



Henderson Matusch
POSITIVE WEALTH MANAGEMENT

HAVING MONEY

Having Money

Issue One

Welcome to the first issue of 'Having Money'

Our new newsletter format has been designed to both keep you informed and inspire you about having money and what you need to know about how your money makes money.

Of course we acknowledge that the current economic climate poses both challenges and frustrations, however, it is important to remain focused on

your plan and trust that our team and your personal adviser are committed to ensuring that together we stay well informed to weather the storm... and as the saying goes – no storm lasts forever, even this will pass.

We are also proud to announce the launch of our new brand identity. Late last year we worked with Brisbane's

leading brand consultancy DAIS to help us define who we are as a business and how we can improve our communication. Our new brand collateral and corporate image will be revealed throughout the year as we launch our new style to our valued clients and the market.

As those of you who know us well will appreciate, Henderson Matusch has a very different approach to positive wealth management. For us it is all about making the hard things simple and the simple things easy, so you can manage and achieve to your plan.

We have an exceptional multi-disciplinary team of professionals, which means we can deliver on our promise, to ensure you have money and the strategy to live smart and leverage your money to make money.

We assure you we will be diligently by your side to keep you informed as you need to be throughout 2009.

Warmest Regards **The Henderson Matusch Team**



We are a high performance positive money management team.

We make the hard things simple and the simple things easy so that you can manage and achieve to plan.

We are always with you, tuning your living wealth plan to perfection.

HAVING MONEY

“means having time to enjoy the simple things in life”



www.hendersonmatusch.com.au

How much have you really lost?

Ten billion dollars.

Seems like a nice, tidy sum, does it not? And what, you ask, does it represent? Well, in big, round numbers, it is the decline in the value of Warren Buffet's personal shareholdings in his Berkshire Hathaway, Inc., from its 2007 peak at about \$150,000 a share to its current trough at \$84,000.

Now, take out a pencil and paper, because we're going to have a spot quiz. It'll be very simple; there's only one quiz question, and it's true/false: "Over the last year, Warren Buffet lost ten billion dollars in the stock market." True or false?

The answer, of course, is false. As he would be the first to tell you, he hasn't lost anything. Why? - because he hasn't sold. Berkshire Hathaway is a portfolio of ownership in good businesses. Some are public companies, of which Berkshire owns pieces (Coca-Cola and Wells Fargo, for example). Some are private companies which Berkshire owns outright (GEICO Insurance and Fruit of the Loom).

In a fifty percent equity market decline, such as we have suffered in the past fourteen months, it is fair to say that everything goes down a lot. A great company like Berkshire, flush

HAVING MONEY

"means I have a structured path to financial freedom"



with cash and run by the greatest equity investor who ever lived, may go down a tad less than do most equities – off 44% vs. 52% for the S&P 500. But a 44% hit is still a staggering decline by any measure.

Maria Bartiromo of CNBC recently put that issue directly to Buffett. How did it feel, she asked him, to see his stock go down over 40%? Buffett responded that it felt pretty much the same as it did the other half-dozen times it happened since he took over the company, upwards of fifty years ago. The smile never left his face.

That may be because Buffett is pretty confident that the ten billion dollars will ultimately be back – that as the great businesses Berkshire owns continue to grow and prosper through the years, their increasing earnings and cash flows will sooner or later

show up in the price of the stock. In fact, that's always been the case, and one may cite several dramatic examples. Buffett 'lost' \$347million on Black Monday, October 19, 1987. Berkshire stock closed that day at \$3170.

A decade later, in just 45 days during the summer of 1998 – when Russia defaulted, Long-Term Capital

"Over the last year, Warren Buffet lost ten billion dollars in the stock market."

True or false?

Management imploded and the emerging markets uniformly cratered Buffett really stepped up in class. In those six weeks, he 'lost' \$6.2billion,





as Berkshire stock closed out August at \$60,500.

This past year, as we've observed, Buffett 'lost' \$10billion, as Berkshire's stock price declined 44% to \$84,000 a share. Are you starting to see the pattern? If not, simply write down the three prices at which Berkshire stock bottomed at the end of Buffett's biggest 'losing' streaks of the last twenty-odd years: \$3,170, \$60,500 and \$84,000. That exercise should convince you that, far from 'losing' anything in these very significant bear markets, Buffett was simply experiencing temporary price declines, which were dwarfed by the wealth he accumulated when the long-term uptrend resumed.

