

# a return for **your money**



Fixed term deposit or mortgage trust? Debenture or unsecured note? Depending on how much risk you're prepared to take, here are your fixed-term investment options:

### Fixed Term Deposits

Banks and credit unions typically offer fixed term deposits of 30, 60, 90 days, one year or longer. With no fees charged for the service and the bank as security, fixed term deposits are minimally risky, but they offer the lowest possible rates of interest in the market at the time. Fixed term deposit interest rates currently range between 3.5 and 5.5% for a one-year period.

### Mortgage Trusts

Offered by fund management companies, these typically offer a higher return than fixed term deposits. Essentially, investors put their money in the hands of experts and the return is dependent on the effectiveness of the fund managers' investment strategy. One disadvantage of mortgage trusts is that investors bear the underlying risk if the company suffers financial losses. Also, the investor is charged for the fund managers' expertise, so fees and charges are deducted.

### Debentures

Debentures are low to moderate risk fixed-term investments with investors dependent on the effectiveness of the issuer's financial strategy. The major advantage is a known fixed rate of interest typically higher than the interest offered by a bank. Issuers also typically bear the default risk up to their financial capacity, and investors pay no fees or charges.

### Unsecured notes

Finance companies offer these higher-risk, higher-return investment options. Interest rates are typically higher than debentures; this reflects the higher-risk profile of such investments. What investors need to consider is the quality of the loans made to support such high rates; also, investors should be aware that an unsecured note – as the name implies - offers investors no higher security than other creditors.

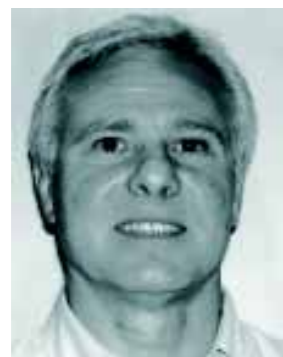
## testimonials



"I've been burnt in the past when returns on investments I've made have not materialised as advertised, so I am more cautious nowadays. As a semi-retiree, I cannot afford to lose any money, so I tend to spread my investments around. I have two debentures with Provident Capital, one in my company's name and one in my name. I was attracted to Provident Capital by its advertising; it's a company that seems to value the integrity of its name and reputation."  
 ... **Richard Faure-Field, Ashmore, QLD**



"I've been putting my money in Provident Capital debentures for some years now and I'm very satisfied with the service. The staff are always personable; you can always speak to someone on the 'phone and when you pop into the city offices you always get a cup of tea. That impresses me! Also, I get my money on time and I'm pleased with the rates I get. I've been so satisfied with Provident Capital's courteous service and efficient manner that I have recommended them to friends."  
 ... **Margaret Breckenbridge, Forestville, NSW**



"I was getting such ordinary returns on my investments from banks that I began to research more lateral ways of investing. I did not know what debentures entailed and visited the ASIC site. Then I spoke to Provident Capital's MD, Michael O' Sullivan, and got clarification. That was in December 2000 and I've had money invested in Provident Capital ever since; I just keep rolling it over. I'm very pleased with the rates - the returns are much better than the banks."  
 .... **Dr Daniel Kostur, Gordon, NSW**

"Provident Capital is a company that seems to value the integrity of its name and reputation."

# don't be taken for a mug

With the recent demise of Henry Kaye's property empire, it's timely to be cautious about any "get rich quick" schemes.



In the past 12 months alone, the Australian Securities and Investments Commission (ASIC) has put nine people behind bars for financial scams. These crooks cheated people out of large sums of money.

ASIC Executive Director, Consumer Protection, Peter Kell, reports that ASIC took action over about 40 separate scams and illegal money-raising schemes involving in total at least \$200 million. Like blowflies and mosquitoes, financial scams will probably never be banished completely, but Kell urges all of us to be on our guard. In the past four years, more than 7,000 Australians have lost at least \$500 million to financial scams.

