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GLOBAL VIEWS

Secure Asset Management

Inside this Issue

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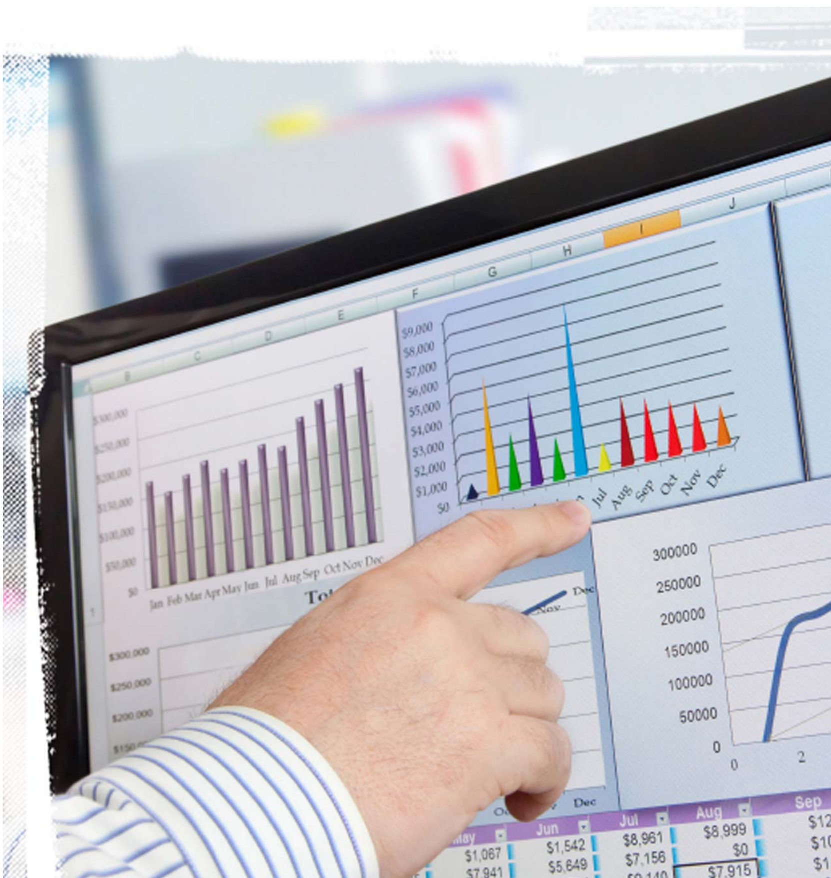


Fiscal Cliff

So we have a President who has just been re-elected, who managed to spend $1.0 billion in his re-election campaign. The money of course donated to him by individuals and companies. Now in office, clearly its time for payback!

Congress, continues to play hardball, and is blocking attempts to have the debt ceiling lifted. They did manage to agree to raise tax on higher earners, those earning over $450,000 for married couples, or $400,000 for individuals. They also suspended some other payments, the overall effect, will be negligible on the $16.0 trillion debts the country has.

It would be easy to blame Congress, but at the end of the day, they want to be re-elected, and the stark choice is swinging cuts in expenditure, and or rapid rises in tax. Neither proposition is palatable to politicians.

Public perceptions and polls in the US, give the view that the vast majority of the public want to see increased expenditure on Health and Education. However, the fact of the matter is that government income is about the same as it was in 1996, but the government is spending one third more.

Currently the government is spending about 6% of its entire revenue on debt. Fortunately of course, even though the US lost its AAA rating, the rate it is paying is around 2%, and the average maturity is 5 years. This clearly creates a further issue, by having short debt; it means that within a short period of time, that debt has to be repaid. As some EU countries have found to their horror, having to borrow new money, in order to pay off old money, may not always be simple.

The past has seen many countries raise significant debt, but that has generally been caused in particular by war. The argument then was that the money was used to preserve the country for future generations, so they benefit. However, here we are looking at debts, to some extent created to preserve banks and insurance companies,

Action needs to be taken, as unpalatable as that will be. In the past inflation has helped ease the burden, but that, perhaps, is a vane hope in these times. Fortunately for the US it does still have a vibrant economy, it remains the largest economy in the world, and as such what happens there, impacts us here.

FACTA

The new US method, which attempts to ensure that all US Citizens fall into the US Tax Regime, is having an impact all around the world. Even if you are non US you should be paying attention, since it seems the steps made by the US are grabbing the attention of other governments.

