the Investors' Voice

Newsletter of the Australian Investors' Association - *Investors helping investors*

November 2009

Features

Regulars

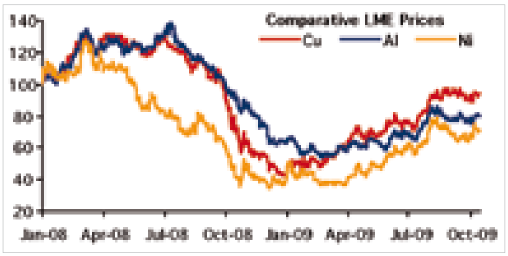
AUSTRALIAN INVESTORS' ASSOCIATION

Materials sector: outlook for 2010

By Peter Arden

The materials sector covers companies with a wide range of activities including iron ore, base metals, gold, steel, building materials, paper and chemicals, but is dominated by resource companies including the major diversifieds. After having been one of the best-performing sectors for much of 2009, the materials sector has been a relatively poor performer in recent months as mineral commodity prices have generally been flat to lower. The outlook for the materials sector in 2010 is essentially being shaped by the nature and extent of recovery in the major economies and by China's, and to a lesser extent India's, economic performances. There is growing evidence that most Western economies are now through the worst of their recessions and are selectively starting to show early signs of recovery. However, these signs are often quite tentative and in many cases some quite protracted periods of recovery and weak growth can be expected as government-funded economic stimulus packages are wound back and underlying growth begins to appear. The economies of China and India are expected to continue to perform at recent high growth rates.

The advent of the global financial crisis at the end of 2008 had a devastating impact on mineral commodity prices and demand, causing both to plummet. Most mineral commodity prices bottomed out in December 2008 but some, such as aluminium, continued to weaken into the early part of 2009. Mineral commodity prices began to recover in 2009, initially under the influence of various forms of speculative and government-backed buying (especially by China), particularly in the case of base metals. Actively traded mineral commodity markets have been racing ahead of the actual underlying demand fundamentals, and we have already seen some strong rebounds in commodity prices even though the underlying demand remains weak. Most base metal prices are up over 100% from their lows in late 2008.



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President's message

By Jolyon Forsyth

The AIA made a submission earlier this year to the Inquiry into Financial Products and Services in Australia, chaired by Bernie Ripoll. Mr Ripoll also addressed the AIA's 12th National Conference held at the Gold Coast in July 2009. We surveyed the attendees at the conference about the matters the inquiry was investigating, and gave the results of our survey to Mr Ripoll. As a result, AIA Vice President Scott McKenzie and I were invited to give evidence at the hearings that the inquiry held in Brisbane on 3 September.

The main points we made before the committee were that a way must be found to remove the conflicts of interest currently existing in the financial advice industry, and that product providers should cease paying commissions.

Our suggestion in relation to the first point was to separate the provision of advice from the sale of the product, and to impose a fiduciary duty on the provider of the advice, who would be remunerated on a fee-for-service basis. Scott also made the point that the Financial Services Reform Act has concentrated on the form rather than the substance of the advice; this causes advisers to produce statements of advice that can run to 80 pages or more, and be meaningless to most clients. On our second major point, it is interesting to see that ASIC has joined the AIA in wanting to remove commissions as a means of payment to advisers. This was also supported by the Financial Planning Association some months ago.

The first witness that day had been Emmanuel Cassimatis, founder of Storm Financial, who was blaming the banks for the collapse of his company. The questions we were asked, which came from most members of the committee, included requests to comment on some of the responses given by Mr Cassimatis.

Senator Mason quoted Mr Cassimatis's response to the question 'So a mid-30s executive, or an independent retiree with millions of dollars of assets, or a 70-year old pensioner were all the same?' Mr Cassimatis had replied: 'They are the same.'

Scott responded: 'Part of the Financial Services Reform Act says "Know your client; know the consumer". What he said flies in the face of that.'

We agreed with Senator Williams that it was vital for the Australian public to regain confidence in the financial planning industry, and that people in the industry must adhere to the 'know your client' regulation and advise each person according to their individual circumstances.

The AIA understands that ASIC's investigation into Storm Financial will be completed before Christmas 2009, and we look forward with interest to the outcome.

Bulletin board

Top-performing managed funds to June 2009

For the third consecutive year fact sheets for the top performing managed funds in pre-selected Morningstar categories (Australian and global) have been prepared (see www.investors.asn.au/members/managed-funds-project/). In total we include fact sheets for 64 managed funds, as well as four spreadsheets comparing funds of the same category annually and over 1-, 3- and 5-year periods. Data on annual performance is a unique feature of this AIA member service. Funds to be included in the study were selected on the basis of their 5-year performance and an investment minimum of $50,000 or less.

New member offer

Member referrals are the best way to introduce new members to the AIA. Refer a member by 21 December and you will receive Martin Roth's *Top Stocks 2010* hot off the press. A member referral form is enclosed with this *Investors' Voice*.

The Pain Report

Jonathan Pain has spoken at many AIA conferences over the last 10 years. He spoke several years ago about the unsustainable nature of the US housing market, the American debt bubble and the remarkable rise of China. Jonathan has now decided, after 25 years in the investment industry, to become an independent voice in an industry dominated by the Wall Street marketing machine.

Jonathan is offering AIA members a discounted rate of $150, GST inclusive, for a subscription to *The Pain Report* (the regular rate is $185). For this you will receive a minimum of 12 reports a year, which will provide you with an independent and global perspective of the world economy and the key factors that will shape and define our world in the years ahead. For more information visit his website, www.thepainreport.com.au. To access this discounted subscription rate, send an email to enquiries@thepainreport.com.au and quote your AIA membership number.

Trading & Investing Expos

The AIA recently manned a booth at the Melbourne Trading & Investing Expo and gained 27 members over the two days and more than 100 prospective members. Two great promotions were offered during the expo, with Wendy Stanford from Wodonga winning an Apple iPod and Martin O'Hehir from Box Hill winning a novice investment pack. The AIA will also man a stand at the Sydney Trading & Investing Expo, to be held on 30 and 31 October.