Do you know how to spot a scam? A well-informed consumer is the best scam buster, so here are some dead giveaways to look out for:

**In the past four years, more than 7,000 Australians have lost at least \$500 million to financial scams.**

**1.** Scams always promise bigger and faster profits than genuine investments. Some offer 20% a year, others go for 300% a year or even more. It's too good to be true! By comparison, successful share investments have grown about 7 to 9% a year an average over the long-term.

**2.** Scams also claim that financial success will be easy and that risk isn't a problem. Real wealth demands planning,

hard work and discipline. Even the best investors have to weather storms such as market busts and economic recessions.

**3.** Scams also often promise something "special" that genuine investments don't offer. It could be a "secret" offer, "inside information" or "new techniques". There's always some feature to make you feel like you've got an edge over others, but chances are it's a fairytale – and it won't have a happy ending.

**4.** Scams also often have a sense of urgency about them. Every scam is dressed up as an opportunity, so scamsters often say things like "don't miss out" and "act quickly" to make you hurry "before it's too late". They're just trying to grab your money before you make the proper checks.

**5.** And scamsters rarely have any real credentials. While the contact people may sound genuine, they're usually offering services that are a lie. To safeguard your money, always use Australian businesses that have an ASIC licence. To check, visit ASIC's consumer website FIDO at [www.fido.asic.gov.au](http://www.fido.asic.gov.au) or call 1300 300 630.

This is an edited version of an article originally published in Money magazine, August 2003.



## our latest prospectus

Our latest Debenture Prospectus, Prospectus # 6, is now available. For your copy, simply call us toll-free on 1800 650 422 or email [info@providentcapital.com.au](mailto:info@providentcapital.com.au). You can also visit our website on [www.providentcapital.com.au](http://www.providentcapital.com.au) and view or download the prospectus. Upon receipt of your request, a prospectus will be mailed to you within 24 hours. Thank you for your interest!

**contact details** Provident Capital Limited ABN 78 082 735 573 © 2003 Provident Capital Limited ■ Level 42 Tower Building Australia Square ■ 264 - 278 George Street, Sydney NSW 2000 ■ Tel (02) 9251.2900 ■ Fax (02) 9251.2911 ■ Web [www.providentcapital.com.au](http://www.providentcapital.com.au)



Drop us a note with your comments care of Marcia Raheb, or email [marcia@providentcapital.com.au](mailto:marcia@providentcapital.com.au) We're keen to hear your views!

# PROVIDENT TIMES



[www.providentcapital.com.au](http://www.providentcapital.com.au) ♦ issue two . 2004

PROVIDENT CAPITAL NEWSLETTER

## interest rates fever

For retirees seeking a decent return on their investments, the current trend to interest rate rises can only be positive.

With the Reserve Bank announcing two rate increases in the last quarter of 2003, what are the implications for the Provident Capital debenture holder?

"We are constantly viewing the current interest rate market," says Provident Capital's Managing Director, Michael O'Sullivan. "Our first priority is always to maintain the quality of our loan portfolio as this underpins our investors' money."

O' Sullivan explains that Provident Capital's overall fiscal strategy tends to err on the cautious and prudent side - for investors' sake. While the company is able to offer retirees significantly better interest rates than banks for their fixed term investments, this can only be achieved if the company continues to maintain a quality portfolio of mortgage loans to underpin clients' investments. "Our job is to ensure that we match debenture-holders' money with quality loans," O'Sullivan explains.

He points out that the company does not automatically echo Reserve Bank rate increases – or rate decreases for that matter - on its debentures. When the Reserve Bank formerly reduced interest rates, for example, Provident Capital did not reduce its interest payments to investors.

"We were able to maintain the rates we paid our debenture holders by reducing our margin (the difference at which we lend and borrow money) and were

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thus able to continue attracting quality loans from borrowers," the MD explains. "Similarly, when interest rates rise, we do not automatically increase debenture interest rates. We consider the market position, plus the impact any rate increase will have on our loan portfolio."

O'Sullivan points out that interest rates across all debenture terms have recently been increased between 0.25% and 0.50% making investing even more attractive.

