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SECURITY NATIONAL
FINANCIAL SERVICES PTY LTD
FINANCIAL PLANNERS

SNFS

Australian Financial Services License Number 244565
ABN 54 007 375 420

Financial *focus*

VOLUME I YEAR 2009

MARKET WATCH

YEAR-END SUMMARY 2008 AND MARKET OUTLOOK

2008 turned out to be a year investors would like to forget, but instead will vividly remember. The economy and financial markets remained relatively resilient in the first part of the year before plummeting in September, producing the worst year for stocks since the 1930s. Credit issues dominated the headlines, resulting in the collapse of several financial institutions. Government responses were rapid and inventive, with the US Federal Reserve and other policymakers adopting new lending and asset purchase programs in an effort to restore some measure of liquidity to the system.

As we look ahead in 2009, our overall view is that the economy is in for continued difficulty, but that markets should begin to stage a recovery. Our outlook is predicated on three main themes that we believe are likely to shape the way the New Year unfolds:

- Economic recovery and subsequent growth is muted as consumer spending shrinks as a percentage of the US and local economies.
- Evidence accumulates that the United States is not following the script from the 1930s or that of Japan from the 1990s.
- As dividends become more attractive, investors will flock back to equities.

Quick Summary of 2008

- Unprecedented falls in sharemarket globally
- Gold reached over \$US 1000 an ounce in March
- Bear Stearns was the first large collapse, sold to JP Morgan
- Oil peaked at US\$ 145 in July, finished year at \$US 44
- RBA cuts official interest rates for first time since December 2001
- Lehman Brothers collapse in September sparked renewed volatility
- Multitude of bailout plans announced
- Aggressive interest rate cuts globally
- Fiscal spending packages announced
- US declared in recession since December 2007

MARKET WATCH

LOOKING AHEAD IN 2009

The Global Recession is likely to persist over the next six to nine months, with economic conditions expected to deteriorate further as unemployment rises and consumer confidence continues to fall.

Fortunately for investors however, a lot of the bad news has already been factored in by share markets, and just as the downturn was anticipated long before any negative data was released, so too will the market anticipate the next upswing in the cycle, well before we even see the first hint of good news come out in the media.

The reason for this is that when you purchase shares in a company, you are buying its future earnings. In other words you are putting your faith in that company's future prospects and the likelihood that the company will provide a good return on your investment over the coming period. Therefore even if the current economic conditions are poor, the share market has the ability to see past the negative news, and look towards improved conditions in the future, as this is what will determine the return on today's investment.

The reasons for optimism when looking ahead, is that firstly, no downturn has ever lasted forever, and this time will be no different. While private sector spending has fallen and is likely to continue to fall further over the short term, Governments around the world have taken up this shortfall, and announced massive stimulus packages aimed at creating jobs and injecting money back into economies. On top of this, interest rates have fallen considerably. The Cash Rate in Australia is down some 4% since its peak and now at 3.25%, while the US and Japan are at 0%, with Europe following closely. In addition to this, the price of Oil has fallen from \$160 per barrel at its peak to \$40 (currently trading at \$52) and the price of commodities have fallen significantly as demand has softened.

These headwinds that were previously retarding businesses and placing upward pressure on inflation have now been removed, and therefore once the economy begins to stabilise, companies will take advantage of these lower costs and begin to again expand their businesses in anticipation of improved business conditions in the future. When this is recognised by the market is difficult to say due to the fact that there is still so much pessimism, however we suspect that once investors realise that contrary to popular belief the World is not in fact ending, and that these companies will continue to exist next year and the year after that, then the attraction of share dividends that are double the return on Cash, will again entice investors back into the market and the next cycle will begin.

The last 2 weeks has been a timely reminder that no-one rings a bell for investors signalling the bottom of the market, and while this current upswing may well be just a bear market rally, it is important to note the speed at which stock values have increased over a very short period of time. Therefore it is essential that investors maintain their current positions, particularly in the growth sectors of Shares and Property in order to maintain full exposure to the inevitable recovery when it occurs. Have no doubt that the best investment returns in the future will be based on those decisions made in today's market and this applies not only to new investments but also to existing investors in relation to maintaining their exposure.

