

Tax Effective Investment

Managed Investment Schemes (MIS) have traditionally offered two core benefits, diversification away from share market linked investments and a substantial tax deduction.

The recent demise of Great Southern and Timbercorp is concerning to prospective MIS investors but it is important to distinguish their poorly conceived business model of inferior product and high company debt levels contributed to their downfall, rather than a reflection of the MIS industry per se.

On a positive note, this has at last forced planners and investors alike to look beyond the short term tax deductions and consider the viability of the manager as well as the underlying investment.

The devil is in the debt

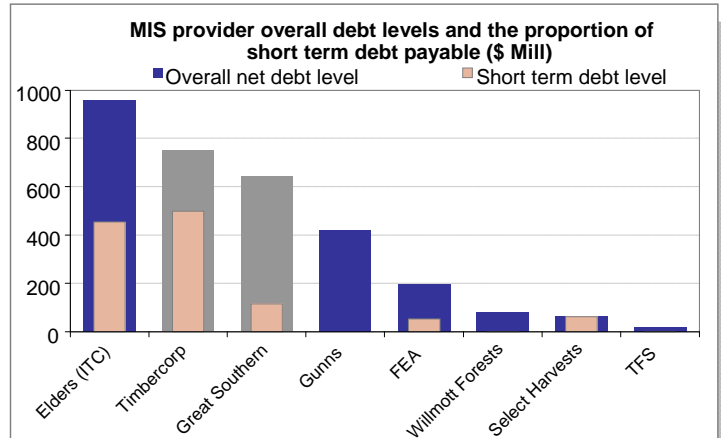
As a result of the credit crunch, the pressing issue for all companies was how to refinance their debt in a 'suddenly' risk averse market. Similar to Timbercorp, Great Southern's downfall was its large amount of company debt. Their lack of vertical integration and secondary income streams meant that when their short term debt of \$105 Mill became repayable, refinancing seemed impossible and their lenders more demanding.

ITC looks like it may be in danger of falling into the same trap with its parent company, Elders, holding large amounts of short term debt due to be refinanced in the next few months. Although ITC is not comparable to the likes of Great Southern and Timbercorp, we feel that until Elders completes its

MIS sales and market share

	2005a	2006a	2007a	2008a	2009f	2005a	2006a	2007a	2008a	2009f
	\$m	\$m	\$m	\$m	\$m					
Great Southern	365	458	415	314	0	36%	40%	36%	29%	0%
Timbercorp	125	162	145	128	0	12%	14%	13%	12%	0%
Gunns	80	87	152	134	70	8%	8%	13%	12%	13%
Elders/ITC	83	47	62	38	50	8%	4%	5%	3%	9%
FEA	44	47	60	116	104	4%	4%	5%	11%	20%
Willmott Forests	42	37	45	97	97	4%	3%	4%	9%	18%
TFS	12	20	35	54	62	1%	2%	3%	5%	12%
Other	274	283	226	198	149	27%	25%	20%	18%	28%
Total	1025	1141	1140	1079	532	100%	100%	100%	100%	100%

Source: Bell Potter Securities Ltd (TFS) research report, collated from company reports, AAG and Adviser Edge.
 FY09 MIS sales assumptions 0% growth Willmott Forests, 10% decline FEA, 25% decline other participants
 Gunns is seeking to raise \$70 Mill across 2 projects, ITC is seeking to raise \$50 Mill across 3 projects



Source: Collated from Bell Potter Securities Ltd, LonSec research, company accounts to 31st Dec 08 & 31st March 09 and includes recent announcements with regards to debt refinancing/capital raising.

refinancing, there are much stronger arguments for investing with their competitors.

Looking for strength in forestry

By comparison, our review of the more vertically integrated providers such as Gunns, FEA and Willmott Forests, which have established forestry backgrounds prior to offering MIS products, shows that they offer relatively lower risk to investors. Their lower debt levels and diversified income streams, including the processing of harvested MIS products, has allowed them to more readily refinance their debt. With these providers most readily poised to take up the excess market share, investors should be assured that the MIS sector is still a very viable investment.

A full list of current offers and discounts can be downloaded at www.fundsfocus.com.au/latestoffers

FEA PLANTATIONS PROJECT 2009

AGRIBUSINESS INVESTMENT

This product is aimed at investors looking for tax effective investments that produce returns independent of stockmarket performance.

We last featured FEA in June 2008 as our provider of choice for investors looking to invest in the tax efficient forestry sector. Since then, FEA went on to win AAG's MIS product of the year for their 2008 (option 1) project.

With much of the turmoil in agribusiness relating to companies established as MIS operators 1st and Foresters 2nd, we feel that FEA continue to offer one of the best opportunities for investors considering tax deductible forestry.