Publications

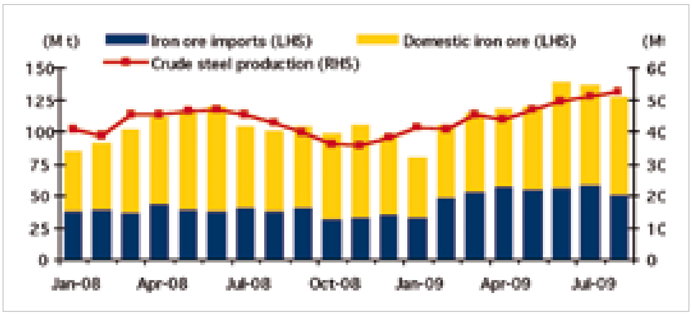
Due to an expansion of member services it has been decided to reduce the number of email bulletins, with *Derivatives*, *Property* and *Managed Investments* now produced quarterly and *Equities* and *SMSF* now produced bi-monthly.

AIA events 2010

Dates for local discussion groups and information meetings in 2010 will be posted to the 'Events' page on the AIA website as they become locked in.

Materials sector: outlook for 2010... from Page 1

A different phenomenon was seen in iron ore and steel, where there are no formally traded markets but where, at the end of 2008, under the influence of plummeting global steel production (reflecting almost the collapse of the global car market), prices dropped sharply. Even in China, steel output was curtailed as steelmakers opted to turn off capacity and run down stocks. While major Western steel-making countries slashed their steel production by around 45%, China's annualised steel output was reduced by about 20% in late 2008 to an annualised rate of about 422 Mt, causing spot iron ore prices to fall dramatically. Although Chinese domestic iron ore production was generally maintained, imported iron ore (most of which comes from Australia) was cut back significantly. China was quick to act. Under the impact of a massive government stimulus, its steel output has rebounded strongly over the course of 2009 to reach a record annualised rate of over 620 Mt in August — almost 50% up on the rate in November 2008. This has lifted China's share of global steel output to almost 50% as most other major steel-making countries have only lifted their production rates marginally.



The recent trend of firm to rising prices for precious metals in US$ terms is expected to continue into 2010 under the influence of the major driver of a weak US$. While US$ gold prices have risen by 48% from their low in November 2008, they are up only 9% in A$ terms. Although the current gold price is at a record high in nominal US$ terms, in A$ terms the current price is down 25% from its peak in February 2009 and is likely to stay at around current levels as our dollar firms.

While base metals performance in 2010 should be generally positive, there could be some weak components. Copper prices and volumes

should be buoyed by supportive fundamentals and stay strong; minor metal tin should continue to be well supported; and lead and zinc should hold up reasonably well if production constraint is continued. Aluminium is likely to be flat as it remains vulnerable to the ongoing pressure of oversupply, unless production cutbacks in Western countries are continued and recent indications of firmer demand are sustained. Nickel is expected to be the weakest of the base metals and could suffer significant periods of weakness – because of the large overhang of stockpiles, resumed production in Canada after labour disputes, and rising output from three major new operations in Africa, Papua New Guinea and New Caledonia.

The outlook for bulk commodities demand and prices is likely to be generally positive provided global growth does gain momentum over the course of 2010. However, the returns from these commodities for Australian companies are likely to be quite subdued because of the strength of the A$.

In summary, the materials sector is likely to perform modestly in 2010 under the impact of:

- continued strong growth in China and India
- a strong A$ but generally quite subdued growth in the major Western economies
- increased mineral commodity supply as idled capacity is restarted and selective new mineral production is brought on.

Peter Arden is an analyst with Ord Minnett.

AIA members' online forum

The AIA online forum is now operational. This is a great way to share information, discuss investment matters, post a question. The forum features nine topics: Investment Education; Global Economies; Traded Investment Products; Analysis of Investment Products; Managed Investments; Property; Portfolio Management; Superannuation; and Miscellaneous.

First-time users will need to register. Here are the instructions:

1 Go to www.investors.asn.au and log in as a member.
2 Click the Forum button on the top menu bar.
3 Click on Register in the top left corner.
4 Tick the Membership Agreement – after reading it!
5 Enter your username (this will show against all posts – nicknames are OK).
6 Enter your password and confirm it.
7 Enter your email address and confirm it.
8 Press 'Complete Registration Button' at bottom of page.

You should now be able to log in to the forum. Note that you need to tick the 'I have read and agree to the Forum Login Agreement' every time you log in.

For those of you who are unfamiliar with forums there is a practice area. If you click on a topic and want to go back to the main menu just click the backwards arrow at the top of the page. If you have any queries or concerns please email them to treasurer@investors.asn.au.

Some facts on Australian listed international ETFs

By David Bassanese

Within the past few years a bewildering choice of international exchange traded funds (ETFs) has arrived on the local market. This article gives a breakdown of the choices available to investors, and looks at the risk and relative returns.

The first table lists the ETFs (but excludes commodity ETFs)

The second table details the weighting patterns for the major regional ETFs. Minor countries are excluded.

There are certain features investors need to be aware off. First, the Global 100 ETF (IOO) has very little exposure to emerging markets, with only a 1% weight to Korea. For better or worse, it is largely made up of US and European companies.

Note also the World-ex US ETF (VEU) is quite distinct from the EAFE ETF (IVE). While both exclude the US, the latter has a broad 25% weight in emerging markets, whereas the latter has only 3% weight to one emerging market (Hong Kong).

The choice between the emerging market ETFs depends on which regions one wants to favour. The emerging markets ETF (IEM) has around 55% weight to the BRIC economies, and around 30% weight split between Korea and Taiwan.

Compared to the broad emerging market ETF, the BRICs ETF (IBK) effectively overweights Brazil, Russia, India, China and Hong Kong — and removes Korea, Taiwan, South Africa and Mexico.

Switching from the BRICs ETF to the Asia 50 ETF (IAA) effectively means replacing Brazil, Russia and India with Korea, Taiwan and Singapore. Both ETFs contain China and Hong to a similar degree.

As should be apparent, the choice within the emerging markets area is essentially between Asian technology (Korea and Taiwan) and commodities (Brazil and Russia). An investor who can't decide between these areas might be better off sticking with the broadly diversified emerging markets ETF (IEM).

Risk and relative returns

Many readers may be surprised to learn that investing in international ETFs is not as risky as might be imagined, due to the dampening role played by the Australian dollar. At this stage at least, all international ETFs listed on the ASX are priced in Australian dollars — so investors take the currency risk of the countries they invest in.

However, the Australian dollar is generally considered a commodity currency, and is correlated with global economic growth and equity market performance. So when global equity markets fall in a given year, it means the A$ usually falls also (while foreign currencies rise in value), partly offsetting the loss of return from international markets.

The correlation in annual performance between the world MSCI equity index (in local currency terms) and the A$/US$ exchange rate, for example, has been 0.6 over the past decade. For the US market, the correlation to the A$/US$ exchange rate has been 0.42. In A$ terms, therefore, the standard deviation in annual returns from the US market drops to 14%, compared with 21% in US$ terms. That compares with a 19% standard deviation for the ASX 200.