MARKET WATCH

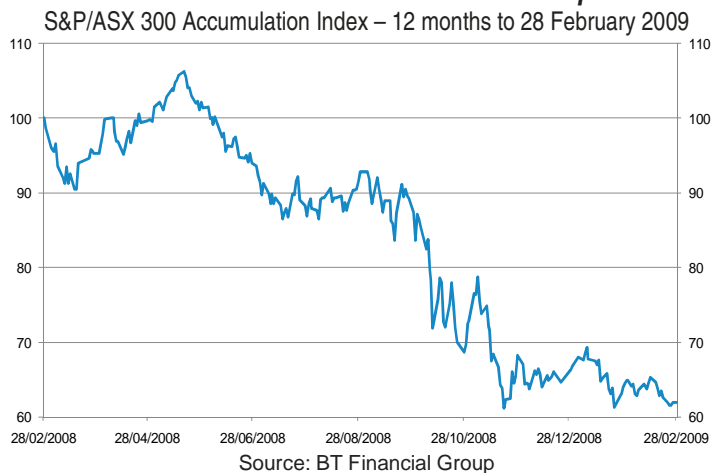
WHAT'S AN INVESTOR TO DO?

The start of a new year is always a good time to review your investment goals and asset allocation with your financial professional, and to make portfolio changes where necessary. With that in mind, following are some ideas investors may wish to consider:

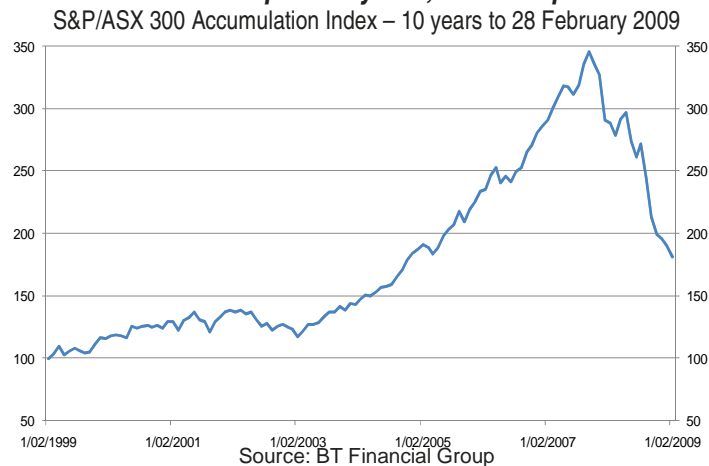
Stay put

It's important not to panic, and as super and investments require a long-term view, if you stay put, you should be well positioned to benefit from any upturn. Withdrawing or switching after a negative return may cause you to realise losses.

The Australian share market has fallen 38% in the past 12 months



But over the past 10 years, it's still up 81%



MARKET WATCH

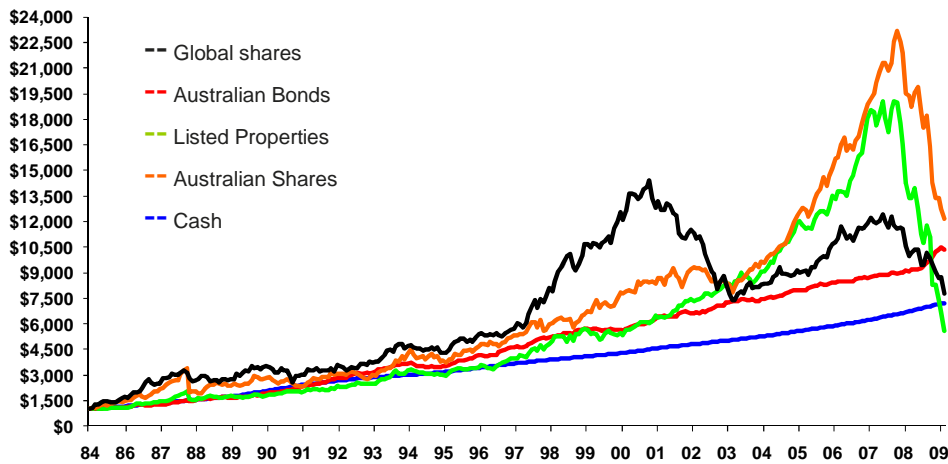
Risk versus return

When setting up a portfolio, people have to decide what investment mix they want to invest in. All investments involve some degree of risk. What's important is that people are clear about the level of risk they can handle. Generally speaking, the higher the potential for increased returns, the higher the risk of a negative return.