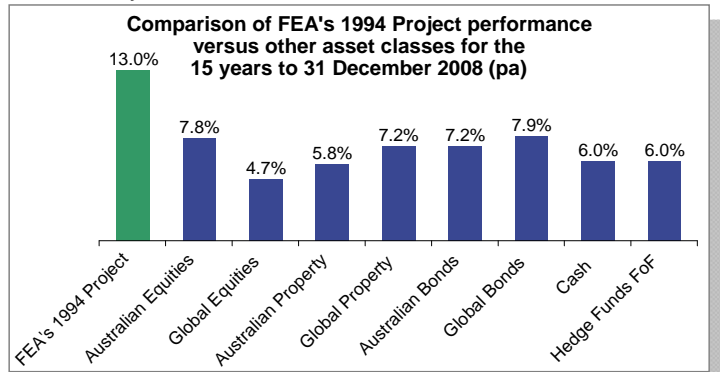
Their relatively low debt levels and vertically integrated operation, means that unlike Great Southern and Timbercorp, they are not reliant on MIS inflows as their only means of survival.

More than ever, we feel that this year's emphasis should be on established providers that have actually produced investor returns and whether these returns have met or exceeded expectations.

All forestry investments deliver the same initial taxation benefit but not all produce the same returns.

Having distributed its final harvest for the 1993 project in June 2008, and a pre-tax return of 13.3%pa, FEA are able to demonstrate a track record, something that most Agribusiness providers have yet to provide.

And with FEA's 1994 project's preliminary results indicating a pre-tax return of 13% per annum, its difficult to argue that its all about the tax deduction. All forestry investments deliver the same initial taxation benefit but not all have been able to deliver the returns.



We feel FEA's history of forestry first, a proven track record and its aim to produce higher value saw wood continues to make this an attractive investment.

Offering 5 investment options, FEA are able to offer investors access to this investment from as little as \$3,450, with a 100% tax deduction and estimated pre tax returns of up to 14.14%pa. **(offer closes 26th June)**

Estimated Return on Investment (IRR) is taken directly from Adviser Edge research (assumptions for a 46.5% rate taxpayer).

ARAFURA PEARLS PROJECT 2009

AQUACULTURE INVESTMENT

This product is aimed at investors looking for tax effective investments that produce returns independent of stockmarket performance.

Never have non-forestry MIS schemes looked so attractive as this year's Arafura Pearls Project. The Federal Government's "Small Business Tax Break" has meant that the total deduction to investors in this project has increased to 142%.

We have had a tendency to steer clear of non-forestry MIS. Our view is that although many of these projects have a shorter investment term and earlier income streams, they also carry a higher level of risk, since horticulture such as fruit or aquaculture are relatively more susceptible to disease and disaster than forestry projects. However, we feel that Arafura's guarantee of live stock into year 2 and their agreed value disease and disaster insurance for the remainder of the term is a key differentiator and risk mitigator to investors. Coupled with this year's additional tax deduction means that the Arafura Pearls Project 2009 is an opportunity not to be missed.

Australian South Sea pearling industry produces the world's most valuable pearls

Australian South Sea pearls account for less than 1% of the world's total cultivated pearls by volume, but 30% of world production by value.

In this quota controlled industry, Arafura have become Australia's 2nd largest South Sea pearl farmer, Arafura's 2009 Project allows investors to access a sector that

has historically only been available to high net worth individuals.

Save 6.4%

2009 Harvest of 2005 MIS Project on target to meet projected returns

As with all tax deductible investment schemes, our focus is to look for established providers that are able to provide a track record to investors

An established pearl farmer, Arafura has been successfully farming Australian South Sea Pearls since 2001 and launched their first MIS project in 2005.

With initial results for this year's harvest indicating returns in line with those projected at outset, investors can be reassured that they are investing with an established provider that is delivering on their promises.

Investors can subscribe from \$13,800 inc GST. *(offer closes 15th June, new 2010 project expected in July)*

HOW TO APPLY

Download online: Download a copy of the PDS direct from our website

www.fundsfocus.com.au/latestoffers

By post: Request a hard copy of either fund by calling us on **1300 55 98 69** or using our enclosed Order Form.

