

09 September 2011

Mr B Ripoll MP
Chairman
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

Parliamentary Inquiry into Collapse of Trio Capital

Dear Sir,

Please treat this letter as a formal submission to the above named Committee on behalf of myself and my wife as Trustees of the Self Managed Superannuation fund and victims of the Trio Collapse.

I wish to make one main point about the collapse and compensation for SMSF victims of Trio that I believe should be given important consideration when making your recommendations. First though I will provide some background on our situation giving you context for my comments.

In late 2006 we approached Tarrants Financial Advisors to look at ways to grow our investment with the aim of paying off our mortgage and securing our future as our children grew and we approached retirement. Tarrants advised us to take out margin loans to give us leverage for our investment portfolio, and to start a SMSF. The reason for changing to a SMSF was to provide greater flexibility, control, and reporting of our superannuation and to allow the use of loans to increase our leverage. Prior to this we had not heard of SMSF's.

We took their advice, understanding the risks of our growth investment strategy, but confident in the knowledge that our loan to value ratio was not high and we had many years to retirement to weather any market downturns.

My wife and I both rolled over our industry regulated superannuation funds into our SMSF. At the time we were not aware that SMSF's were not covered by fraud compensation, but if we were we would probably have proceeded anyway as we thought it inconceivable that any regulated and approved investment, managed fund, or licensed managers or directors in the Australian financial system could be fraudulent.

In 2008 Tarrants advised us that the Platinum Fund returns were stagnating and it didn't look like they were going to improve, but the Alpha (later Astarra) Strategic Fund had been performing well over the past few years, even during times of market downturn. Their advice was to get out of Platinum and into Astarra. They provided market research, historical information, endorsement of the product and Shawn Richard from conferences and personal discussions with Ross Tarrant. They even advised us that members of the firm and Tarrants family were investing their money

in it. So all the information that a Financial Advisor relies upon to make investment decisions was provided to us.

We accepted their advice and began investing in Astarra.

Our investment portfolio and SMSF weathered the Global Financial Crisis without any margin calls although the values were reduced.

The collapse of Trio caused a write off of the value of our Astarra Strategic Fund "assets" leaving us with high loan to value ratios close to the buffer zone. With the recent downturn in the share market we were forced to first inject cash, then sell off a good portion of other shares to avoid a margin call.

This has left us with an investment portfolio with a value about one quarter of where we started in 2007, and still with an outstanding loan amount to pay off. Our superannuation value has also been reduced to the level that it was about 20 years ago when we were new investors.

If not for the collapse of Trio we would have been able to ride out the market downturns with enough time over the next 12 or so years to build our investment and superannuation value back up to the level we were expecting.

Which brings me to my main point. We, like so many other investors in SMSF's, were trying to get our superannuation and investments to the point where we could live off them in retirement comfortably with no reliance on a Government pension. We believed that we were doing every correctly as desired by the Government to provide ourselves with a fully self funded future in retirement. Our retirement will now be reliant on the pension.

Now it seems that although we invested in the same product using the same information as regulated funds, because we were in a SMSF we are not entitled to the same compensation for the same fraud.

I would like the committee to consider this simple financial calculation. In our case and I suspect many others, compensation for our losses due to the Trio collapse now will enable us to rebuild our superannuation to the point of self sufficiency by the time we retire. The cost of this will be significantly less than the burden faced by the Government in providing many years of pension payments to us when we retire in about 15 years.

From a total financial perspective it makes sense to compensate all victims of this fraud now rather than bear a much greater burden in the future.

Yours sincerely,