As such, investors can take advantage of Provident Capital's very competitive short-term and longer-term debenture products, several which have won awards for their competitiveness in the market.

## our new rates

debenture stock		
30 days	4.90% pa	paid on maturity
60 days	5.00% pa	paid on maturity
90 days	5.85% pa	paid on maturity
180 days	6.00% pa	paid on maturity
270 days	6.50% pa	paid on maturity
1 year	7.75% pa	paid monthly
1 year	8.00% pa	paid on maturity
2 years	8.00% pa	paid monthly
2 years	8.25% pa	paid on maturity
3 years	8.35% pa	paid monthly
3 years	8.50% pa	paid on maturity
5 years	8.50% pa	paid monthly
5 years	8.75% pa	paid on maturity

All rates are per annum. Rates are effective 16/2/04 and are fixed for the term of the investment. Applications can proceed only on the form contained in the prospectus dated 18/11/03 which has been lodged with ASIC by Provident Capital Limited (ABN 78 082 735 573)

[www.providentcapital.com.au](http://www.providentcapital.com.au)

Provident Capital



# looking after **our customers**

After 14 years at the cutting edge of non-banking finance, we continue to help an ever-growing number of investors safeguard their future.



Sanya Jovovic listens to what clients say they want

updated on the changing financial environment and the requirements of the job."

Liaising with clients by phone, by email or in person, Sanya believes the most important thing she does is to listen to what clients want. Clients, she says, want to know that their principal investment is secure; that the correct amount of interest on their debentures will hit their bank accounts or mail box on time; and they want interactions with the company to be easy. "Clients appreciate friendly, personal service and they prefer things to be uncomplicated," she stresses. "They don't like, for example, being greeted by a computerized telephone answering service – and at Provident Capital we do our best to assure personal and direct contact at all time. My personal goal at work is to give our customers peace of mind."

Sanya also believes that the company reflects her goals: like her, Provident Capital is committed to refining its service on an ongoing basis. "We review our practices and policies constantly," Sanya points out. "We address issues immediately and tend to brainstorm proactively in anticipation of customer requirements. Quite simply, we believe that looking after our customers is the most important focus of our business."




Employees enjoy training and support so that they can effectively serve customers

Provident Capital has come of age. So believes Provident Capital's Finance Director, Trevor Seymour, who has had 25 years' experience in banking and finance.

Commencing his career in 1977 with The Commercial Bank of Australia (which became Westpac in 1982), Seymour left banking in 1988 to join what is now known as Brentnallsnsw, an independent member of the Brentnalls National Affiliation of Accountants.

Involved with the Provident Capital Group since its inception in 1990, Seymour was impressed from the early days with "the innovative way the company provided both finance and investment solutions". It was apparent to Seymour that the company believed in maximising returns to investors within a framework of prudent lending and business practices. "The group's 'prudence, promise, prosperity' trademark is not just a logo," claims Seymour. "It is the evolution of the group over the last 14 years."

In 1998 Seymour was invited to join the Provident Capital board. With the inclusion of Malcolm Bersten in 2000, the board's complementary skills now include financial planning; finance/accounting; banking; and commercial law.

Part of Seymour's responsibility as board member is providing guidance and direction for the company's accounting team. By adopting rigid and well-documented procedures, he helps ensure the integrity of financial statements and compliance with tax, audit and legal requirements. The professional relationship with auditors, PricewaterhouseCoopers, he adds, has also been invaluable to the development of the company's accounting procedures. 



Trevor Seymour provides accounting guidance and direction

"The group's 'prudence, promise, prosperity' trademark is not just a logo," says Seymour.



Investors are free to visit Provident Capital's Sydney headquarters to have their questions answered.

## full disclosure

Is the prospectus you are reviewing providing all the information you need to make a wise decision? Potential investors should be aware that the Australian Securities and Investments Commission (ASIC) peruses all debenture prospectuses to ensure that debenture issuers provide adequate information to enable investors to make informed decisions.

In early 2004, ASIC took action against 17 debenture prospectuses it considered defective, citing concern that the financial institutions that published them might be misleading investors as to the risk return profile of their products.