Granted, Berkshire isn't typical. But is certainly is symbolic. The broad market didn't appreciate nearly as much as Berkshire did over the period since the bottom of the 1987 crash. But, even if you don't count dividends, at today's depressed levels (S&P 850 at this writing), the broad market is up about five times since its close on October 19, 1987. And there've been no fewer than three additional bear markets between that one and this one – during each one of which, people wailed about how much they'd 'lost'.

Consider the possibility that you haven't lost anything until you sell out in a panic and lock in the loss. And that if you don't panic and don't sell, in the fullness of time a broadly diversified portfolio of quality equities will not merely erase the temporary 'loss', but will go on to accrete wealth for the patient investor as no other

asset class has historically done. Consider this thesis...because history admits of no other conclusion.

The average retirement age in the US is 62, which means the average person retiring this year was born in 1946 – the first year of the fabled baby boom. Many such investors are bemoaning how much they've 'lost' over the last year or so, and this is only human. But just before you're tempted to give in to that psychology ("I've 'lost' x dollars, and I'd better get the heck out before I 'lose' any more!"), please consider this:

There have been thirteen bear markets in US equities between 1946 and now. That is, thirteen major declines in which frightened investors have added up their 'losses' every night, to mounting horror. Today, as

noted, we are late in the largest of those thirteen declines, and the broad market, as denominated in the S&P index, is around 850.

It closed out in 1946 around 18. And, of course, that ignores dividends.

If one stayed broadly diversified among high quality equality holdings, there was really only one way for the long-term investor genuinely to lose anything. It was to mistake a temporary decline for a permanent loss, and panic out. But the market didn't do that to anyone. People did that to themselves.

A huge part of successful long-term equity investing is simply the decision not to do that to yourself.

Nick Murray, Interactive, Volume 9 Issue 1, January 2009

The Global Financial Crisis

Was it Forecastable?

Why didn't all the experts see it coming? This is a good question, as most didn't, and even those who saw problems didn't see it unfolding this quickly. There are several points to note. For one thing, if most of the experts had seen it coming then the boom that preceded it wouldn't have happened in the first place so nor would have the crash. Secondly, there is an important distinction between something that is foreseeable (e.g. 'eventually high debt levels will cause a problem') and something that is forecastable (e.g. 'high debt levels will cause a major problem in 2008').

While some sort of financial crisis made worse by high debt levels and global savings imbalances was foreseeable, it was not forecastable in the sense of being able to accurately predict its timing.

Some did get it right over the last year, but as former RBA Governor Ian Macfarlane observed "Everyone who predicted what has happened this year has been predicting it for 10 years". And that's not a great track record.

Shane Oliver, 'Oliver's Insights', Edition 39, 11 December 2008



Tame the Beast

A 'bear market' is typically defined as a fall in the sharemarket of more than 20%, and a feeling of widespread pessimism. But when fear reigns, it can always help to look at the past to see what opportunities can arise.

Generally, bear markets have occurred in times of slower or negative economic growth and a pickup in unemployment. However, to date the Australian economy is still growing, albeit at a slower pace than in recent times, and the unemployment rate is at around 30 year lows.

In spite of this, the A&P/ASX All Ordinaries Index fell from its high of 6853 points on 1 November 2007 to a low of 3332 on 20 November 2008 – a fall of around 51%.

Disaster or opportunity?

The sharemarket had not fallen so much since the sharemarket crash of 1987. This equated to dramatic share price falls of around 30% for some of Australia's most recognised brands, such as Westpac, Foster's and Harvey Norman.

It's interesting to note how we react to lower share prices. Often when we see prices of consumer goods fall, many of us race in to catch a bargain. However, when it comes to shares, we tend to react differently. If the share prices of well-managed, dividend-paying companies fall, we view them with suspicion and fear, when perhaps we should see them as opportunities.

Buying and holding shares in good companies after the crash of 1987 would have been a good investment strategy. There were bargains to be picked up.

From the end of 1987 to the end of 1989, all major banks rose by more than 50%, as did BHP, Rio Tinto, Harvey Norman, Coca-Cola, Caltex, Wesfarmers and QBE Insurance. These are all household names providing services at a profit. That's what businesses do and will continue to do into 2009. While we may not see such rapid gains as post-1987, there are opportunities for growth in share prices as profits rise over time.

