



■ For the past three years Charitable Trusts administered by Equity Trustees have contributed funding to the ground breaking research for a vaccine for breast cancer by Professor Vasso Apostolopoulos of the Burnet Institute.

## A vaccine for cancer is closer than you think

**Over the past 15 years, Professor Vasso Apostolopoulos and her team of scientists at the Burnet Institute have been working tirelessly to develop a vaccine for breast cancer.**

Vasso's work is highly recognised around the world and has led to her winning 90 awards and receiving 57 honours.

Awards include the Premiers Award for Medical Research in 1996 followed by becoming Young Australian of the Year in Victoria in 1997. And more recently (2004), Vasso was inducted

into the Victorian Honour Roll of Women.

Internationally, Vasso was awarded the Order of Brigadier General Medal by the Greek President in 1997, became the Honorary Mayor of Amalias in 1998 and in 2004 became Greece's Woman of the Year.

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## Philip Molyneux receives Australia Day honours



We extend our congratulations to our Chairman, Philip Molyneux who was awarded a Member of the Order of Australia (AM) this year for service to a

range of medical research, health and community organisations through the provisions of financial management expertise.<sup>1</sup> ■

<sup>1</sup> [www.itsanhonour.gov.au](http://www.itsanhonour.gov.au)

## Inside >>>

### Couta boats race to success

Equity Trustees Pope's Eye Cup Couta Boat Race drew a crowd of over 390 people on Saturday, 13th January.

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### Market-Sector Review



Resources – Is this really a golden era?

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## What a great start to 2007

Sorrento Sailing Couta Boat Club was the place to be on Saturday, 13th January, where we sponsored the Equity Trustees Pope's Eye Cup Couta Boat Race. It was encouraging to see so many people at the event with numbers having doubled from the year before.

It's a pleasure to be a sponsor of the SSCBC, an organisation that is heavily involved in activities that engage young people in the sport of sailing. I would like to thank the Club for providing an enjoyable afternoon for our clients and guests, and the skippers and crew who were kind enough to take us out on their boats. You can read more about the race and see some exciting photos from the day on the opposite page.

This edition of Inside Equity introduces two new regular features – Market-Sector Review (page 6) and Fund Review (page 5). In the Market-Sector Review our Asset Management Team will focus on a particular sector of the stockmarket taking you through an exploration of the key aspects to be aware of. The Fund Review section will give you a snapshot view of a different EQT fund in each edition. Both of these sections have been created in response to reader demand and we hope that you will find them informative.

At Equity Trustees we are continually looking for ways to help our clients and prospective clients secure their financial future. Over the last few months we have held a number of seminars to help our clients understand issues such as the proposed changes to superannuation laws and how their retirement may be affected. In this edition we have included an article on the most tax-effective way to leave your superannuation to your children as part of your estate (page 8). For more information on superannuation and how Equity Trustees can help you please contact our office on 1300 133 472. ■



Peter Williams – Managing Director



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## Couta boats race to success

**Equity Trustees Pope's Eye Cup Couta Boat Race drew a crowd of over 390 people on Saturday, 13th January.**

Held at the Sorrento Sailing Couta Boat Club (SSCBC), the Equity Trustees Pope's Eye Cup Couta Boat Race day was a huge success.

Special guests, John Bertrand, who skippered Couta boat – Zephyr, and Ron Barassi, attended the day to compete in the race and helped the winners celebrate at the clubhouse.

Equity Trustees would like to thank all guests, skippers and crew who

attended the day. We hope you enjoyed yourselves as much as we did. We are looking forward to sponsoring the event again next year and to a long association with the SSCBC.

If you would like to view photos of the race please go to our website and click on the Corporate Events Photo Gallery or just type in [www.eqt.com.au/corporateevents](http://www.eqt.com.au/corporateevents). ■

## Equity Trustees establishes a presence in Queensland

In December last year Equity Trustees appointed a manager based in Brisbane – the first time the company has had a direct presence in the Queensland market.