Project Name	Specie(s)	Pre tax IRR (Adviser Edge)	Size	Income in years	ATO Product Ruling	Project length	Closing date	Adviser Edge Rating	AAG Rating	Min Investment (exc GST)	Notes	Wealth Focus Commission rebate
AIL - 2009 AIL Red Ironbark Project	Red Ironbark trees	No research	0.5ha	8, 11, 14, 17 & 22	Pending	22	30/06/2009	NA		\$4900	Still waiting on Product Ruling	8%
FEA Plantations Project 2009 - Option 1	Hardwood Eucalypt	Up to 10.17%*	0.5ha	9 & 13	PR 2009/23	14	26/06/2009	★★★★		\$3450 (no GST)		8%
FEA Plantations Project 2009 - Option 2	Hardwood Eucalypt	Up to 11.38%*	0.5ha	9 & 16	PR 2009/24	17	26/06/2009	★★★★½	★★★★	3450 (no GST)		8%
FEA Plantations Project 2009 - Option 3	Radiata pine softwood	Up to 9.15%*	0.5ha	13, 18 & 25	PR 2009/25	26	26/06/2009	★★★★	★★★★	\$3450 (no GST)		8%
FEA Plantations Project 2009 - Option 4	African Mahogany	Up to 14.14%*	0.2ha	11 & 18	PR 2009/26	19	26/06/2009	3.5 stars	★★★★½	\$3450 (no GST)	Vertically integrated provider and one of our favoured providers in 2009.	8%
FEA Plantations Project 2009 - Option 5	Hardwood Eucalypt Radiata Pine softwood African Mahogany	Up to 11.13%*	3.2ha	9, 11, 13, 16, 18 & 25	PR 2009/27	26	26/06/2009	★★★★½	★★★★	\$23000 (no GST)	FEA were 2008 winner of the AAG MIS of the year. One of the few forestry providers to have produced returns in excess of their original project forecasts. Anticipated to have the largest inflows in 2009	8%
Gunns Woodlot Project 2009 (Option 1)	Eucalyptus	Up to 9.61%*	1ha	9 & 13	PR 2008/66	13	30/06/2009	★★★★		\$7480	Vertically integrated provider. 2008 AAG MIS of the year Finalist	8%
Gunns Woodlot Project 2009 (Option 3)	Radiata Pine	Up to 9.10%*	1ha	13, 18 & 25	PR 2008/68	25	30/06/2009	★★★★		\$7480	Vertically integrated provider	8%
Gunns Woodlot Project 2009 (Blended Option 1,2 & 3)	Eucalyptus & Radiata Pine	Up to 11.08%*	1ha	9, 13, 18, 20 & 25	PR 2008/69	25	30/06/2009	4.5 stars	★★★★	\$28424	Vertically integrated provider	8%
ITC Diversified Forestry Project 2009	Pulpwood Red mahogany Indian sandalwood Teak	Up to 15.34%*	1ha	7, 9, 10, 14, 15, 18 & 20	PR 2009/10	20	30/06/2009	★★★★	★★★★	\$7000 (no GST)	Large amount of short term debt due within the next few months, we currently have concerns over Elder's (ITC's parent company) debt levels. 2008 AAG MIS of the year Finalist	8%
ITC Pulpwood Project 2009	Tasmanian Blue Gum	Up to 9.31%*	1ha	At end of term	PR 2009/12	10	30/06/2009	★★★★	★★★★	\$4500 (no GST)		8%
ITC Sandalwood Project 2009	Indian and Australian sandalwood	Up to 18.43%*	0.5ha	10, 14, 15 & 18	PR 2009/15	20	30/06/2009	★★★★	★★★★	\$4500 (no GST)		8%
KTC Mahogany Project 2009	African mahogany	Up to 18.8%*	0.25ha	10	PR 2009/17	10	30/06/2009	★★★★	★★★★	2 x \$6840 = \$13640 (no GST)		8%
Macquarie Forestry Investment 2009	Eucalypt	Up to 8.76%*	0.25ha	At end of term	PR 2009/14	11.5	30/06/2009	★★★★	★★★★	\$10120	Can also purchase land at \$2,000/unit	8%
Rewards Group Premium Timber Project 2009	Australian sandalwood and teak	Up to 11.9% (after tax)** AAG	0.25ha	7, 8, 11, 12, 15, 16, 19 & 20	PR 2008/73	20	30/06/2009	NA	★★★★	\$6050		8%
TFS Sandalwood Project 2009	Indian sandalwood	Up to 14.68%*	0.167 ha	14, 15	PR 2009/5	15	30/06/2009	★★★★	★★★★	\$12925 - 1-5 Lots, \$12375 - 6+ Lots	Grower may elect to defer paying annual fees in lieu of a %age of proceeds at sale	8%
WA Blue Gums Ltd - W.A. Blue Gum Project	Eucalyptus (Tasmanian Blue Gum)	Up to 11.71%*	1ha	10	PR 2008/104	10	30/06/2009		★★★★½	3 x \$5500 = \$16500	Approx \$500 pa fees. Mgmt outsourced to an established forestry company, option to copice or replant at end of term	8%
Willmott Forests Premium Forestry Blend Project - 2009 PDS	Sawn hardwood, pine and renewable energy	Up to 11.6%** AAG	0.52ha	3, 5, 7, 9, 10, 13 & 15	PR 2008/60	16	30/06/2009	NA		\$5500	One of our favoured offerings. Vertically integrated provider	8.5%

