

Monthly activity report.

December 2013

Product and manager reviews.

Acceptances.

No acceptances.

Declines.

7 declines.

Presentations.

2 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™

Strategy. Portfolio. Structuring. Investment. Compliance.

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Activity summary.

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Zero acceptances.

Section No2.

7 Declines.

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Austen Engineering placement

Ruralco placement

Section No3.

2 Presentations.

Nanuk Clean Energy Fund

Pimco Fixed Income Teleconference

Section 1: Acceptances.

No acceptances in December.

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

Section 2: Declines to offers.

Cadence Listed Investment Company Placement – Declined

Cadence Capital (ASX code: CDM) is an Australian Equity Fund manager led by Karl Siegling and Simon Bonouvrie. The manager recently raised \$54m through a placement of CDM shares at \$1.43 per share. We declined to participate in this offer given the placement was conducted at NTA. Generally, we do not participate in placements in listed investment companies unless the offer price is lower than NTA.

ERM Power Placement – Declined

ERM Power (ASX code: EPW) is a diversified energy company which operates electricity sales, generation, gas exploration and procurement businesses. We declined to participate in this offer as the company operates in electricity sales and generation, as opposed to our preference for transmission. We believe sales and generation are higher risk businesses compared to transmission which is generally regulated and therefore somewhat de-risked.

Austen Engineering – Declined

We did not participate in this placement despite a takeover offer being proposed to the company by Bradken (ASX code: BKN). We have avoided engineering companies with a focus on the mining sector given the continued delay or cancellation of expansion activities by the mining sector and as such did not believe an investment in this business was warranted. Given the offer by BKN was in the form of scrip, participation would result in ownership of BKN, a company that Providence continues to avoid.

Real Energy IPO – Declined

Real Energy (ASX code: RLE) is an oil and gas exploration company operating in the Queensland Cooper Basin. The company raised \$10m in the recent IPO which has raised the company market value to about \$40m. Providence has declined to participate in this IPO as we believe there is value with less risk in oil and gas companies that are already producing.

BIS Industries IPO – Declined

BIS Industries is a provider of specialised logistics and materials handling solutions for large mining and resource companies. We declined to participate in this IPO given its over-exposure to the resource sector. Given they are a logistics company, they are more leveraged to the increase in production, however, we are uncomfortable with their exposure to the production phase. The company has since shelved its IPO plans having struggled to gain traction with ongoing investor concern regarding the negative sentiment around resource expenditure.

RCG Block Trade – Declined

RCG Corporation is an investment holding company which owns and operates a number of footwear businesses such as Athlete's Foot. We declined to participate in this block trade. We did not participate given it is adversely exposed to a falling AUD given it imports all its products from overseas and generates all earnings via one distribution license with Wolverine World Wide creating significant earnings risk should they lose this license.

Ruralco Holdings placement – Declined

Ruralco (ASX code: RHL) manufactures and distributes fertiliser, seeds and other rural merchandise. Providence did not participate in the placement as the offer price was at a premium to the last traded market price. Furthermore, we generally avoid agricultural investments given the number of significant uncontrollable factors, such as weather and disease, which influence the ability of such a business to grow earnings.

Section 3: Presentations.

Pimco Fixed Income teleconference update.

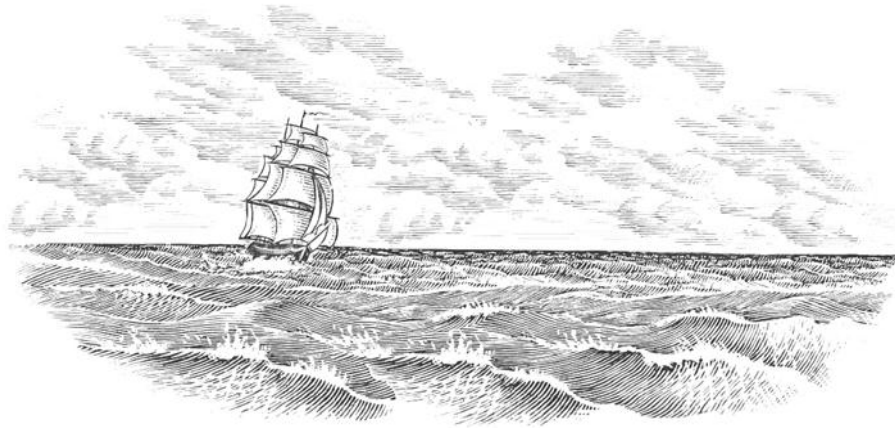
We dialled into the Pimco teleconference hosted by portfolio manager Rob Mead regarding their view on the US Federal Reserve potential tapering and its effects on fixed income markets. Their secular 3-5 year view is more optimistic of global growth with a benign inflation outlook. The US budget deficit has been reducing; there has been an increase in consumer confidence from the wealth effect from rising house prices and stock markets; Monetary Policy remains very accommodative. Pimco expects some tapering, or a reduction in the quantitative easing stimulus, accompanied by forward guidance and interest rates remaining low. In the event of tapering, the Australian dollar will likely fall relative to the US dollar (AUD/USD has already fell from \$0.95 to current \$0.89 at the time of writing). Rob cautioned to stay in unlevered asset classes, take advantage of high quality credit, and remember that hybrid fixed income securities still have equity related price volatility.

Nanuk Clean Energy Fund presentation.

We attended a presentation with Nanuk regarding their Clean Energy Fund, which invests globally in listed companies in clean energy generation and the more efficient management, distribution, storage and use of energy. With retail power prices rising and governments focusing on climate change and reducing pollution, a structural shift is occurring to adopt renewable clean energy sources. The Nanuk Clean Energy fund is a long short fund, targets a low net market exposure and aims to achieve 15% pa over a rolling 3 year period. We are pleased to see fund return strongly; 24.6% for 1 year to Nov-13 and 11% pa for 2 years. Providence will continue to monitor the funds performance.

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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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