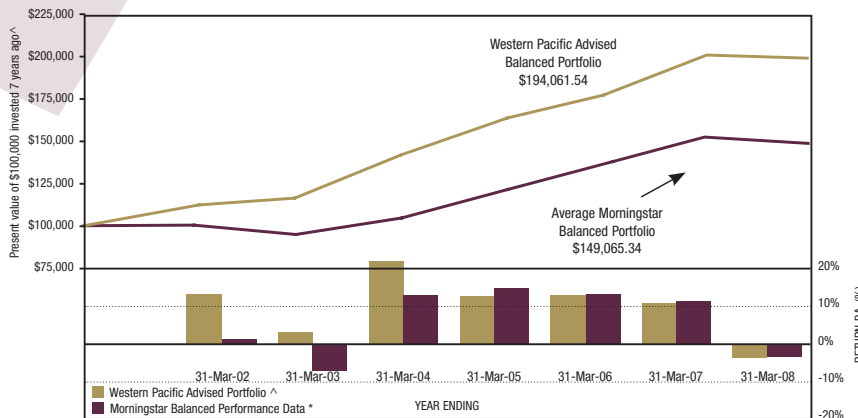
When you next visit your financial adviser, you may be required to verify your full name and either your residential address or date of birth using, for example, a valid driver's licence.

If you have any questions, please contact your financial adviser.

Source: Asgard

PERFORMANCE RETURNS

As at 31 March 2008



WESTERN PACIFIC ADVISED PORTFOLIOS [^]					
Time Period	Cautious	Conservative	Balanced	Assertive	Aggressive
1 April 2003 31 March 2004	11.05%	18.76%	22.02%	25.39%	30.05%
1 April 2004 31 March 2005	9.59%	11.08%	12.80%	13.78%	15.14%
1 April 2005 31 March 2006	10.28%	12.09%	12.91%	13.75%	13.46%
1 April 2006 31 March 2007	8.21%	9.28%	10.88%	11.91%	13.00%
1 April 2007 31 March 2008	-1.09%	-2.18%	-3.57%	-4.41%	-5.72%
5 Year Average Compound Return**	7.51%	9.59%	10.69%	11.66%	12.60%

** Due to different commencement dates there may be a variance between individual client returns and the returns outlined above.

The 2004, 2005, 2006, 2007 & 2008 returns have been calculated by weighting (in accordance with the relevant asset allocation) the actual total returns of the investments which comprise our standard portfolios (as designed by our Chief Investment Officer). From time to time our portfolios are adjusted, and we have time weighted the relevant investments to allow for these adjustments. The 2003, 2002, 2001 & 2000 returns represent the total return for all Western Pacific Financial Group clients, using information provided by Symetry Limited. Returns are calculated net of underlying investment management charges (where applicable), however before tax, administration or adviser fees. No allowance has been made for transaction costs. We have tested the calculated figures against actual client portfolios to confirm the accuracy of the calculations. Past returns are not necessarily, and in fact are unlikely, to be the same as future returns and we would recommend that clients discuss with their adviser the returns Western Pacific reasonably expect in the future. *Morningstar Australian Multisector Trust Balanced Index. Source: Morningstar. ^Gross Investment Return Western Pacific Advised Portfolios via our Main Investment Platform. Returns calculated from information provided by Symetry Ltd.

OFFICE LOCATIONS

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NORTH SYDNEY
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 CLEVELAND
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CLEVELAND – BENCHMARK
 29 Middle Street
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GATTON
 20 William Street
 Phone: (07) 5462 2277

KAWANA BUSINESS VILLAGE
 Suite 3, Level 1, 2 Innovation Parkway
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TEWANTIN
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 UNLEY
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PORT AUGUSTA
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VICTORIA
 TOORAK
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VERMONT
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WESTERN AUSTRALIA
 DUNSBOROUGH
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 31-33 Dunn Bay Road,
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NARROGIN
 Suite 6, 2 Williams Road
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OSBORNE PARK
 The Garden Office Park, Building B
 355 Scarborough Beach Road
 Phone: (08) 9443 6833

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