Russell Hanlon, Equity Trustees' newly appointed Manager – Queensland, will be responsible for leading the company's growth in the region.

The move to establish a direct presence in Brisbane is part of the company's strategy of expansion along the eastern seaboard. Equity Trustees has long had a presence in Melbourne and has complemented this in recent years with an office in Sydney – the home of our Wealthpac superannuation master-trust.

Equity Trustees' Managing Director, Peter Williams, confirms that the company intends to offer a range of its existing services to clients in the Queensland market.

"We'll be making sure that we expand at a rate that ensures that the quality of our service is the same for Queensland clients as it is for all of our clients. We are very happy to have Russell on board as he is a local who knows the market well."

"We believe that we have a range of services that will appeal to Queenslanders and we are very excited to have the opportunity of expanding our services to a new market." ■



■ Russell Hanlon, Manager - Queensland.

Our congratulations go to the winners:

### Division 1

<b>Huia</b>	Vic Mulder 1st place Handicap
<b>Pearl</b>	James Mighell 2nd Place Handicap
<b>Vivienne</b>	Peter Gale 1st Place Linehonours

### Division 2

<b>Joan</b>	Trevor Martin 1st Place Handicap
<b>Blondie</b>	Mark Bergin 2nd Place Handicap
<b>Joan</b>	Trevor Martin 1st Place Linehonours



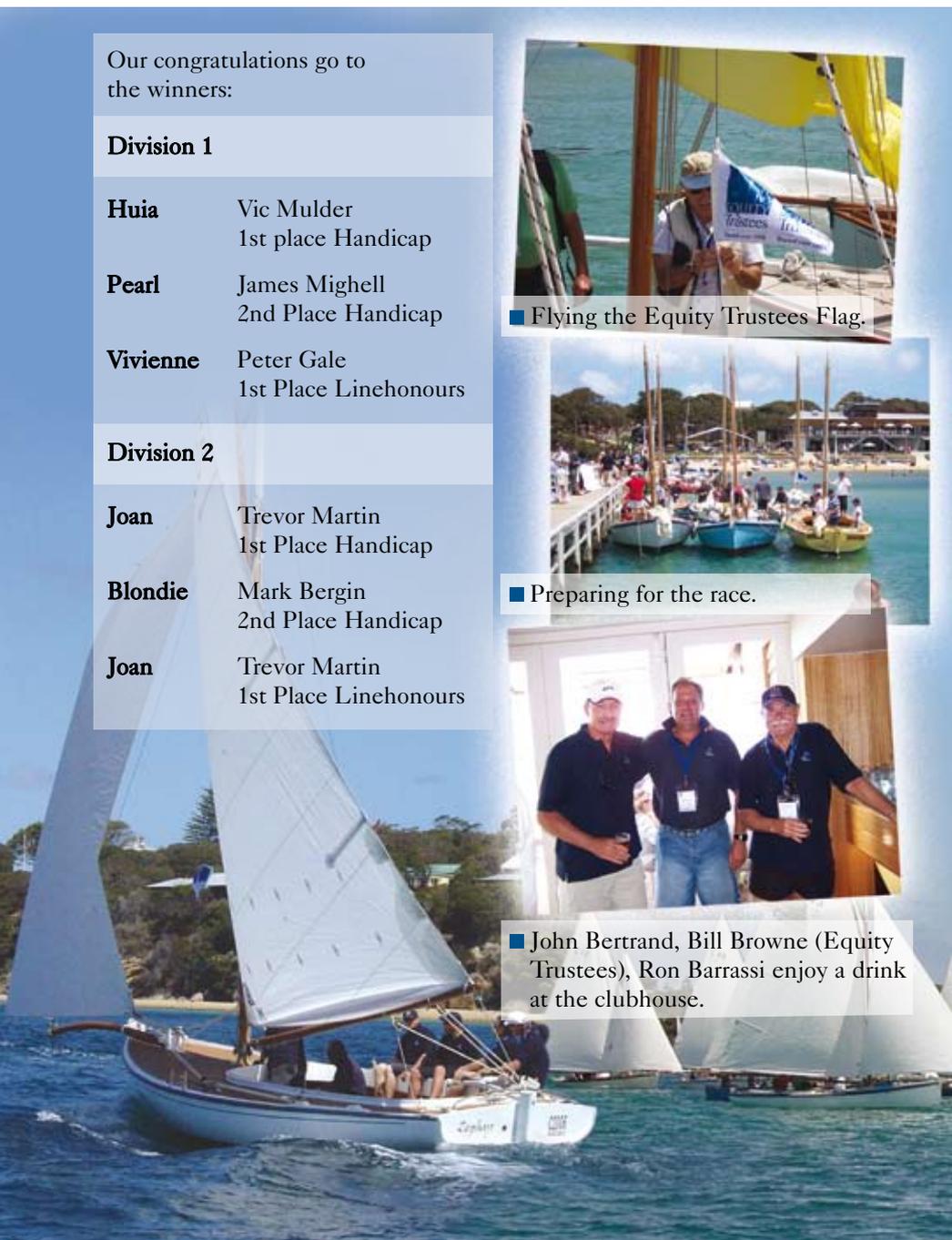
■ Flying the Equity Trustees Flag.