What about returns? At PennyWise Investment, we feel the best way to estimate long-run returns from international ETFs is from the economic growth potential of each country or region, because long-term earnings growth tends to match overall growth for the economy. GDP growth is in turn based on estimated population growth and per capita output growth.

We also feel it is best to focus on 'real' or after-inflation returns, as high returns due to high inflation alone are likely to be offset over time by weakness in that country's or region's currency — high-inflation countries tend to have weaker currencies, to preserve international competitiveness. Our estimate of long-run real returns equals expected long-run growth in real earnings plus the dividend yield.

The chart below, based on current dividend yields and projected trend GDP growth, plots our estimated long-run real returns for different regions/countries against beta investment risk to the ASX 200 in A$ terms.

As investment theory would suggest, there is a trade-off between risk and return. Australia generally offers better long-run returns than other developed markets, due to higher population growth and a decent dividend yield. Australia also compares well to the overall emerging markets area, which offers higher real earnings growth but a lower dividend yield. China, however, has stand-out risk versus return characteristics for Australian investors.

Local and International ETF Equity ETFs on the Australian market

	Ticker	MER	Description
Australian ETFs			
ASX 50	SFY	0.29%	Largest 50 Australian stocks
ASX 200	STW	0.29%	Largest 200 Australian stocks
ASX 300	VAS	0.27%	Largest 300 Australian Stocks
ASX 200 Listed Property	SLF	0.40%	Listed property trusts in the ASX 200
International ETFs			
Total US Market	VTS	0.09%	Broad coverage of US market
All World-ex US	VEU	0.25%	All country world equity index excluding the US
S&P Asia 50	IAA	0.50%	Largest 50 stocks across Hong Kong, Korea, Taiwan & Singapore
MSCI BRIC Index Fund	IBK	0.72%	Index covering Brazil, Russia, India and China
MSCI Japan	IJP	0.52%	Japanese equity market
MSCI Emerging Markets	IEM	0.72%	Leading companies in 22 emerging countries
S&P Global 100	IOO	0.40%	100 large transnational companies
US S&P 500	IVV	0.09%	Largest 500 US stocks
US S&P Midcap 400	IJH	0.20%	US stocks capitalised at US$1bn to US$4bn
US S&P Smallcap 600	IJR	0.20%	US stocks capitalised at US$300m to US$400m
MSCI EAFE	IVE	0.34%	Index covering European, Australasian and Far East market's
S&P Europe 350	IEU	0.60%	350 stocks in 17 European markets
FTSE/Xinhua China 25	IZZ	0.74%	Leading 25 companies in the China market
MSCI Hong Kong	IHK	0.52%	Hong Kong market
MSCI South Korea	IKO	0.63%	South Korea market
MSCI Singapore	ISG	0.52%	Singapore market
MSCI Taiwan	ITW	0.63%	Taiwan market
Russell 2000	IRU	0.52%	US small-cap stocks
Global Sectors			
Telecommunications	IXP	0.48%	S&P Global Telecomunications Index
Health Care	IXJ	0.48%	S&P Global Health Care Index
Consumer Staples	IXI	0.48%	S&P Global Consumer Staples Index

Source: ASX, Vanguard, ishares Australia, ETF Securities, PennyWise Investment
MER: Management expense ratio

Weighting pattern for international ETFs

	Global S&P100	World-ex US	EAFE	Euope 350	Asia 50	BRICS	Emerging markets
Ticker:	IOO	VEU	IVE	IEU	IAA	IBK	IEM
By country							
USA	46%						
Japan	5%	19%	25%				
UK	17%	16%	22%	35%			
France	10%	10%	10%	17%			
Germany	8%	7%	8%	13%			
Switz	7%	7%	8%	13%			
Spain	5%	4%	5%	8%			
Italy	0%	3%	4%	6%			
Neth		2%	3%	4%			
Swe	1%	2%	3%	4%			
Fin	1%	1%	1%	2%			
Australia		6%	8%				
Brazil		3%				31%	17%
Russia		1%				13%	7%
India		2%				15%	8%
China		4%			16%	26%	15%
HK		2%	3%		28%	15%	9%
Mexico		1%					6%
Taiwa		3%			23%		13%
Korea	1%	3%			22%		14%
Singapore		1%	1%		11%		
South Africa		2%					11%
By region							
US	46%						
Europe	48%	51%	63%	100%			
Japan	5%	19%	25%				
BRICs		13%	3%	0%	44%	100%	56%
other EM	1%	11%	1%	0%	56%	0%	44%
All EM	1%	24%	4%	0%	100%	100%	100%

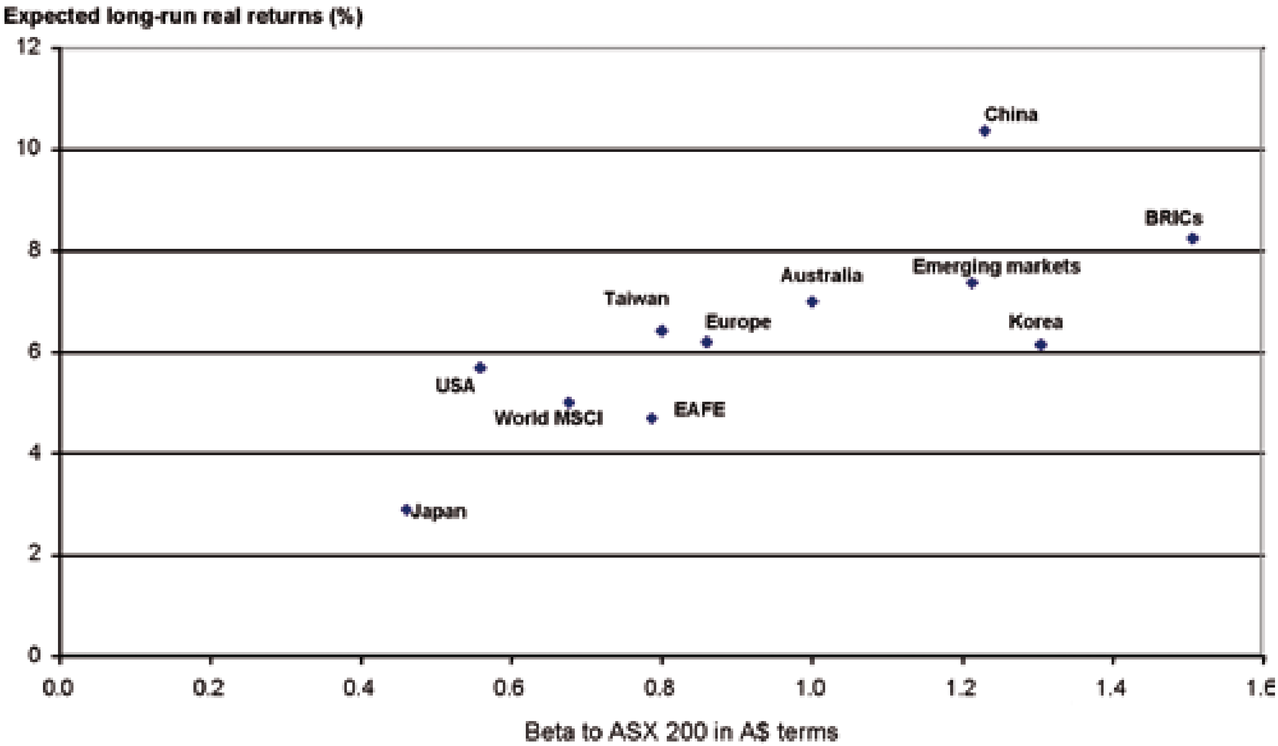
**Countries in bold have their own listed ETF*