While the Australian sharemarket is down close to 45% from its high of November 2007, not all share prices have fallen, or by as much. Companies in the healthcare sector such as CSL and ResMed have seen their share prices rise since November.

Bear markets are dominated by bad news but there will still be good news if you care to look for it.

Where to from here?

Growth in the Australian economy over the next two or three years may not be as robust as it's been for the past 10 years but it should nonetheless continue. Our population is growing, the world needs the products we sell, and Australian companies are reinvesting some of their profits back into their businesses.

Authorities both in the US and Australia have acted aggressively to calm financial markets. The problems to work through in global financial

markets are significant, but investors can be reassured that actions are being taken to restore stability and confidence.

Australia is well placed relative to many other countries given the strong financial position of the Federal Government, the ability of the Reserve Bank of Australia to cut official interest rates if needed and the solid regulatory framework within which Australia's financial institutions operate.

Some share prices have been punished – because they will not be able to earn the profits they and the market had been expecting. However, others have fallen as investors start to panic and sell everything. And when this occurs, bargains can begin to emerge!

Over to the fund managers

Many investors find bear markets nerve-wracking, but it is a fund manager's job to keep a cool head and ask themselves some questions:

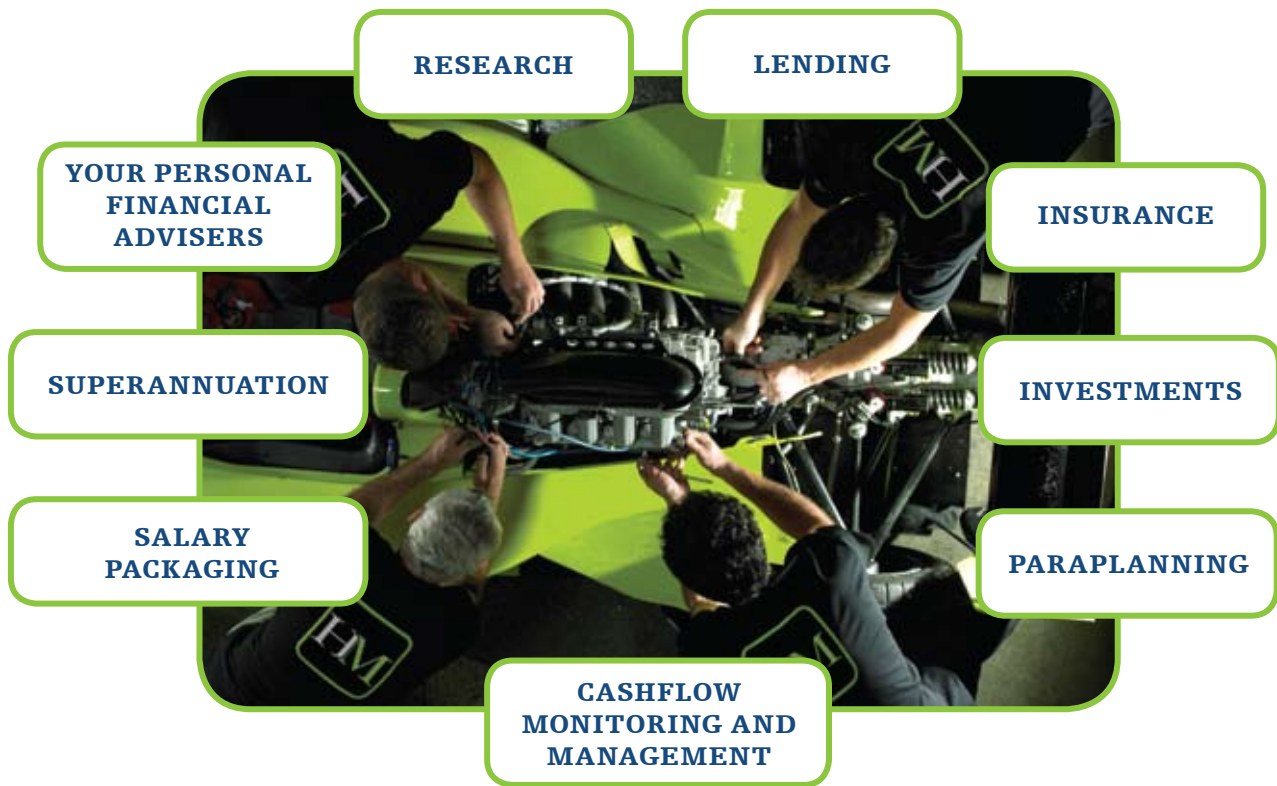
Which companies will supply the growing population of Australia with groceries, finance, insurance, healthcare needs and beer?

