

Monthly activity report.

January 2014

Product and manager reviews.

Acceptances.

No acceptances.

Declines.

3 declines.

Presentations.

3 presentations.

An important part of our wealth creation and preservation is to review the many opportunities that arise each month on behalf of our clients. These are discovered from a vast and differing array of sources. For our team this creates an opportunity rich environment, but also important to our success in wealth preservation is what our team deliberates on and chooses not to invest in. This month's report is a commentary on our activity.

Providence™

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Contents.

Activity summary.

Section No1.

Zero acceptances.

Section No2.

3 Declines.

SG Fleet Group IPO.

Duet Group placement.

IAG share purchase plan.

Section No3.

3 Presentations.

Schroders Australian Equities.

Technical Investing.

Brookvine.

Section 1: Acceptances.

No acceptances in January.

Providence has made no new acceptances for new products over the month of January.

Section 2: Declines to offers.

SG Fleet Group IPO – Declined.

SG Fleet Group (ASX code SGF) provides corporate fleet management solutions and salary packaged leases to corporate and government customers. We declined to participate in the IPO as it looked expensive relative to peers; the funds raised from the IPO would be used to pay a dividend to existing shareholders and allow a majority shareholder to sell down a significant holding. We will continue to monitor the stock after listing.

Duet Group placement – Declined.

Duet Group (ASX code DUE) is an owner of regulated energy utility infrastructure business. They conducted an institutional placement of \$100m for new shares at \$2.01 per security (at the time of offer, the shares were trading at \$2.06). Providence does not hold Duet in our model equity portfolio with APA being our preferred infrastructure business given it is entirely exposed to the distribution of the growing natural gas infrastructure sector. Furthermore, the offer price represented only a marginal 2% discount to market.

IAG share purchase plan – Declined.

Insurance Australia Group (ASX code: IAG) is a general insurance group with operations in Australia, New Zealand and Asia. Its major brands in Australia include NRMA, CGU, SGIO and SGIC. IAG announced a \$200m non renounceable share purchase plan for existing shareholders at the lower offer price of either \$5.47 or 2% discount to 5 day volume weighted average price. We declined to participate in the offer as we do not hold insurers in our model portfolio; the share price of IAG at the time of writing is \$5.35.

Section 3: Presentations.

Schroders Australian Equities.

We attended a Schroders Australian Equities presentation by head of Australian equities Martin Conlon. Calendar year 2013 was an exceptional year for markets with the domestic S&P/ASX 200 Accumulation index returning 20%, with industrials and financials doing well but materials and resources lagging. They currently have overweight exposure to materials, mining, consumer staples and energy; whilst underweight banks, property and telecommunications. Martin was cynical on the growth illusion with businesses borrowing cheap money to fund acquisitions above NTA with large intangibles. Sustaining returns on an increasingly large intangible base is unlikely. He also cautioned against investors seeking to increase risk appetite after a period of exceptionally strong returns. We are pleased to see the fund outperform the benchmark ASX 200 Accumulation on a 1 year, 3 year and 5 year basis.

Technical Investing.

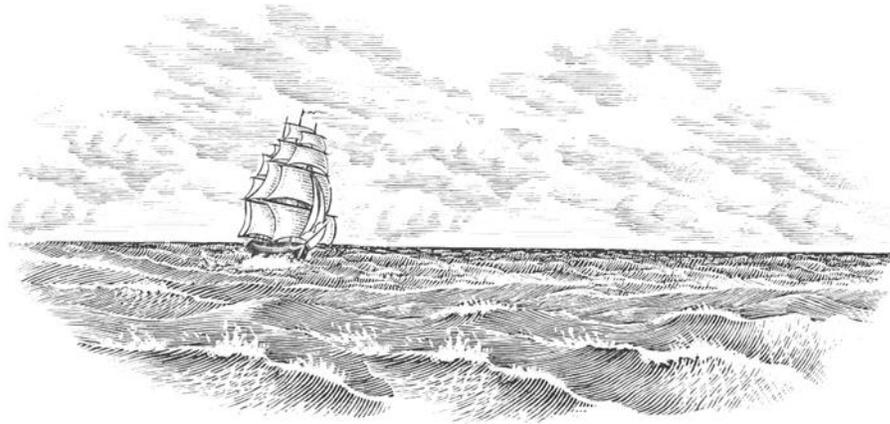
Craig Sheef, Managing Director of Technical Investing, came in to give us an update on how the Absolute Return Fund was performing. The fund had struggled over the last year as large cap, high yielding stocks were bid up by the market and the small, more speculative end of the market was ignored. The Absolute Return Fund focuses on the small cap area and has therefore performed poorly when compared to the market as a whole. However, there is now some very attractive opportunities within the small cap space which have the potential to perform well as investors start looking for better value opportunities outside of the top 100 stocks. We will continue to monitor.

Brookvine.

We met with Steven Hall, the managing director of Brookvine, to discuss their investment partnerships in various asset classes. Brookvine was founded in 2001 and has a track record in building successful investment franchises, structuring and packaging investment offers and raising fund capital. They focus on managers with substantial points of differentiation – mainstream and alternatives. We will be reviewing a number of their specialist funds which are under-represented in Australia such as US micro caps, private debt, catastrophe bonds, venture capital and multi-strategy endowment funds.

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*"I can't change the direction of the wind, but I can adjust my sails
to always reach my destination." - Jimmy Dean*



We wish you. Safe passage.

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