However, short-run returns for each ETF can deviate from long-run returns if price to earnings valuations have become too distorted. To assess the extent to which different markets are cheap or expensive, we track 'cyclically adjusted' PE ratios (prices divided by the trend path in earnings) and compare these to their longer-run average. If the adjusted PE ratio is way above average, it suggests prices will underperform trend growth in earnings for some time — leading to lower returns than are expected in the long run. At present, for example, our valuation models suggest that China is becoming expensive and could disappoint for a few years; but expected returns in Japan, Europe and Taiwan seem quite promising.

All up, ETFs offer investors a cheap and easy way to maintain a diversified and flexible balanced investment fund over the economic cycle. Indeed, PennyWise Investment's monthly AssetMAX Report provides recommendations across a selected group of ETFs each month, with the aim of beating returns from the ASX 200 over time and with less volatility.

David Bassanese is Managing Director, PennyWise Investment. If you would like a free two-month trial of PennyWise ETF Investment Research, please consult www.pennywiseinvestment.com.au.
Important note: While every care has been taken in the preparation of this document, Webfriends Pty Ltd trading as PennyWise Investment (ABN 11 117 305 629) (AFSL 329 027) makes no representation or warranty as to the accuracy or completeness of any statement in it including, without limitation, any forecasts.

Risk and returns from selected ETFs



Source: pennywiseinvestment.com.au

The Australian equity market: an update

By Daniel Goulding

The price action from the past few months has been illuminating from a technical perspective.

Unfortunately, the count that I had presented in my first two articles is no longer plausible. I was looking for additional downside, most likely a move to 2700 for the benchmark Aussie equities index, the S&P/ ASX 200 (XJO), before an intermediate-term rally to 4285 or 4775 over six to nine months as per my original article, 'An introduction to the Elliott Wave Principle'. While my short-term outlook did not materialise, we have nevertheless witnessed a rally to 4753 (22 points off the latter target) in just over six months.

Given that my intermediate-term outlook has materialised sooner than anticipated, what does the future hold in store for investors?

It is generally accepted by many market participants that the final bottom is in. I disagree with this view for many technical reasons.

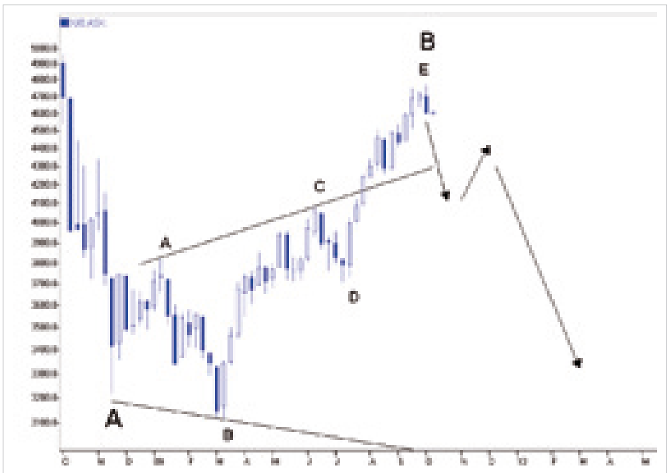
First and foremost, a chart of the XJO reveals a lack of impulsive behaviour at the largest degree of trend since the March low, ruling out the possibility that a sustainable legitimate advance has kicked off. If a new bull market had kicked off at the March low, we should have witnessed some hint of acceleration in the months of August and September. This is clearly not the case. Moreover, the price structure of the March to April advance and the recent rally lend themselves to a corrective rather than impulsive interpretation.

The daily chart below reveals my favoured count for the XJO. I continue to count 21 November as the intermediate-term bottom for the market (Wave A), rather than the more recent low in March, given that the November to January rally had more momentum than the January to March decline. The pattern illustrated is referred to as an expanding triangle, a corrective pattern that consists of five corrective legs. It is very common pattern in prolonged bear markets.

Regardless of whether one counts November or March as the low, the price subsequent is corrective rather than impulsive, suggesting that we will witness a significant retest of the March low at a minimum. My target for the price low remains 2700.

Figure 1: Weekly Chart of the S&P/ASX 200

Source: Iress



This report was prepared by Daniel Goulding through independent research facilities. It is not intended for use by any third party, without the approval of Daniel Goulding. While this report is based on information from sources which are considered reliable, its accuracy and completeness cannot be guaranteed. Any opinions expressed reflect Daniel Goulding's judgment at this date and are subject to change.

Leverage to the bank bill swap rate

By Brad Newcombe

It's no secret that interest rates are forecast to rise. They're currently at 50-year lows, and it's just a question of when and by how much the Reserve Bank of Australia will increase the cash rate.

Investors looking to hedge against rate rises typically invest in floating rate securities. These instruments supposedly take the risk out of interest rate movements. As rates rise coupons increase accordingly, and vice versa. What's not widely known, however, is that buying floating rate securities which are trading at a discount to face value (especially perpetuals) has a magnifying or leverage effect on an investor's overall return.

Let's take the National Income Securities (NABHAs) as an example. The NABHAs are a true perpetual — when they were issued they were never intended to be redeemed by the bank. The securities pay a coupon of 1.25% over the 90-day bank bill swap rate (BBSW).