Which companies will supply the growing demand for energy, agricultural products, metals and minerals?

By doing this, they are identifying opportunities to buy companies that are likely to produce solid returns for their clients over the long term.

Colonial First State





Your Financial Pit Crew

With Henderson Matusch you can be assured that your financial strategy is constantly being fine tuned by a highly proficient team of professionals.

Our structure is beyond one adviser and encompasses a like minded team each contributing the systems, skills and knowledge required to support your financial performance from every side.

Research

HM ensures you have the most advanced and beneficial products, not simply now but for the future. This division may be behind the scenes but influences the daily decisions that impact your plan. Research is

conducted by the Directors of the business with the assistance of selected external specialists. The products we research are broad, and not limited to, home loans, margin loans, wholesale master trusts, managed funds, investment markets, insurance products and classes.

Lending

It takes many years of completing loan applications to gain a true understanding of the process lenders go through and the information they require. New requirements now mean that lenders who complete loan applications must have appropriate qualifications and ongoing recognised training to ensure they comply to

regulations in this area. We not only hold the necessary skills, training and qualifications but must also continually complete training hours to maintain these qualifications.

Insurance

To understand the many and growing insurance products constantly available, let alone the varying differences between the many underwriters and their various policy, wordings and conditions is in itself a full time job. Our specialist Insurance Advisers have honed skills to understand the complexities involved with policies such as Life, Total and Permanent Disability, Income Protection and Trauma.



Investments

With many forms of investments as well as investment vehicles here in Australia (over 5000 in managed funds alone), our research specialists are appointed to constantly provide advice and analysis on products and the markets we access for the benefit of our clients. We spend many hours in discussion, - trialing, analysing and researching investments before we recommend them to you. Better still our Directors invest in the markets and utilise the lead strategies and investments we recommend to fully stand behind the work we do.

Paraplanning

The role of a paraplanner is detailed, time consuming and within HM completed by well trained meticulous, disciplined and very competent technicians. This ensures your strategy is compiled by a professional focused on the detail of your plan to achieve your objectives.

Cashflow Management

The software we utilise to enable us to monthly monitor our clients cash flow against predetermined targets is not openly obtainable in the market place. This has been purpose built by our Directorship to ensure information is captured and the outcomes you see are correct and produced in a proactive and timely manner.

Salary Packaging

This aspect of Financial Planning can be very complex with many items available to be packaged and tax laws varying depending on what is being packaged and which government department or private sector it applies to. As a result of

these complexities our business has been designed to accommodate a specialist department with full time technical analysts ensuring you are taking advantage of the benefits and being well cared for with appropriate ongoing advice.

Superannuation

Like Salary Packaging, Superannuation is heavily legislated and constantly changing, hence the importance of our team in this area who constantly research products and platforms to ensure the very best outcomes are achieved.

Your Personal Financial Advisers

Our Advisers are at the frontline of our business and the custodians of your positive wealth management strategy. They are the conductors of each pit crew specialisation to ensure you have the best strategy developed for you and your circumstances. They are your primary contact and remain committed to the trusted and confidential relationship that is developed over many years of working with you and your family. They believe in the value they can contribute and the difference they make that effect 'real lives'.

Your dedicated adviser will show you how you can inspire new thinking around your money management so we can deliver on our promise to you.

We will prove your potential (when perhaps you could not even see it) and ensure you have a strategy to provide the money you need to live a positive life.



Stop Reading the Paper!

Six Good Reasons to be Cheerful?

1. The Australian economy is in better shape than most of the developed world.
2. Although it looks like Australia may have a mild recession, the economy should bounce back, as it has always done in the past.
3. Recessions represent an opportunity for investors to buy good assets at great prices looking forward to the next boom.
4. Sharemarkets typically bounce back well before the recession is over.
5. The sharemarket has always bounced back to new highs, although this may take some time.
6. Most Australians have long-term superannuation assets that will grow over the long-term and are not forced to sell at rock bottom prices.