According to ASIC, the significant defects identified in these 17 prospectuses included:

- Failure to establish a debenture trust deed and to appoint a trustee;
- Lack of disclosure regarding bad and doubtful debts incurred in relation to lending activity;
- Inadequate disclosure on lending policies, loan approval process and borrowing limitations;
- Inadequate information on the performance and profitability of the company;
- Inadequate disclosure regarding the use of the funds to be raised;
- Incorrectly describing the investment product as a 'debenture' when it is not adequately secured against land or tangible property.

**Provident Capital has always been committed to a policy of full disclosure. Make sure you have all the facts when researching different prospectuses, and ensure you have the answers to all your questions.**

# frequently asked questions



Want to know more about the debentures in which you're investing? You're not alone! Here are the answers to some of investors' most common queries.

### Q What is a debenture?

**A** The features of a debenture are very similar to those of a term deposit. Both are investments for a sum of money that is repaid to the investor at a fixed time and earns interest at a fixed rate. The principal difference is that a term deposit is unsecured whereas a debenture is secured.

### Q Tell me more about Provident Capital's portfolio.

**A** Provident Capital believes in diversification as a form of risk reduction. Unlike some other debenture issuers, the company has a diversified portfolio across all sectors, as it strongly believes that significant exposure to any one class of asset represents an unacceptable risk. Our current portfolio of mortgages is in excess of \$170 million and the spread of our mortgages can be seen on page 13 of our prospectus.

### Q Tell me more about the mortgages in which Provident Capital invests.

**A** Provident Capital currently provides first mortgage finance to a wide range of borrowers. Typically, borrowers are self-employed, business owners and people with assets, seeking either to separate their borrowings from their main banking requirements or seeking greater flexibility from a financier. Although our rates are higher than those charged by banks, they are extremely competitive when payment terms are considered. Furthermore, we do not charge management or account keeping fees.


### Q How can Provident Capital afford to pay a higher interest rate than the banks?

**A** Without a complex and expensive distribution network, the company is able to pass on the majority of its earnings to investors. While banks and other institutions are generally "shareholder" focused, often at the neglect of debenture and deposit-holders, Provident Capital concentrates on providing secure returns to its investors.

### Q What do you mean by "secured"?

**A** Debenture holders' investments are secured by a 'first ranking' charge over all the assets of Provident Capital. This means that no other entity has a higher claim to the assets of the company than you. Your underlying security is a pool of Australian first registered mortgages, currently in excess of \$170 million. Unsecured investments, such as term deposits, unsecured notes or shares, mean that your investment will not be paid until all preferential or secured creditors have been paid in full. In the event of a default, the unsecured investors stand at the very back of the line. With a Provident Capital debenture, you are ranked number one.

### Q Can I roll over my superannuation into Provident Capital?

**A** Yes you can, as long as you operate a self-managed superannuation fund and that superannuation fund makes the investment into Provident Capital. 

## your prospectus checklist : what you should ask

Take notes when comparing prospectuses and ask yourself the following questions:

### ☑ Is my investment secured or unsecured?

Provident Capital debentures are secured by a first ranking charge over all of the company's assets. This charge is registered with ASIC.

### ☑ What is the level of financial disclosure?

Provident Capital discloses its financials in full because it respects investors' rights to know. Check if other companies do the same!

### ☑ Where is the company investing its funds?

Provident Capital doesn't put all its eggs in one basket, investing in a diversified portfolio of mortgaged real estate. Find out the breakdown of a company's asset portfolio.

### ☑ What is the significance of shareholder funds?

Shareholder funds are the profits that are not distributed via dividends. Provident Capital currently has over \$4.0 million in shareholder funds, creating an extra buffer with its own money for investors.

### ☑ Does the company employ well-respected auditors?

At Provident Capital, the answer is yes: respected firm PricewaterhouseCoopers provide an independent audit.

### ☑ What are the funds under management?

Provident Capital currently has a large, well-diversified portfolio of funds under management valued in excess of \$170 million.