Whilst US Citizens have the ultimate escape plan, by relinquishing US Citizenship, they can escape the clutches of Uncle Sam. In a similar vain you may have seen Gérard Depardieu relinquish his French Nationality and be embraced by Mother Russia.

There are many who are attempting to derail this express train of tax collection, one such organization the Isaac Brock Society maintain that the actions of the US are simply a “fishing expedition”.

There are 6.2 million US expats, and the Isaac Brock Society as a web-based medium is attempting to gain momentum to have the act repealed. Besides Eritrea the US is the only country in the world, which operates on a citizen based tax regime. Certainly other countries will be looking at this with envious eyes!

In the meantime US Bankers are seeing significant movement of capital from banks.

According to some FACTA is in breach of Article 8 of The Declaration of Human Rights. Regardless it seems FACTA is happening, it becomes law from 2014. Any US citizens wishing to open bank accounts, make investments outside of the US will find it increasingly difficult. US Citizens with existing investments, bank accounts, may well see those accounts being closed.

US Citizens, a storm is brewing. For those of us from the Rest of the World, watch this space, it may well be happening to us soon.

Conned Cheated

If you are like me, you are happy to pay a fair price for a decent service. However, if you are like me, you just hate being ripped off, and most of all we hate being ripped off by banks.

For years now the banks have absolutely ripped off anyone who wanted to send money electronically, and or carry out currency transfers.

I made an attempt to transfer money from one institution to another recently. The account was an instant access account, but suddenly because we had recently made a small change to it, we were advised that account was frozen for 5 working days. Then to transfer the money there would be a three-day delay. Thus counting weekends this instant access account suddenly became a 14-day access account, allowing for weekends. The institution, the good old UK Post Office.

A recent occurrence at a currency exchange house at an airport, changing Euro for Japanese Yen. The difference between changing in Dubai or changing in Tokyo an amazing 26%.

Regulators worldwide have started challenging the rules and fees currency exchange firms apply to customers as they feel many are applying unfair charges.

Research by the World Bank revealed average charges are around 10%; while the transfer fees and commissions are almost double that in some places.

Many can see no reason for the steep fees and feel banks and money transfer services are cashing in on customers who have no other way to move their money between banks and countries.

Don’t be deluded by Exchange Houses advertising their services at 0% commission! The Office of Fair Trading in the UK has led a crackdown on banks and other currency exchange services advertising 0% commissions but charging high fees. The practice has been outlawed, so banks and money services must clearly explain fees and charges.

Some have already ditched marketing 0% commissions – and the rest must follow suit within a few months.

OECD Plans to Close International Tax Loopholes

The Organisation for Economic Co-operation and Development plans to close international tax loopholes in a plan outlined recently.

In a report issued ahead of a meeting of G20 Finance Ministers, the OECD warned that accusations of tax-dodging by multinationals have fuelled a false perception that 'taxes are only paid by the naive'.

The statement comes after intense criticism of corporate tax practices and in response to calls by Germany, UK and French Finance Ministers for coordinated action to strengthen international tax standards.

The OECD said that there is abundant circumstantial evidence to show that profit shifting by cross-border businesses generates unintended competitive advantages over domestic companies, which could lead to the distortion of investment decisions.

Meanwhile, the OECD report was welcomed by EU tax commissioner Algirdas Semeta, who said that 'global action is needed to address this issue'. However he added that it is premature to consider strategies to move the proposal forward if not all member states sign up.

If you wish to learn more about tax-efficient investment opportunities that are 100% compliant, contact us today.

Market View

“My investing self tells me that the worst is over.” Still, “this wouldn’t be the first time I’ve suggested the worst was over only to find out there was a bit of a relapse”.
Goldman Sachs Chief Lloyd Blankfein
Quoted on Bloomberg

“We might have an unusual coincidence this year: a triple-dip recession and the FTSE 100 storming past 6,500.”
Dominic O’Connell in
The Sunday Times

Buying Overseas Property - Portugal

We continue our survey of some of the most popular locations.

Buying a property in another country be it for holiday let, or for part or full time residence, is the dream of many people. Clearly in the past banks have been more than willing to advance monies against ever increasing values of a main residence. However, in recent times, banks are not keen to lend on anything, and many countries property values are at best stagnant, at worst depressed. However, notwithstanding those issues, the purchase of overseas property continues, albeit at a reduced rate.

There are various issues with different countries, which buyers should be aware of, and this article and future articles will focus on one particular country. This is not intended to be a definitive guide, but will perhaps help any proposed buyers in their selection process.