Disclaimer: This comparison is a summary only and should not in any way be construed as providing securities advice or an endorsement or recommendation of any security or product. Wealth Focus has not taken into consideration your investment objectives or your investment needs and make no representation as to the suitability or otherwise of any product, or security, to you. Before making any investment decision or purchase, you should fully satisfy yourself as to the suitability of any security or product you are considering, to your own particular circumstances, read the PDS, and if necessary seek professional investment and tax advice. We recommend that you read our Financial Services Guide. Whilst Wealth Focus makes every effort to ensure that the information is correct at the time of publishing, Wealth Focus takes no responsibility for the accuracy of the information supplied. Projected Investment Returns are the maximum calculated by *Adviser Edge and **AAG are purely for illustration purposes to allow investors to assess the possible risk return scenarios. They should not be considered a representation of actual returns, final returns are likely to be below the maximums.

Project Name	Specie(s)	Pre tax IRR (Adviser Edge)	Size	Income in years	ATO Product Ruling	Project length	Closing date	Adviser Edge Rating	AAG Rating	Min Investment (exc GST)	Notes	Wealth Focus Commission rebate
AIL - 2009 AIL Almond Orchard Project	Almonds and Land	Up to 12.26%*	0.125ha	Yearly from year 4	PR 2009/29	17 for growers, 30 for land	15/06/2009	★★★★		\$7600	Annual fees approx 2kpa (can finance). Cashflow positive from year 6 Land ownership useful for SMSF	8.25%
Arafura Pearls Holdings Limited	South Sea Pearls	Up to 23.26%*	405 graded spat and 13 panels	5 & 7	PR 2009/16	7	15/06/2009	★★★★		2 x \$6930 = \$13,860	142% tax deduction. Budget changes increased tax deduction to 140% (Prod. Ruling additional 42% applied for). Wealth Focus preferred product. Guarantee of min shell for seeding to end of yr 2. Post yr 2 has insurance in place for remainder of project. Built in agreed value ins. policy for disease and disaster to end of term. No annual fees payable (deferred).	6.4%
Australian Bight Abalone	Abalone	Up to 23.63%*	10 Abtrays®	2,3, 5 & 7	PR 2009/22	7	15/06/2009	★★★★		\$13827	132% initial tax deduction Budget changes increased tax deduction to 132% (ATO PR ruling on additional 38% applied for). Approx \$2.5k pa ongoing fees	8%
Gunns Plantations Limited Walnut Project No. 3	Walnuts	Up to 16.07%*	0.2ha	Yearly from year 2	2009/33	25	15/06/2009	★★★★	NR	\$6424	100% tax deductible. Annual fees payable. Approx costs \$2k pa. Anticipated Cashflow positive in year 5	8%
Maccacorp Ltd - 2007 Macgrove Project (2009 Growers)	Macadamia nuts	Up to 16.28%*	0.4ha	Yearly from year 2	PR 2009/11	19	15/06/2009	★★★★		\$11000	Option to renew involvement at end of term for further 5 or 4 years. Annual fees of approx \$2k pa	8%
Macquarie Almond Investment 2009	Almonds	Up to 19.4% (after tax)** AAG	0.25ha	Yearly from year 2	PR 2009/19	23	15/06/2009	NA		\$7500	2008 AAG MIS of the year Finalist	8%
Olive Growers Australia Project 2007 – 2009 Growers	Olive Oil	Up to 13.34%*	0.05ha	Yearly from year 1	PR 2009/30	20	31/05/2009	★★★★		2 x \$1794 = \$3588	83% initial tax deduction. Approx \$1300/unit fees due over 1st 3 years At end of term growers vote to sell and realise assets	8%
Rewards Group Premium Vineyards Project 2009	Wine Grapes	Up to 20% (after tax)** AAG	0.25ha	Yearly from year 1	PR 2009/37	20	15/06/2009	NA		\$9900	Annual fees of approx \$3k pa payable from Oct 09	8%
Fabal - Tasmanian Premium Cherries Project	Cherries	Up to 14.17%*	0.1 ha	Yearly from year 1	PR 2009/13	15	31/05/2009	★★★★		9504	84.38% of initial inv. is deductible, averages to 95.5% tax deduction over years 1-3. Anticipated costs of approx \$5k pa for 1st 3 yrs	8%

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