

# GPS News

August 2011



GPS Invest Pooled Fund continues to receive strong support from existing Investors who are depositing new funds and reinvesting monies now being returned from the old GPS Pooled Mortgages Fund (La Trobe). The second distribution of capital was made on 2 August and we anticipate that the majority of Investors money will be returned by Christmas this year as the pace of repaying loans increases.

As previously advised, in order to invest in either GPS Invest Pooled Fund or GPS Invest Select Fund, all current investment monies must be returned to your nominated bank account with funds then to be forwarded to GPS by Bpay or cheque. Please call 1800 999 109 for assistance.

Please call Tina Orley or me if you wish to invest in GPS Invest Pooled Fund at **8.75%** p.a. variable, paid monthly. We will be happy to assist you in filling in the necessary (once only) Application Forms if you have not already done so and to arrange the transfer of funds to your new account.

GPS can arrange for repaying investments to be returned to your nominated bank account automatically. Contact Tina Orley or me to arrange this for you.

If you wish to make an additional investment in GPS Invest Pooled Fund, please complete and forward the Additional Investment Form available on [www.gpsinvest.com.au](http://www.gpsinvest.com.au) or by calling GPS on 1800 999 109.

This month our education item is the important issue of fund “liquidity”.

One of the most common reasons for failure of debt secured funds (mortgage funds) is an imbalance between investment term and the debt security term.

I use the expression “debt secured:” as most funds have a combination of cash (securities able to be realised within 14 days) and mortgages.

In order to achieve higher returns there needs to be a higher level of mortgages in the fund, but this reduces the funds liquidity. As a consequence most high yield funds have a longer investment cycle.

GPS has in the past endeavoured to match investment and mortgage terms and this is a major reason why we are still in business. There has always been the temptation for operators to shorten the withdrawal period so as to encourage investment, but as we have seen this can end in disaster if there is a run on an unbalanced fund.

ASIC has given this issue quite a bit of attention in recent times and has indicated that there will be changes to the rules as to what constitutes a liquid fund. The GPS Invest Pooled Fund has been designed to comply with the proposed rule changes and will operate as an illiquid scheme with a controlled quarterly-withdrawal procedure. It is anticipated that all high yield funds will have to operate as illiquid schemes once the proposed ASIC rules come into effect.

Please refer to page 14 of the GPS Invest Pooled Fund PDS dated 9 May 2011 for full details on Withdrawal Rights and quarterly withdrawal offers.

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