Portugal

Portugal seems to offer many advantages, from golf, to the sea, with the country enjoying both Atlantic and Mediterranean coast. The Atlantic providing adventure junkie's ample opportunity for some of the best surfing and kitesurfing seas in Europe. Add to that a relatively lush interior, and of course some of the best beaches on the Mediterranean and some of the best golf courses in Europe. A fabulous climate, coupled with, certainly since the Euro crisis, some very well valued property.

There is a very active Buy to Let Market, the Algarve in particular attracts well in excess of 10.0 million visitors a year. Picking the right area could provide you with not just a summer income, but a year round income.

Taxation is somewhat of an issue; in particular as Portugal appears to be hovering on the edge of an EU bail out, and like most countries, the government is keen to collect as much as they can in the form of taxes. As a resident or even as a non-resident you may be liable to income tax, value added tax, annual wealth tax, capital gains tax, and inheritance tax. Seems like a lot of taxes, although it should be stated that Portugal does have a number of Double Taxation Agreements in place, so you should not be taxed twice!

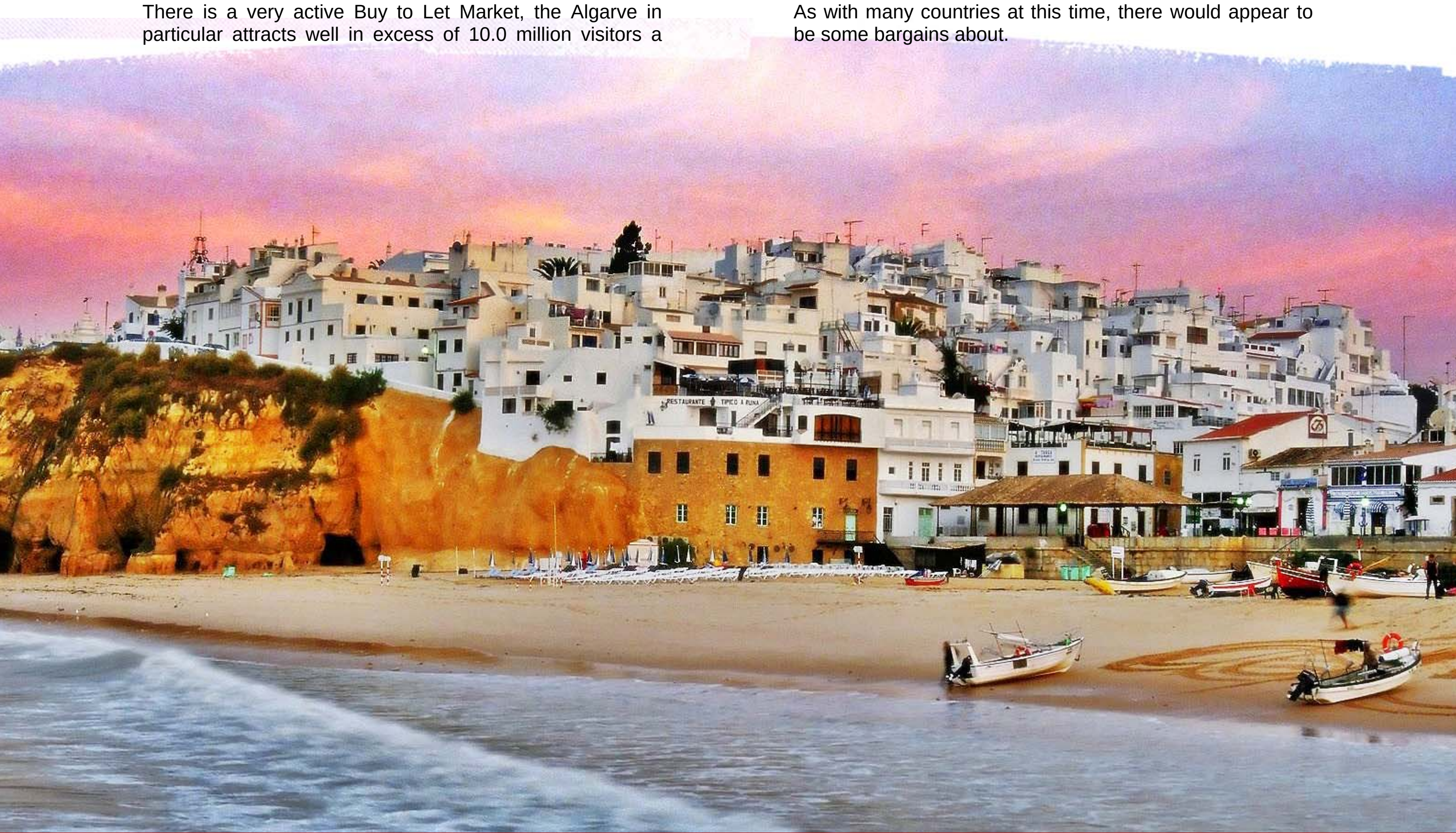
Finally Portugal's legal system may not be a system familiar to you. Thus, we strongly recommend that you seek legal advice, and as always, choose an independent lawyer, who speaks your language, and has no connection with the vendors in any way shape or form.