■ Preparing for the race.



■ John Bertrand, Bill Browne (Equity Trustees), Ron Barrassi enjoy a drink at the clubhouse.





■ “Our research is very exciting and is leading the way in cancer vaccines,” Says Professor Vasso Apostolopoulos.

## A vaccine for cancer is closer than you think

*...continued from page 1*

But when speaking to Vasso, she is more interested in talking about her work than her accolades.

“We have developed a cancer vaccine which has been in clinical trials since 1994 and has shown encouraging results,” said Vasso.

“Recently, we enhanced the effectiveness of this vaccine, whereby certain cells from blood taken from patients are cultured for six days, mixed with the vaccine and then reinjected back into the patient. Although this produced encouraging results, the method is not practical.”

“Each patient’s blood cells need to be cultured outside the body, which is a very expensive procedure (\$80,000 per patient) and there is also a risk of contamination,” added Vasso.

PhD student, Jason Choon-Kit Tang, has been working with Vasso to establish an improved delivery method for the vaccine.

“Our aim is to develop a new vaccine delivery system that is cheap and simple to administer,” stated Vasso.

“Jason has efficiently shown, through mouse models, that strong immune responses are generated through this new delivery process.”

“He is now undertaking further ‘pre-clinical’ trials in mice to ensure the new method is a viable one to trial on humans,” said Vasso

“Our research is very exciting and is leading the way in cancer vaccines. Without the funding from charitable trusts administered by Equity Trustees over the past three years we would not have been able to do this research.”

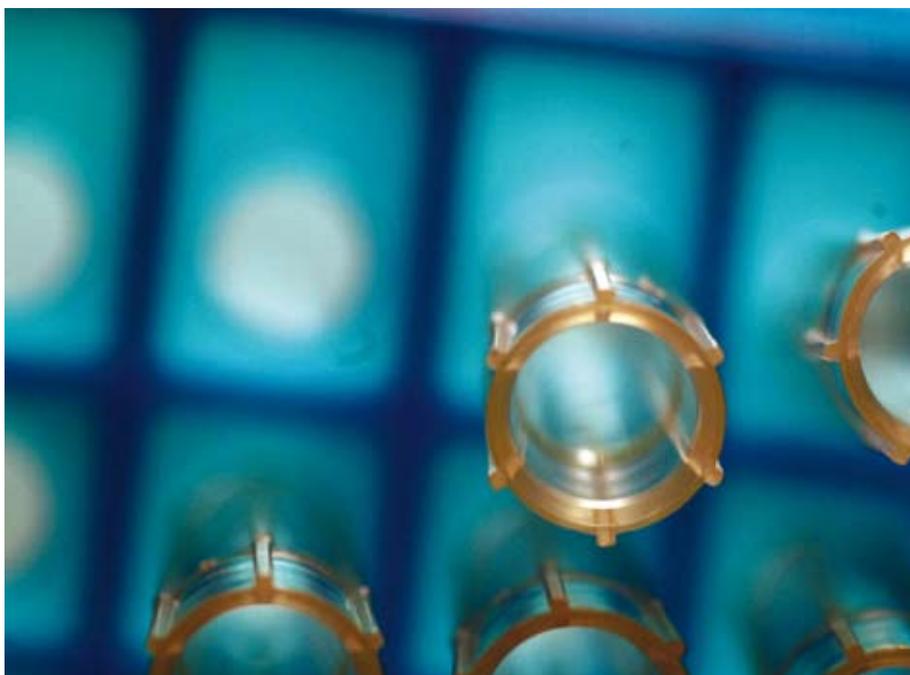
Three trusts, established by our clients, have contributed funding towards Vasso’s cancer research at the Burnet Institute.

