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16 August 2011

Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

Re: Inquiry into the collapse of *Trio Capital* - seeking compensation for ordinary retail investors in the *Astarra Strategic Fund*

Dear Committee Secretary,

As you would be aware, ASIC froze the funds of responsible entity *Trio Capital* almost two years ago, and superannuation investments in funds such as the *Astarra Strategic Fund (Astarra)* have been subsequently compensated. But retail investors have not been compensated.

The probable loss of savings and the resultant adverse debt exposure due to an *Astarra* investment and a Margin Loan is very distressing. In my favour is that I am still at a working age, but the situation has had adverse effects; for example, I have had to abandon a half finished teaching degree in order to immediately return to employment to service interest and loan repayments.

Basically, I am writing to this inquiry to request that compensation be extended to those investors who were advised to invest as ordinary retail investors, outside of superannuation. Further, such compensation should not merely cover the *Astarra* loss, but instead return us to our position prior to the investment in the first place; this is because other financial losses have resulted via forced share sales, extensive loan repayments and interest, and forgone earnings from what should have been alternative investments. It is considered that Government compensation is appropriate because the investment was not in exotic investments such as art works, coin collections or vintage cars etcetera, but rather was in a managed fund in which the following Government bodies were responsible for licensing and overseeing the various entities involved; ASIC and APRA oversaw the Trio Directors, Trustee (NAB), Custodian (ANZ), external auditor (WHK) and internal auditor (KPMG) and ASIC oversaw the various researchers. Additionally, it is understood that ASIC and APRA investigated *Trio Capital* prior to 2008 and APRA had been unable to establish the unit prices of the underlying *Astarra* funds in 2008, but did not stop new investments to the fund.

It is illogical and unfair to not compensate retail or SMSF investors, using the argument that their investments were “outside the flags”, when the same *Trio Capital* and associate entities that were entrusted with retail investors funds were also involved with the superannuation investments that were compensated, and supposedly licensed and regulated by the Government bodies mentioned above. In other words, if the conduct of *Trio Capital* and its (mis)management of superannuation funds was such that it was necessary to compensate $55 million of those funds, then ordinary retail investors’ funds that *Trio Capital* also (mis)managed should also be due compensation.

Considering that we investors were doing the right thing by providing for our own future retirement needs, and the probability of fraud, also supports the need for Government compensation of *all* investors. The *Astarra* investment was not supposed to be a quick rich scheme; it was recommended by a Wollongong financial planner as a way of diversifying into international shares, with the argument that such diversification into international shares was necessary because the Australian share market was only 2% of the world's market. *Astarra* was advised to be a fund that invested in international shares, and hence a reasonable assumption was that a complete loss of the funds would be dependent upon *all* the international companies in the fund going bust. However, it would seem that no such foreign share purchasing occurred; rather, the funds were likely stolen. It is understood that investing involves market volatility, but the occurrence of loss through fraud is an entirely different matter.

There have been instances of business collapses in the past decade that have resulted in Federal Governments' providing funds to cover employee entitlements. Therefore, I would suggest that if investors/retirees have lost significant savings in these funds due to circumstances other than market volatility, such as fraud, then such innocent victims similarly warrant Federal Government compensation.

Yours sincerely,