For reference a couple of million Euros could buy you a: 4-bedroom villa in Albufeira,

Beachside (3+1) bedroom villa with sea views, swimming pool and amazing garden, located just 250 metres from the beach (with direct access), 2 Km from the Golf Course and 6 Km from Albufeira town. Very modern and beautifully built

Or 100,000 Euros could buy you a: 5 bedroom detached house in Estremadura, Pedrógão Grande 5-bedroom house with SUN TERRACE and wine cellar. READY TO MOVE INTO. 700m2 land with olives and FRUIT TREES.

As with many countries at this time, there would appear to be some bargains about.



LM Investment Managements Ltd

LM Investment Management Ltd
The global pathway to Australian investment solutions

LM Investment Management Ltd (LM) is expanding its distribution further over the coming year. With distribution via all kinds of financial intermediaries already spanning more than 70 countries, LM has prioritised further growth this year around Europe, Africa and the Americas.

LM has a 15 year track record providing innovative Australian investment solutions for international investment. Since inception in 1998, the LM product portfolio has grown to encompass a variety of income options, including, a Luxembourg domiciled SICAV-SIF, UK FSA registered and UCITS registered funds. All products hold only Australian assets, with a current gross realisation value of approximately A$3.3bn.

The LM income funds provide senior debt security and participate in equity opportunities across prime assets spanning Australia's residential, commercial, aged care, industrial and retail sectors. Since inception, LM has lent more than A$3bn into the Australian property market for the successful delivery of some 400 projects on behalf of investors in the LM Funds. LM has considerable real property expertise in its commercial property team, and adopts a stringent assessment and risk analysis process for all funding opportunities.

What is in store for 2013

Enhanced income: the LM Managed Performance Fund

LM's enhanced income fund, the LM Managed Performance Fund ('MPF'), is now in its 12th year of consistently achieving its targeted 3% to 5% return above cash rates, whilst maintaining investor capital. It invests in a diversified portfolio of debt instruments secured against Australian property assets, often structured as development loans secured against residential, commercial, retail and industrial properties, primarily located in large metropolitan markets and their surrounding areas.

The MPF's strategy includes generating an attractive return for investors via the preparation of land and bringing it to a point ready for development, and completing all of the necessary 'heavy lifting' in the development process; the fund's mandate is to gain the appropriate development and building approvals from local and state governments, ensuring a development site is primed for the interests of quality development and construction firms. LM Managed Performance Fund ***investors continue to enjoy 3% to 5% above cash rates,*** taking investment in 19 different currencies, with capital and income fully hedged.

For further details, access
http://www.lmaustralia.com/Investment-Products/LM-Funds/LM-Managed-Performance-Fund.aspx

Conservative Income: the LM Australian Income Fund

The LM Australian Income Fund ('AIF') is now in its 5th year of ***consistently achieving its targeted 2% to 3% return above cash rates***, whilst maintaining investor capital. Its assets are only first registered development mortgages (senior debt) secured against Australian property assets. The fund's loan to value ratio is historically a conservative 65%, and currently even lower than that.

The fund strategy is much more straightforward than the MPF, but benefits from the same highly detailed due diligence processes, and the same track record.

For further details, access
http://www.lmaustralia.com/Investment-Products/LM-Funds/LM-Australian-Income-Fund.aspx

LM employs 130 staff worldwide across eight offices in the Gold Coast and Sydney in Australia, New Zealand, Hong Kong, Bangkok, London, Toronto and Dubai. It enjoys an established and growing foothold in the financial services markets throughout Australia, Asia, the Middle East, United Kingdom, Canada, South Africa, Europe, Latin America and New Zealand.

For further information, please contact us.


LM London office staff