Based on a current BBSW of around 3.40%, that works out to be a coupon rate of 4.65%. However, since the NABHAs are only trading at around $80, the running yield (coupon/price) on the security is around 5.81%. That works out to be a spread of 2.41% over BBSW at current levels.

Interest rate increases

But what happens when interest rates rise? Although they're not 100% correlated, there's a very strong relationship between official interest rates and BBSW. So if interest rates rise by 1.00% we would expect BBSW to increase by a similar amount.

Going back to our calculations, a 1.00% increase in BBSW to 4.40% would bring the total coupon value to 5.65% and produce a running yield of 7.06%. That makes the new spread above BBSW of 2.66%.

In other words, a 1.00% rise in BBSW has increased the running yield by 1.25%. That extra 0.25% accounts for the increase in spread from 2.41% to 2.66%. There's no trick here. It's simply a function of the maths. The face value of the NABHAs at $100 is 25% greater than the current price, so there's an accompanying increase in both running yields and spreads as BBSW increases.

The greater the discount to the current price, the more pronounced the effect is. The following table sets out the leverage effect that a 1.00% increase in BBSW would have on the running yield and spreads. The impact on highly discounted securities is pronounced, with a 1.00% increase in BBSW translating to a 5.00% increase in running yield.

Price	Running yield	Spread
$20	5.00%	4.00%
$30	3.33%	2.33%
$40	2.50%	1.50%
$50	2.00%	1.00%
$60	1.67%	0.67%
$70	1.43%	0.43%
$75	1.33%	0.33%
$80	1.25%	0.25%
$90	1.11%	0.11%

Source: FIIG Securities

The example is especially relevant in the current environment, with many fixed income securities still trading at substantial discounts to their face value. A word of warning, though — the leverage effect also works in reverse. If BBSW were to decrease by 1.00%, the running yields and spreads would actually decrease by a like amount.

Brad Newcombe is a Senior Research Analyst at leading independent fixed-income broker FIIG Securities (www.fiig.com.au).

Index versus active: when two worlds collide

By Robin Bowerman

Here is a simple question that every investor ought to be able to answer: What do you pay active fund managers to do?

Answer: Outperform the market or index return. The promise is that skill and market knowledge will deliver a high enough performance boost to justify the higher fees charged by active managers.

Two major research reports released in July and August this year suggest that the active management promise is often not met.

The first of these is Standard & Poor's new index versus active scorecard for the Australian market (see www.spiva.standardandpoors.com.au), which tracks most major markets. This scorecard will be published every six months, allowing investors and advisers to keep track using an independent researcher's consistent methodology.

The first scorecard will not make active managers (or the advisers who support them heavily) happy. According to S&P, over the past five years 66% of active managers failed to deliver returns above the S&P/ASX200 index.

Percentage of funds outperformed by the index

Fund category	Year to date	1 year	3 years	5 years
Australian shares	50.8	28.7	56.3	66.1
Australian share small cap	60.0	21.5	35.0	52.2
International shares	38.3	64.6	71.3	76.1
Australian bonds	25.8	87.9	94.1	97.2
Australian equity A-REIT	2.8	28.9	50.0	58.6

Source: Standard & Poors. There has been no deduction of expenses from index returns. Date to 30 June 2009.

Looking at international shares over the five years, the index outperformed 76% of international equity funds.

For fixed interest, traditionally regarded as an asset class well suited to an index approach, the index outperformed more than 90% of active funds over three- and five-year periods according to the S&P study.

In an asset class long favoured as the domain of active stock pickers — small companies — the theory was held to be true, with the index outperforming only 21.5% of the active managers.

In a separate report, rival research house Morningstar released its international equities wrap-up, in which it assessed 47 fund manager strategies and 922 funds. This report was reviewing the performance of international equity funds that are open to Australian investors. Morningstar found that less than one-third of the active managers outperformed the Vanguard index fund over one, three, five and seven years to the end of March 2009.

While not advocating timeframes as short as one year, the Morningstar analysts concluded: 'Some active managers did earn their keep, but on average, active management caused more harm than good.'

In the interests of open disclosure, Vanguard in Australia is an index fund manager, so we have a clear vested interest in this debate. Strong validation of the index approach is always welcome, but reports in the media tend to focus on the index versus active debate — not least because active managers are shouting from the rooftops that now is the time for active stock-picking strategies.

But should we be focusing on simple adversarial 'for and against' arguments? Vanguard's research in the US, where we offer investors both index and active funds, tells us we should expect periods where index funds outperform active funds and vice versa. Certainly the S&P study shows that in the first six months of 2009 the active managers beat the index return; and Morningstar's one-year numbers tell a similar story. This should not be a surprise, although it does perhaps highlight the risks and challenges of chasing short-term outperformance.

Economic cycles will drive market performance. For example, when small companies are doing well we should expect the active managers to be doing well too. When large cap stocks are the engine room of the market return, expect the index funds to win because they will capture that return and with the benefit of lower fees will deliver more of it to the investor's portfolio.

A good battle between opposing approaches makes for a good story in the media; but the challenge for investors, and particularly for advisers, is to look beyond the 'them versus us' argument. Their focus should be on using a core of index management in a portfolio for risk and cost control reasons, while understanding the styles and characteristics of the active positions (satellite) that can deliver real outperformance.

A 'core–satellite' approach to portfolio construction is really about understanding what you are investing in and blending the best of both worlds.

Robin Bowerman is the Head of Retail at Vanguard Investments Australia.

Bulletin board

National Conference 2009 Dinner Quiz

At this year's AIA National Investors Conference dinner quiz,

AIA President Jolyon Forsyth again challenged the delegates with his brainteaser questions. For the third year in a row Jennifer Pinter's table won, and the $810 raised was donated to Opportunity International.

National Conference 2010, 25–28 July

Mark these dates for next year's AIA National Investors Conference, which will again be held at the luxurious Surfers Paradise Marriott Resort & Spa. Great room rates have been negotiated. Conference streams will include property, ASX sectors, technical analysis, share selection and more. The full program will be available early next year.

AIA web book reviews

Continued on page 11

Title: **101 Ways to Get Out of Debt and on the Road to Wealth**
Author: Ashley Ormond
Publisher: Wrightbooks, Brisbane, Qld, 2009
ISBN: 9781 7421 69361 RRP: $32.95 Reviewer: Mark Cavaney

Title: **20 Most Common Trading Mistakes & How You Can Avoid Them**
Authors: Kel Butcher
Publisher: John Wiley & Sons, Brisbane, 2009
ISBN: 9781 7421 69293 RRP: $32.95 Reviewer: Tim Pope

Seven easy ways to add value and kick up the cash flow

By Geoff Doidge

1 Easy kitchen upgrade

The kitchen can be one of the most expensive rooms to renovate, so don't let it become a money pit.

