

15 September 2011

Dear Valued Client

Newsletter 2011#1

This newsletter is long overdue and our apologies for not having kept more in touch recently and should have done earlier.

There is much going on globally from an economic, political and social perspective, and we as a result, we are entering a critical time from a business strategy and risk-awareness standpoint as well as from an investment and wealth-preservation perspective.

Financial markets are clearly entering a period of renewed volatility and it is at times like these that you need to be able to think clearly from a fully-informed platform (and apart from the crowd) in order to chart your way forward and thus be able to preserve and protect your hard-earned wealth.

We can do no better in these circumstances than to provide you with the Special Alert distributed by Dynamic Outcomes to its clients today.

Please **READ IT NOW** – it is pungent, incisive and conclusive and, as usual, tells you what you are not hearing elsewhere, but what you need to know right now.

With that background, this does raise some questions.

- Is now the right time to invest abroad?
- Where do you invest to ensure that your capital is protected and recession/depression proof?
- What is the assurance of a viable return on investment?
- What if I have used my offshore allowance?
- Who can I trust?

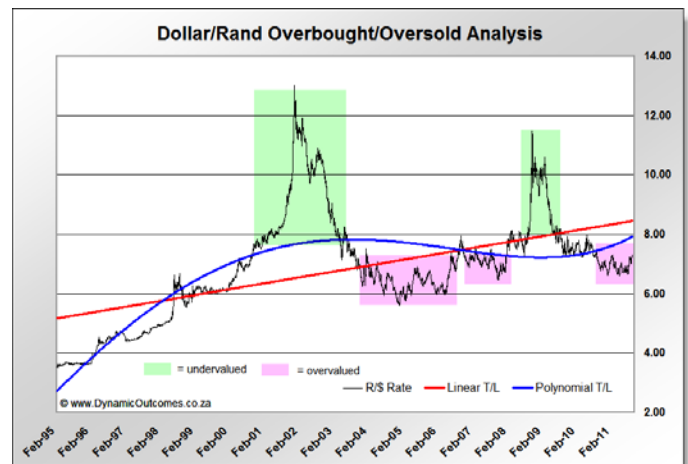
The fear of the unknown is what keeps us from acting, and it is therefore imperative to have these questions answered to be able to invest with confidence and peace of mind.

Let's answer these questions:

Is now the right time to invest abroad?

There have been right times and wrong times to invest offshore. But is now the right time?

Yes, it is indeed. Why?



As can be seen from the above chart, the Rand has reached levels not seen since 2007 and by all accounts is overvalued and ready for a long term change in trend – in fact, this has probably already commenced.

If we see a move up at the same pace as it came down, your wealth could well lose 40% of its value in Dollar terms in the next 2 years.

Now is therefore the time to act by externalizing your Rand to take advantage of this overvaluation.

Where do I invest abroad to ensure that my capital is protected and recession-proof?

This is a critical question, and is best answered by first looking at what markets are perhaps not that great, in fact dicey, to climb into right now.

If we look at **global** financial markets, they all have performed well (some surprisingly well) the past couple of years, but that is no guarantee that the next few years will be the same... in fact, more likely, just the opposite.

Stock Markets – Next Crash in Progress

Despite the optimism that has abounded (more so than the top in 2007), the recent drop in the market and underlying fundamentals are strongly indicating that the long bear market rally is over.

If so, that means the next big move will be down.

Those that rushed into stocks in late 2007 had 60% of their capital wiped out in the months that followed – you don't want to be caught in the next leg down, which is likely to be even more devastating.

Precious Metals – Silver Loses Shine, Gold to Follow?

Both Gold and Silver have enjoyed a remarkable run the past few years, but that has changed (Silver) and is changing (Gold)

- Silver lost 35% of its value in just 2 weeks after peaking at just under \$50 in April 2011, and while it has recovered half of this, the forecast is for a further move lower.
- Gold has made new highs at \$1919 this past week, following in Silver's mania-driven blowoff, but has fallen sharply since – all the elements are there for a sharp fall once it does turn.

While holding a portion of your wealth in Gold and Silver may be wise, it appears that right now might not be the time to invest further in this market – your capital could be at risk!

Government and Municipal Bonds – Next Credit Victims?

In Phase I of this 'Great Recession/Depression', investment held by banks and financial institutions were over-leveraged and unable to settle the debts, now it is the turn of sovereign debt – Europe's PIGGS are already in trouble, while last month S&P downgraded the US's long-term rating from AAA status – the first time since Pearl Harbour!

Municipal bonds are the flavour of the month, but most of these are bankrupt – again, your capital is at great risk.

Property – Real Opportunities Down the Road

The offshore property market prices in the US, UK and Europe are dropping again, and it would appear that the likes of Australia, New Zealand (and South Africa) are peaking, and we could well see a sharp correction down from these levels.

While there are some opportunities in niche sectors out there (see more about this later in this letter), for the most part, the real buying opportunities are likely to be a few years hence, and an investment now in simple real estate could well see a loss of capital value in the medium term.

So then, what global market sector is recession-proof (and was not affected by the 'Great Recession' of 2008-2009)?

One market sector that was not affected, in fact enjoyed considerable growth, over the severest downturn in decades was the **wines & spirits and basic liquid foodstuffs logistics industry** – this has proved to be a resilient and safe sector of the market, even in the toughest of times.

(Note: They follow sound advice – Keep your assets liquid!)

And, through stainless steel tank containers, you are able to invest in this area of the market now, with a **known Dollar return** over a specified period, with your capital being invested in a **hard asset** which has intrinsic value internationally, and have it managed *in toto* by a local and specialist management company with a proven record over 17 years.