- **The Dorothy Hill Memorial Trust Fund** (established 1999)
- **The Beatrice Harris Estate** (established 1972)
- **William & Evelyn Beveridge Settlement** (established 1950)

Each trust was set up to help human beings in the fight against cancer says Equity Trustees’ Manager – Philanthropy Services, Kirrily Burgess.

“All three provided funding that was instrumental in helping Vasso and her team get closer to developing a way to deliver their cancer vaccine to the general public using a practical and inexpensive delivery method.”

If you would like more information on establishing a charitable trust or foundation that helps provide a better future for others, please contact Equity Trustees’ Philanthropy Team or a Customer Relationship Manager on (03) 8623 5000 or via email at [philanthropy@eqt.com.au](mailto:philanthropy@eqt.com.au). ■



## Fund Review

# EQT Grange High Income Fund<sup>1</sup>

**Achieve a new balance between high income and low volatility.**

### Investment Objective:

To provide a regular source of income above that available in the short-term money market.

### Investments Held:

A broadly diversified portfolio of income producing assets across a number of sectors including corporate debt, hybrid securities, asset backed securities, collateralised debt obligations and property securities.

### Fund Manager & Responsible Entity:

Equity Trustees Limited

### Investment Manager:

Grange Asset Management Limited - 'Grange'

Grange is a Melbourne-based investment management company that specialises in managing credit funds that provide regular income to investors.

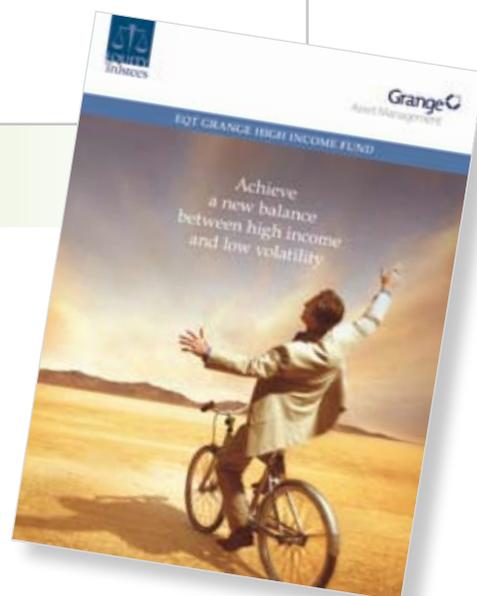
The parent company, Grange Securities Limited, is synonymous with the ASX listed hybrid securities market and has been a market leader in this sector since its emergence in the 1990's. In January 2007, Grange Securities was purchased by Lehman Brothers and, subject to regulator approval, gains the resources and support of this leading global investment bank.

### Key features:

- Diversified portfolio of credit securities.
- Exposure to a broad range of security types within the domestic income sector.
- Absolute return focus with a target of 2% over cash.
- Targets reduced volatility of capital while focusing on superior income generation.
- Uncorrelated to either the bond or equity markets.
- Specialist investment team.
- History of strong returns.<sup>2</sup>
- High exposure to liquid, listed securities allowing for effective liquidity management.
- Backed by Equity Trustees' high quality client support.