Update kitchen cupboards by repainting with laminate paint, and then boost the look with new door handles and flickmixer to give a sleek modern look. Consider giving those purple floral splashbacks and tiles a fresh new look by painting with Tub and Tile paint. One person from our workshop did up a kitchen this way for $240!

Here's a little-known secret. If your benches are the 'old' 500 mm wide type, you can really make a statement by adding a granite bench top for next to nothing. Go to your local tile shop and ask for 'end of run' 500 mm granite tiles. You should need only 6 tiles for a 3 metre counter top. Lay the tiles on top of existing laminate and finish with a polished timber edge. It looks fantastic and costs peanuts.

If the bench tops or doors are beyond redemption you can put new bench tops and/or doors on the old carcass. This can save you heaps of dollars.

I recently bought a complete second-hand kitchen with dishwasher, oven, cook top, sink and flickmixer for $4000. The tenants loved it.

Finally brighten the room with fluoro or spot lighting.

2 Easy bathroom upgrade

Your main aim in the bathroom is to make it look modern, bright and clean. Paint bathroom walls white and repaint ugly tiles with Tub and Tile paint. If retiling, use white tiles — they make the room seem larger.

Throw away the shower curtain and add a glass shower screen as this will give a lighter, bigger feel to the room. Replace outdated tap handles and shower head with cheaper, water-efficient ones. Your local council can usually help you with this for a small cost. Install dual-flush toilet pedestal and cistern. If your toilet is in the bathroom an exhaust fan is essential. Trash that pink vanity and install a new vanity. Add a large wall mirror for the final effect.

If there's an external toilet bring it inside by a small roof addition.

3 Easy bedroom addition

Most people think: 'New bedroom — that's $20,000–$30,000.' No! Often you can find an area under the existing roof, put up a couple of walls and a door, and $1500 later you have a bedroom. Or it may be the obsolete area called the formal dining room that never gets used any more.

If you're renting the house expect another $100–$150 pw in rent. That's $5000–$7500 pa for something that cost $1500. It also revalues the house. You may be surprised to discover that converting a 2-bedroom house to a 3-bedroom adds $50,000–$60,000 or more to the value.

4 Easy outdoor living

One of the first things prospective tenants ask is: 'Does it have a deck or an outside area?' We love this one.

Look for an area, preferably near an exit, that you can pave or build a deck on. Make it private with the use of fences, shade cloth, lattice or the like. I had a flat that was hard to rent. I fenced off a blank concrete area near the entry, put in a little gate with a brass number, painted the concrete with a terracotta coloured tile paint, hung some shade cloth for privacy, and the flat was snapped up for a much higher rent. The rent increase paid for all the improvements in one year and I could depreciate the cost off my taxes. That strategy meant no vacancy, more rent, lower taxes and a happy tenant. Win, win, win.

Tip for decks: It will have to be designed and approved. Make it big enough to handle a table with chairs both sides. And a roofed deck is definitely more attractive than an unroofed one. If you can't cover it, at least provide some protection with shade cloth.

Courtyards: Convenient access to a pleasant outdoor courtyard area is very popular with tenants. If there's no door, maybe you can take out a window and put in a door to create access. French doors and bi-fold doors can open it up. Even a small outdoor living area can make a property easier to rent, and rent more quickly.

Don't be put off if you don't have the skills to do this type of work yourself. The door I put into a recent property to give access to the courtyard cost only $250, and the total installation cost was around $1500 for the courtyard and the new access.

Front veranda: Open it up to add character. Often the original balustrades are hidden in the walls. Make sure the height is legal.

5 Easy carports

Tenants usually love their cars. They are their biggest possession. A professionally engineered shade sail carport is an effective and cheap solution — you can put one up for a few thousand dollars. But check with your body corporate and council whether approval is required.

6 Easy painting

Paint gives the 'biggest bang for your buck'. To apply paint quickly, we recommend the use of an airless spray gun. We once painted a 10-room house in 64 minutes. There's more time required for preparation work, but the speed with which the internal painting can be done in this way more than makes up for it.

One heavy coat should be done over the whole painted surface. If a dark colour is being painted over, a sealer or undercoat should be applied first. The ceiling and walls need to be the same colour. This technique saves enormous amounts of time normally taken for 'cutting in'.

A water-based paint should always be used in the airless spray gun. Never use enamel paint — it's too difficult to clean the machine afterwards. Always use low-sheen, never gloss, for painting walls and ceilings of old houses. Gloss shows imperfections whereas low-sheen disguises flaws.

Once the paint has dried, the trims (skirting boards, door frames etc.) can be painted with your choice of contrasting colour. Use as light a colour as possible inside, as this will give a bigger, brighter and cleaner effect. But white should be avoided, as this is too difficult to keep clean.

7 Easy storage for hire

This works a treat in cities where space is a premium. Do you have an area with good access in your property that can be made secure? If so, you can kick up your cash flow by hiring it out.

Did you know that storage companies charge about $5 per square metre per week? Put it another way. Say you have a spare 6 m by 3.5 m lockable garage. That's 21 square metres or $105 per week going begging. Often it may be storing your 'never to be used again' junk. Dump that junk and earn $5460 pa instead.

If you have an area under the house that you could close in with a roller door ($700) and 3 walls ($1500), it would pay for itself in under 12 months. After that it's money in your pocket. (But check any council requirements.)

Or install an all-steel 'off the shelf' garage for about $7000. The storage hire income could pay it off in under 2 years. You can claim depreciation on it as well.

Geoff Doidge, the Reno Kings. For free access to a highly rated series of videos by the Reno Kings on renovating for profit in today's market go to renosuccess.com.au and register.

Stress-testing investor portfolios

By Peter Worcester and Paul Resnik


Paul Resnik

In our recent submission to the Joint Parliamentary Inquiry into Financial Products and Services in Australia, we introduced evidence that 'stress-testing' a client's portfolio is a very useful approach for determining how the client would cope with a 'market crash' when, rather than if, it occurs.

This may sound complicated, but we will show that it is not difficult for any planner who knows how to use a spreadsheet. In fact there is nothing in what follows that individual investors could not do themselves.