It's important for people to assess if they are a conservative, balanced or aggressive investor and adjust their investment mix accordingly. And people should ask themselves if they are comfortable with fluctuations in the value of their investments.

While cash saw stronger returns this past year, Aussie shares still outperform over the long-term

28 February 2009



Source: BT Financial Group

Diversification is the key

One way to deal with risk is to diversify.

Diversification can actually help reduce risk, by spreading investments over the different asset classes: shares, property, fixed interest and cash. The concept behind diversification is it reduces the likelihood of any single investment or asset class negatively affecting the value of a person's investment portfolio. Super is not an asset class but a retirement savings vehicle under which investments are held. This means a person's portfolio may be invested in one or a number of different assets, depending on their chosen investment mix.

MARKET WATCH

The most important point to remember is that downturns are a part of the economic cycle. It's important to have a long-term strategy you are comfortable with, that balances your attitude to investment risk and returns. If you do this, you should be well positioned to benefit from any upturn.

YOUR INVESTMENTS IN VOLATILE MARKETS – 3 KEY THINGS TO REMEMBER

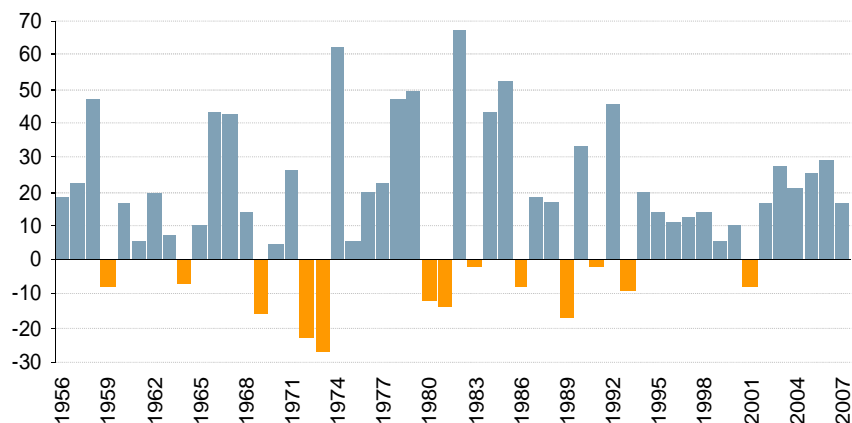
1. Markets move in cycles: although negative returns are disconcerting, looking at the history of the Australian share market over the past 100 years show that downturns are a normal part of the economic cycle and that markets generally come back - usually to higher levels.

In times of market volatility, history can be helpful. Looking at the history of the Australian share market puts returns in perspective and shows that downturns are a normal part of the economic cycle.

The key is to remember that super is a long-term investment and that historically markets come back, usually to higher levels. So, if you stay put, your super or investment will be well positioned to benefit from any upturn.

Volatility can hurt returns in the short term...

Annual returns of Australian shares (%)
All Ords / ASX S&P Accumulation Index (since 1956)