### Why income funds?

- As well as generating growth in their capital, investors usually always have to meet their income needs.
- Income funds historically low correlation to traditional equities can provide a measure of safety against declines in the sharemarket.



### Advantage of high income, credit securities:

- High yield investments can provide enhanced income returns while providing a high degree of capital stability. While high yield investments are not risk free, a properly diversified portfolio of such assets can reduce the risks of holding such assets.

### How Grange manages risk:

- By using its specialist experience and industry knowledge to choose a diversified portfolio of income generating securities.

### Why EQT Grange High Income Fund?

- A true Income Fund with a bias towards sustainable, superior income generation while maintaining capital stability.
- A proprietary credit process proven over 6 years of managing the Fund.
- An investment process delivering income from multiple sources.

### Minimum suggested investment timeframe:

- 1-3 Years.

### Who should invest?

- Investors seeking a dependable and relatively high level of income combined with a low level of capital volatility.

For more information on the EQT Grange High Income Fund, including current and historical performance details, please visit Equity Trustees' website at [www.eqt.com.au](http://www.eqt.com.au). ■

<sup>1</sup> Fund registered with ASIC as Common Fund No 6 (EQT Grange High Income Fund).

<sup>2</sup> Past performance is not indicative of future performance.

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## Market-Sector Review

### Is this really a golden era?

Information provided by Equity Trustees' Asset Management Team.

The last four years have seen a series of strong returns posted by the Australian share market. A key driver in this has been the return to favour of resource stocks. Or at least it was until mid 2006 when that trend swung into reverse. So far in this financial year resources have trailed the market, returning only -4.1%, compared to the broader market's 13.5%. In this article, the first of a two part look at the resources sector, Equity Trustees' Asset Management Team reflects on what drove this run. The second part will examine the prospects for the sector into the future.

There are three fundamental drivers of the returns offered by the resources sector – the price of the commodities companies sell, volume sold and cost of production per unit. The recent behaviour of the sector on the Australian share market provides a good way for investors to gain insight into how these drivers affect the returns available to investors in resources.

In the initial part of the cycle, returns from resources stocks rose. Expansion in demand for resources combined with a scarcity of new finds in recent years led to a rise in commodity prices. However, unlike other resource cycles – typically driven by the economic cycle of wealthy western countries – new sources of demand had emerged and were making a material impact.

*...continued next page*



The Equity Trustees Asset Management Team: David Bruty, Dr John Guadagnuolo, Lisa McCombe, Zia Rahman and Shaun Manuell.

## Get more out of giving

**You can reduce your tax bill while supporting a worthy cause.**

When making donations to charities and other not for profit organisations, it is important to note whether your gift is tax deductible for taxation purposes.

To determine the tax-deductibility of a gift there are two main points to consider.

Firstly, is the organisation a Deductible Gift Recipient (DGR)? Only gifts made to organisations endorsed as DGR's are considered tax deductible. To determine if the organisation is a DGR please visit the Australian Taxation Office website at [www.ato.gov.au](http://www.ato.gov.au).

Secondly, certain conditions need to be met to determine eligibility as a tax deductible gift. A gift must be money (\$2 or more) or property valued by the Tax Office at more than \$5,000.

Property under this definition has a wide meaning and can include rights and interests. For these types of donations, taxpayers may elect to spread the deduction over a period of up to 5 years, thus it is important to note that these gifts do not include testamentary gifts, that is, gifts made under a will.

Example: Pamela donates a vehicle to a DGR. This vehicle is valued by the Tax Office at \$12,000. Pamela chooses to claim \$4,000 in the first year and \$2,000 each for the next 4 years.

Another type of gift is a cultural gift, which covers gifts of culturally significant property made to DGR's and includes those to public libraries, museums and art galleries. Such cultural gifts are exempt from capital gains tax.