The first step is to set out the current or proposed portfolio for the client, taking into account their home, superannuation, any other investments, and all loans. An example is given below:

Assets			Liabilities	
House		**$1,000,000**	Mortgage	$400,000
Superannuation				
Shares	$300,000			
Property	$50,000			
Fixed Interest	$100,000			
Cash	$50,000			
		$500,000		
		$1,500,000		**$400,000**
Less liabilities		-$400,000		
Net worth		**$1,100,000**		

This could be a fairly standard balance sheet for a couple aged 45–50 and earning perhaps $200,000 pa.

How do we stress-test this portfolio? There are many ways, all of which may be appropriate. We believe, however, that if a financial planner is to properly involve the client in the portfolio construction and its stress-testing, the simplest practical approach is best. Therefore, on the basis of past market experience, assume the following falls in various asset classes:

Shares	30%
Property securities	20%
Fixed interest	10%
Cash	nil
Residential property	10%

It is important to realise that these falls are by no means the highest that have occurred in recent history. The figures are merely provided as a guide that will allow the investor to have an interesting discussion with their financial planner.

The following quote from Nassim Nicholas Taleb's *The Black Swan*, published in 2007, seems appropriate:

Before the discovery of Australia, people in the Old World were convinced that *all* swans were white, an unassailable belief as it seemed completely confirmed by empirical evidence.

So let's call our scenario, or market crash, a 'black swan event'. Here is the hypothetical clients' portfolio before and after the event:

	Original Value	Black Swan Fall	Black Swan Value		
Assets				**Liabilities**	
House	$1,000,000	-10%	$900,000	Mortgage	$400,000
Superannuation					
Shares	$300,000	-30%	$210,000		
Property	$50,000	-20%	$40,000		
Fixed Interest	$100,000	-10%	$90,000		
Cash	$50,000	0%	$50,000		
	$500,000		**$390,000**		
	$2,000,000		**$1,290,000**		**$400,000**
Less liabilities	-$400,000		-$400,000		
Net worth	**$1,600,000**		**$890,000**		

The clients' net worth has dropped about 20%. Provided the clients were aware in advance that 'black swan' events occur with surprising regularity, this should not be a problem. However, it is important to have this discussion with clients.

This approach can be extended to include gearing, and even 'double gearing'.

Let's use a 'double gearing' strategy of both a $300,000 mortgage drawdown and a margin loan facility of $600,000, with the proceeds of the $900,000 in loans being invested in shares. The results are as follows:

	Original Value	Black Swan Fall	Black Swan Value		
Assets				**Liabilities**	
House	$1,000,000	-10%	$900,000	Mortgage	$700,000
				Margin loan	$600,000
Superannuation					
Shares	$300,000	-30%	$210,000		
Property	$50,000	-20%	$40,000		
Fixed Interest	$100,000	-10%	$90,000		
Cash	$50,000	0%	$50,000		
	$500,000		**$390,000**		
Non super share portfolio	**$900,000**	-30%	**$630,000**		
	$2,400,000		**$1,920,000**		**$1,300,000**
Less liabilities	-$1,300,000		-$1,300,000		
Net worth	**$1,100,000**		**$620,000**		

This 'perfect storm' is looking really ugly. The clients have lost 44% of their net worth, or $480,000. The LVR on the margin loan is now 95%. In order to get the LVR on the margin loan back to 67%, we will have to sell $540,000 of shares at the bottom of the market.

These results show why we have concluded that 'double gearing' is immoral, if not criminal.

Stress testing allows the investor to be aware of the consequences of black swans. It also ensures that the planner has improved the education of the client. Had Storm undertaken this process with their clients, the clients would not have continued to be clients of Storm! The Storm business model was fatally flawed.

This article was a collaboration between Peter Worcester of Worcester Consulting Group and Paul Resnik of Paul Resnik Consulting Group.

Tax notes

Are you entitled to your imputation credit?

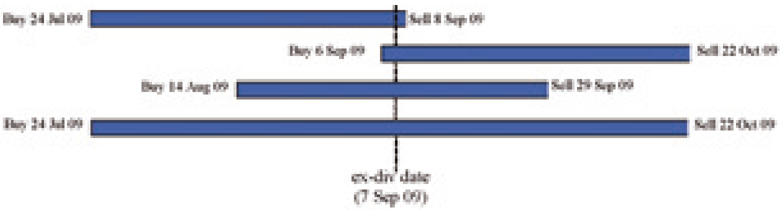
By Dennis Eagles

All share investors will be aware that receiving a franked dividend carries with it an 'imputation credit'. But are they entitled to use it?

There are a rules within Australia's tax system that deny the use of imputation credits. One example is for non-resident investors, who aren't subject to tax in Australia, and aren't eligible to claim their credits. Another example, which is the focus of this article, applies to everyone but is often overlooked. This is the 'holding period' rule.

The holding period rule applies to prevent a taxpayer from claiming an imputation credit in their income tax return if the taxpayer has not held the share at risk for a certain period — called the 'qualification period'. For most shares, the qualification period is more than 45 days, but for preference shares it is more than 90 days. The period starts the day after you acquire the shares and ends the day before you sell them (i.e. you exclude the days the actual trades took place).

Consider these examples (assuming Woolworths shares, which went ex-dividend on 7 September 2009):



In each case, the share is held for more than 45 days and therefore satisfies the holding period rule, entitling the taxpayer to claim the imputation credit.

What happens if you don't hold the share for long enough? The bad news is that you don't get to claim the imputation credit. The good news, however, is that you don't need to include it in your assessable income.

If you are a small shareholder you don't need to worry about these holding rules, because there is an exemption if your total imputation credits are less than $5000.

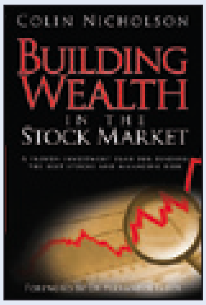
For investors who receive franked income via a trust, separate rules apply. The reason is that, as a beneficiary, you can't meet the holding period because you don't actually own the shares; the trustee owns them on behalf of beneficiaries. To claim the credit attached to trust distribution income, you must meet one of the following three conditions, regardless of how long the shares have been held:

- you meet the small shareholder exemption (above); or
- the trust has made an election to become a 'family trust'; or
- the share was acquired before 3 pm on 31 December 1997.

Next time you are thinking of buying or selling near an ex-dividend (or distribution) date, and you want your imputation credit, please stop to consider whether you've met the holding period requirement.

Dennis Eagles is a Director of the Wealth Management team in Grant Thornton's Brisbane office. This is a regular column aimed at providing general information on tax issues. Care should be taken when applying the basic principles to specific cases, as there are often exceptions to the general rules. If in doubt contact your tax adviser. If there are any specific topics you would like covered in future issues, please contact deagles@grantthornton.com.au.