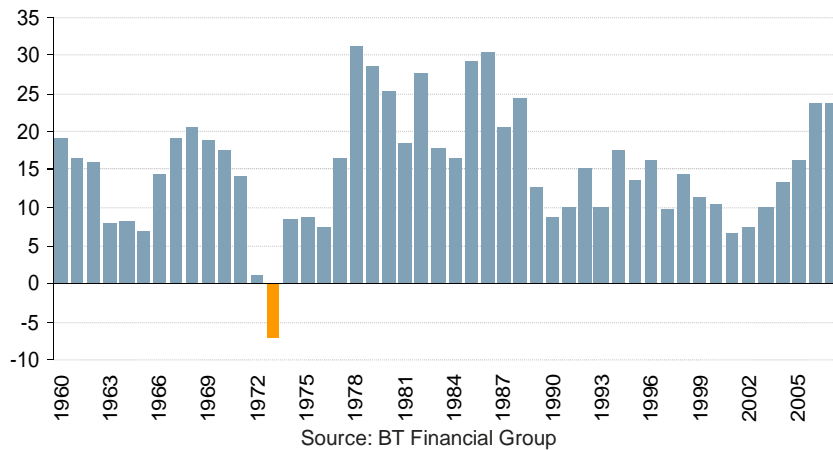


Source: BT Financial Group

MARKET WATCH

...but it's a different picture over the longer term

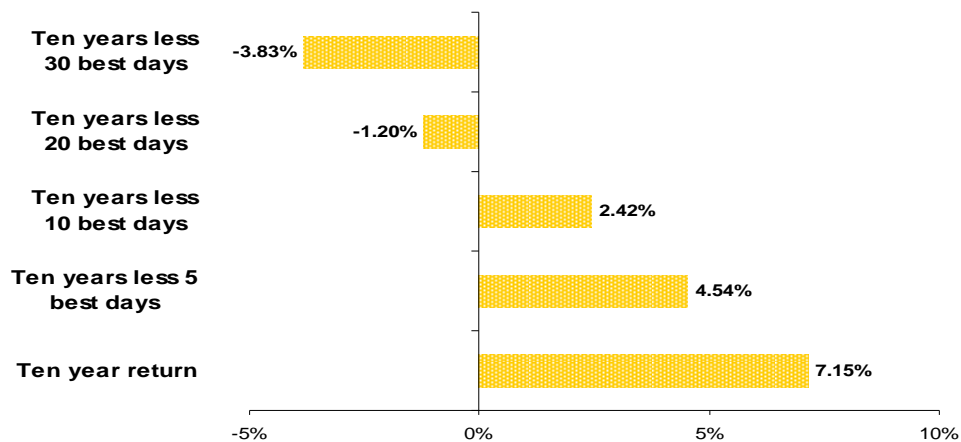
Rolling 5 year returns of Australian shares (% annualised)
All Ords / ASX S&P Accumulation Index (since 1960)



2. Trying to 'time' markets could leave you worse off: when the share market returns fall, it can be tempting to take your money out of shares and move it into cash, but it is important to remember that this could 'lock-in' losses and leave you worse off- missing just the best 30 days over a 10 year period could make a significant difference to your end investment.

Time in the market, not timing

Australian Shares to 31 December 2008



Source: IRESS * All ordinaries Accumulation Index used. Returns are expressed in per annum terms.
Past performance is no indication of future performance.

MARKET WATCH

Realistically, you would've been incredibly unlucky to miss just the best 30 days over a 10 year period, as no-one, no matter how skilled can 'time' markets and pick exactly when the upturns will begin. However, the chart does demonstrate the importance of riding volatility and staying focused on the long-term.

3. Having a long-term strategy helps keep you focused on your financial goals: It's important to have a long term strategy you are comfortable with, that balances your attitude to investment risk and returns. This should position you well to ride out any short-term fluctuations in the market. As part of a long term investment strategy it's worth considering:

- **Dollar cost averaging** – investing a regular amount at regular intervals can help you to average out your purchase price over time. What this means is that when prices are down, you will buy more units for your money and when prices are up you will buy fewer units for the same amount, but over time, your average cost of purchasing may be reduced.
- **Compound returns** - investing for the long term helps you make the most of the power of compounding. Holding an investment over time gives you the opportunity to achieve earnings on earlier earnings that have not been distributed.
- **Timing the market** - some investors confuse 'time in' with 'timing' the market. They try and pick the highs and lows, or when to get in and out. For many investors, trying to time the market actually results in lower longer term returns. By trying to time the market, you may find that you miss a strong period of growth and therefore may not achieve the same result as someone who had got in and stayed in. Shares, like other growth assets, tend to provide you with a bumpy ride, but the potential rewards of sticking to your long term investment strategy can be higher. As you can see, historically shares have delivered superior performance to cash over the long term.
- **Buying opportunities** – For some, lower unit prices represent an opportunity to increase their investment.
- **Keep your focus** – It seems like simple advice, but in the face of ongoing market volatility, we would encourage investors to remain focused on the long term, ride out any potential storms, look for buying opportunities and, above all, rely on the basic tenets of staying fully invested and well diversified.

SECURITY NATIONAL'S NEWS

WHAT'S NEW AT SECURITY NATIONAL?

- We want to announce that Melissa Hansen, who works with Peter Budge, is back from her maternity leave. Her baby boy, Julian Hansen is also visiting us from time to time. We are glad to have Melissa back, especially Peter!
- We would also like to welcome Claire Thompson. That friendly new voice on the phone is Claire, our new part-time receptionist. Claire is currently doing her Bachelor of Arts, majoring in creative writing and a Bachelor of Laws at the University of Melbourne. Claire is Ion Whykes great-niece and we welcome her to the team!
- In this difficult time if you, your family or friends could benefit from our advice please contact your adviser.



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