"For taxation purposes it is important to note whether your charitable donation is tax deductible," says Theo Tsiftsis, Taxation Manager Equity Trustees.

Starting in the 2006/07 financial year, the Government will allow taxpayers to claim a tax deduction for the donation of shares to a DGR, applying only to shares of publicly listed companies that were held for at least 12 months with a market value of \$5000 or less.

If you would like more information in relation to gifts or any other tax matter, please contact Equity Trustees' Taxation Team on 1300 133 472. ■

## Market-Sector Review continued...

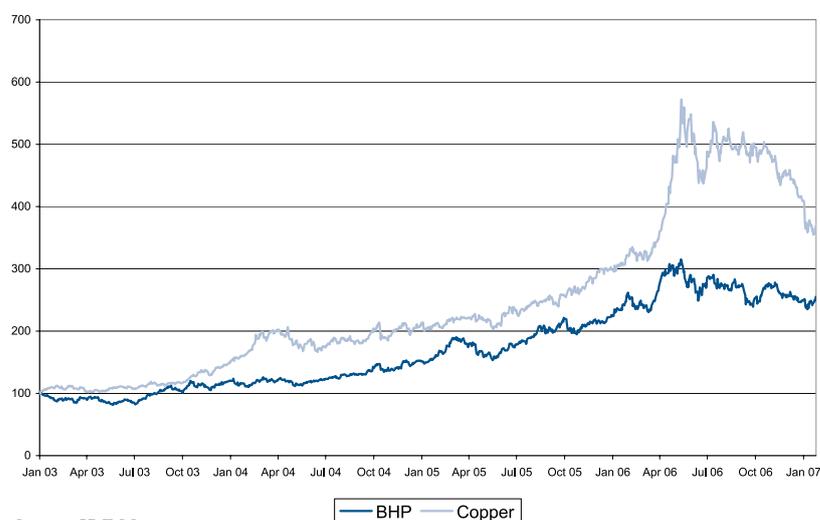
### Case Study - Copper

Copper makes for an interesting case study. Between 1970 and 2005, world-wide demand for copper grew by an average of 2.1% per annum. However, between 1995 and 2005 growth accelerated to 3.5% per annum on average. At the same time, demand from western countries slipped, and while averaging 2.3% p.a. from 1970, it fell to 1.2% p.a. over the last decade of that period.<sup>1</sup> Old world use was no longer the primary driver of the demand for the most important of the industrial metals. The ensuing commodity price rises dragged the price of the shares of their producers along with them as can be seen in the top graph to the right.

However, along with the positive price news, demand also spread to the components required to produce these commodities. Resource companies began to report significantly higher costs of production, especially from wages and energy. New projects were even more severely affected. At the same time, the United States began to exhibit signs of an economic slow down. Housing prices started to fall, and with them went confidence. Commodity prices fell. The market became increasingly concerned that companies could be left with higher cost bases and falling prices. The market was no longer prepared to pay such a high price for resource company earnings as seen in the bottom graph on the right. BHP is now trading at its lowest price earnings ratio for many years. While partly a function of the expectation of falling prices in key commodities, this “derating” of BHP also reflects the higher cost base that BHP now faces in its future and existing operations.