To recap, this is how and what you can achieve:

- You are able to invest your Rands in South Africa in high-spec stainless steel tank containers, which have intrinsic value internationally.
- And this does not form part of your foreign investment allowance at all and is open to an investment of any amount, be it R1 million... R10 million... R50 million ... R100 million... plus...
- These tanks are leased out on your behalf (under an arrangement approved by the SA Reserve Bank) to offshore logistics companies servicing this market.
- You will secure a Dollar income stream equivalent to the present Dollar value of your Rand investment, plus an attractive return of around 4% p.a. (in Dollar terms) over the investment period (normally around 7 years), with all terms for this entire period known upfront.

- This Dollar income stream may all be legally retained offshore (only the final sale price cannot) and is not subject to Exchange Controls.
- No emigrating, no tax clearances or audit reviews, no additional special Reserve Bank applications.
- And last, but not least, it is unbelievably tax-friendly (see later for more details on a bonus tax benefit we've unearthed!)

The unique offshore investment vehicle offered by ourselves provides all the comfort that one is looking for when investing abroad:

1. The ability to convert your Rand wealth now into a Dollar income stream that recognizes the present favourable Rand strength.
2. An investment in a high specification moveable hard asset that has intrinsic value internationally.
3. An investment into a sector of the logistics industry that has proved very resilient to global downturns.
4. A known return on investment up front based on a legal agreement, with known minimal expenses.
5. An investment that is not limited by your offshore investment allowance, or one that requires SARS clearance certificates or special Reserve Bank clearance.
6. A local manager who has a proven record over 17 years (PTS are required to provide audited financial statements and report all flows to the Reserve Bank on an annual basis in order to have its licence renewed).

In essence, the PTS tank investment is a unique offshore investment that is secure and legal, provides a protection of capital, has a known attractive return, is not dependent on offshore allowance restrictions/conditions, and is managed by a local company with a track record you can trust.

Niche UK Property Investment

As indicated earlier, there is something else to whet your appetite amidst a scenario that is generally depressing.

This opportunity involves strategic prime investment land in the UK, which has historically trebled in value in 5 years – with a buyback guarantee at any time.

In short, you invest in prime investment land (in strategic areas that have a housing shortage and have been earmarked

by UK authorities for development) that has still to be rezoned for residential development.

You benefit from the capital appreciation as a result of the rezoning between the time of purchase and when it is sold on your behalf to developers.

An extremely secure (managed by Deloitte), low-risk investment, with full title deeds, a handsome return and a buyback guarantee.

This makes a lot more sense than leaving your money in a bank account offshore somewhere, earning nothing, and being increasingly unsafe as the next credit crunch looms on the horizon.

If this should pique your interest – please take a look at this [webpage](#) which gives you full details.

Capital Loss Tax Shelter

We have some exciting news for you – an unexpected tax benefit we have unearthed!

During correspondence with the Income Tax consultant from a reputable financial services operation in PE in connection with a mutual client (one of our tank container investors) and the preparation of his 2011 Tax Return, an important aspect was highlighted.

For your information and benefit, we wish to pass this disclosure on to you for your information and benefit.

For the record, we do have a background knowledge and training in tax, going back a number of years. However, this does not constitute us as “income tax experts” and we do not consider ourselves adequately informed to be classed as tax consultants, especially with regard to this aspect of tax.

Having made that disclaimer, we do consider the subject information to be dependable, as coming from a professional and competent source.

This relates to the Capital Gains Tax aspect of your investment.

As you know, the lease purchase arrangement in respect of your tank investment is specifically structured with a higher daily dollar rental, and a low purchase option (sale price) in order to achieve the following:

- To maximise the foreign-earned rental income portion, all of which can be legally retained offshore (or, if repatriated and received in Rand, may be re-converted



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to foreign currency and be transferred abroad at any time).

- To minimise the tax liability arising from Recoupment of Wear and Tear on sale of the asset.

With the recent introduction of Capital Gains tax, capital gains on assets sold are now taxable, whereas previously these gains were tax-free.

However, the introduction of this new tax has provided an unexpected tax shelter for those that have invested in PTS tank containers through the above-mentioned structure – through a substantial Capital Loss being sustained at the termination of the investment, which loss *can be offset against any capital gains in the current or future tax years.*

As an example,

Let's say you purchased 5 tank containers for R200 000 some 7 years back under a lease purchase arrangement, and this has now terminated and the lessee has exercised his purchase option of \$250 per tank, which was converted at R7.00/\$.

In terms of your Income Statement for tax purposes, you will now show a Sale of Assets of R8 750, which amount will also represent your Recoupment of Wear and Tear.

However, in terms of Capital Gains Tax, you have now suffered a substantial **Capital Loss of R991 250** (R198750 per tank – which can be offset against any capital gains in the current or future tax years!

Where applicable, the Tax Certificates we have issued are accurate and complete, in so far as that year's leasing operations were concerned, including the single Income Tax effect of the tank sale, specifically, Recoupment of Wear and Tear Allowance.

However, these Certificates did not address the opportunity for you to claim a Capital Loss from SARS in respect of the sale of the tank, which can be offset against Capital Gains in the current or future years.

If you have been affected in this way, we will provide details under a separate letter, addressing these specifics.

The Way Forward?

Well, we have given you an overload of information in this newsletter and its attachment, and it may be their contents

are quite perplexing and overwhelming with regard to the answer to this question.

Having ourselves digested the wide-ranging plethora of economic and related data (as well as much more), we do believe we have a fairly clear view of the way ahead, including the opportunities and pitfalls.

We would welcome the opportunity of sharing these with you to our mutual advantage.

With this in view, please indicate your willingness to do so by contact us at your earliest convenience.

Kind regards

Alan Paynter