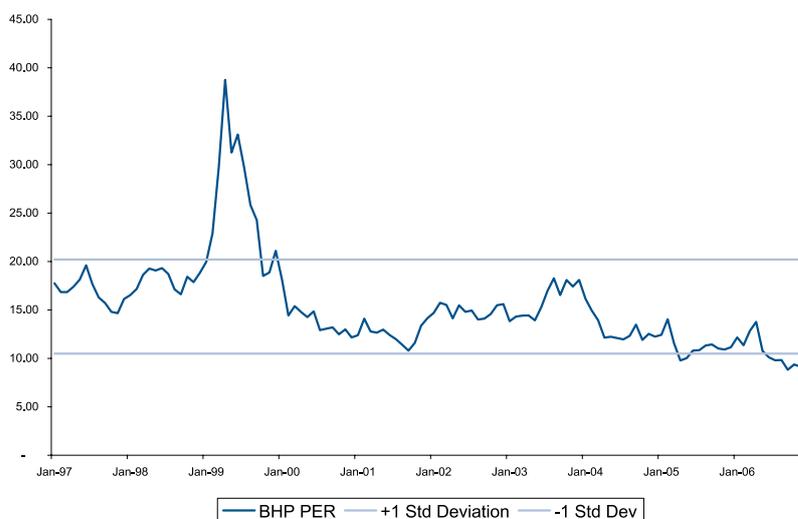
Finally, volume is also at risk from higher costs. Investment into new projects or expansion in resources

### BHP and Copper – Relative Movement since 31 Dec. 2002



Source: IRESS

### BHP 1 Year Forward Price Earnings Ratio



Source: Goldman Sachs JB Were

is especially difficult because of the volatility of prices that will be received. Resource companies are price takers as a commodity is the same wherever it is produced. Hence, to be sure that a new project is worthy of investment, conservative prices are generally used to examine whether a project is economic. The more that costs go up, however, the more difficult it is to justify a new project. Hence, some projects are cancelled. The result is lower volumes.

We have seen the recent weakness in the sector, despite the obviously favourable growth environment. In part 2, which will be published in the Winter 2007 edition of Inside Equity, we will examine the outlook for the sector for Financial Year 2008 and beyond. ■

<sup>1</sup> Rio Tinto Data Book 2005 p. 29.

# How to leave your superannuation to your children in the most tax-effective way

**Proactive planning now can ensure your estate is managed in a tax-effective manner for your children.**

Children are classified as either tax or non-tax dependants. With both classifications you need to ensure you have a binding death benefit nomination in place, which is updated every three years or as required says Equity Trustees' Investment Analyst, Lisa McCombe.

## Tax Dependant Children

Definition: Those who are under 18 years of age or are over 18 and financially dependent on the parent.

"In this case you may consider establishing a Superannuation Proceeds Trust (SPT), which will receive the lump sum death benefit from the superannuation fund tax free. With this type of trust, income will be paid out to the children at the discretion of the Trustee/s. The income will be taxed at adult tax rates rather than penalty rates (highest marginal tax rate)."

"You will appoint the Trustee/s at the time the SPT is established."

"The initial capital value of the SPT must vest tax dependants, in this case being to the children," says Lisa.

## Non-tax Dependant Children

Definition: Those who are over 18 years of age and are not financially dependent on the parent.

"In this case you may consider implementing a Re-contribution Strategy whilst you and/or your partner both satisfy a Condition of Release (eligible to withdraw funds from superannuation) and remain eligible to contribute into superannuation," says Lisa.

"This strategy involves withdrawing the tax-free element of the taxable component of your superannuation, proposed to be \$140,000 initially, and re-contributing these funds as an undeducted contribution. The funds recontributed will then be classified as non-taxable. The result will be the reduction of the taxable component of your superannuation and, ultimately, the tax paid by the non-tax dependant child."

"It is only beneficial to those individuals aged 55-59. The tax-free component does not apply to those under 55, whilst those over 60 will be able to withdraw funds tax-free," adds Lisa.

For further information on effective superannuation strategies contact Lisa McCombe at Equity Trustees on (03) 8623 5000 or by email: [lmcombe@eqt.com.au](mailto:lmcombe@eqt.com.au). ■

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■ Lisa McCombe, Equity Trustees' Investment Analyst.

## Clarification

In the last edition of Inside Equity, in the *Superannuation changes – avoid surprises by being prepared* article we stated that "The proposed changes also mean that .... there will also be no minimum or maximum withdrawal limits – including lump sums".

We would like to clarify that under the proposed changes to the superannuation legislation, there will no longer be a maximum withdrawal limit on allocated pension payments, a minimum withdrawal limit will apply. ■