Book review



Title:	**Building Wealth in the Stock Market: A Proven Investment Plan for Finding the Best Stocks and Managing Risk**
Author:	Colin Nicholson
Publisher:	Wiley Australia, Brisbane
ISBN:	9781 7421 69309
RRP:	$65.00 (hard cover)
Reviewer:	Jenni Eason

This book is an update of Colin Nicholson's *The Aggressive Investor*, which was published in 2005 and is no longer in print. The terminology has been changed so that it can be sold overseas, hence 'stocks' rather than 'shares'. The book contains a lot of detail – Colin's whole trading strategy, in fact – and makes it possible for anyone to implement the same or a similar plan. However, as Colin points out in the book, no two people should have exactly the same plan.

Colin Nicholson has also published two other books, *Hot Stock 2007* and *Hot Stocks 2008*, in which he applied the principles outlined in *The Aggressive Investor*; as a result he was out of the market well before it fell dramatically in 2008. I only wish I had read and followed his advice in full.

The first three chapters of *Building Wealth in the Stock Market* deal with basic issues such as trading versus investing, fundamental and technical analysis, the concept that winners think differently, and what is required to succeed as an investor. Both experienced and novice investors in direct shares will gain from reading them. The fourth chapter outlines a roadmap of his investment plan, and Chapters 5–12 provide details of the plan.

The book is easy to read and contains much useful information, particularly in the areas relating to risk management, position building, and rules for selling and taking profits. Much of this information is quite general and the principles could be applied in many circumstances, with only the details changing. One notable change from his previous book is that he has reduced the risk per trade to 0.5% (previously 1%), partly due to the increasing size of his portfolio.

As he says, his plan will not suit everyone. For example, he does not borrow to invest, will invest in thinly traded shares, but limits both sector exposure and total number of holdings. He also limits the types of companies he invests in (e.g. no property trusts, stapled securities, listed investment companies). A new guideline is that a company's debt-to-equity ratio should be under 60%.

The information in earlier chapters in summarised in Chapter 13. The book is worth buying simply to read this chapter as it will force you to think about your goals and strategies, and may encourage you to commit them to paper.

In final chapters there are some detailed case studies in how to manage market risk, decide on companies to invest in, determine entry points, stop losses and reduce exposure. A 'further reading' list is also provided.

This book is a must for most investors. At $65 it is a little more expensive than most (partly due to being in hardback), but it is well worth the money as you get Colin Nicholson's full investing strategy.

Jenni Eason is a member of the AIA.

Me & my portfolio

By an AIA member

My wife and I migrated to Australia from Canada in 2002, after I took early retirement at age 58. We had enough capital to generate the income needed to make up the shortfall in our private pensions, having begun saving and investing in stocks in our thirties. We followed various American newsletters, and invested directly in Canadian and US shares, using Ben Graham's value stocks model, with mixed results. Around 1990 we were too busy running a small business to manage a portfolio, so we used a financial manager. We had a split of about 80% in shares for growth and 20% in bonds. As the stock market dived in 2001–03, our manager's strategy was to hold for the long term, and we lost 40% of our net worth in short order! As you can imagine, a result like that focuses the mind wonderfully, and we decided to take control ourselves, with preservation of capital as our priority.

This was a scary time for us. We had been badly burned in the stock market and we were totally unfamiliar with Australian taxation, superannuation and investing. We had to learn fast. We read investment books voraciously, and we joined AIA, where we were delighted to find a group of self-directed investors, led by experienced Bill Murphy.

In 2004, still feeling uncertain, we got a financial adviser to help us set up a self-managed superannuation fund (SMSF) and get us started investing. We put everything we could into the SMSF to tax shelter it. The adviser recommended diversifying our funds between 5% cash, 40% domestic shares, 25% fixed income, 15% international shares and 15% property (the last three through managed funds such as UBS Cash Plus Fund, Aberdeen Asian Opportunities Fund, Platinum European Fund, APN Property for Income Fund #2, and Credit Suisse Property Fund).

At an AIA meeting in March 2005, Bernard Chapman presented his investment strategy, which was based on the teachings of Colin Nicholson, and we learned about the need for a clear written strategy for both entering *and exiting* a trade. As a result of that meeting we read Colin Nicholson's materials, and we developed our own trading plan with major similarities to that of Nicholson. Bill Murphy told us about StockDoctor by Lincoln Indicators, and we signed up to that. So we now had the tools we needed, and the confidence to take control ourselves, and we let the financial adviser go.

Generally, we find companies with good financials, a PE no higher than 150% of their sector PE, a dividend yield of 3.5% or better (preferably fully franked) and an average daily trade of at least $60,000. From those, we select stocks that have either just broken up from a sideways trading range or just hit a new high in a growth phase. We figure out where our stop would be on each stock if the price went down, using the bottom of the last set of lows, where there would be resistance, to set the stop. To manage risk, we never invest more than 6% of our portfolio in any one company, and we won't risk more than 0.75% of the portfolio on any trade. Using these parameters, we calculate how many shares we could safely buy. We adjust our stop to just below the bottom of successive 'sine wave' lows, as the price goes up. However, if a stop is hit, we don't agonise, but sell immediately. Read Colin Nicholson's excellent book *Building Wealth in the Stock Market*.

Following these rules, by early 2008 we were totally out of the market and in cash because we had been stopped out of all positions, and nothing met our criteria for investment. We parked the cash in term deposits. Early in 2008 we also sold our managed funds in property and international shares as they were trending down, but elected to retain those paying distributions in mortgage-backed securities, e.g. LM First Mortgage Income Fund — not the smartest of moves, in retrospect, because they are currently frozen assets. However, primarily as a result of our focus on risk management and preservation of capital, our net worth increased by 34% from early 2005 to a high in November 2007, and we survived the 2008 downturn with a drop of only 9% in net worth from the high to a low in February 2008, our trading plan having taken us out of the market. We started re-entering the market, cautiously, in March 2009 and so far we have built positions in Bradken Ltd. (BKN), Cash Converters International (CCV), McCarthur Coal Ltd. (MCC), Mineral Resources Ltd. (MIN), Oakton Ltd. (OKN) and Westfield Group, (WDC), among others.

Since we now prefer the hands-on control of direct investments, we don't plan to reinvest in managed funds. At the moment we plan to target 60% domestic non-property equities, 15% property equities, 20% fixed income and 5% cash. This 75–25 split should give us income and enough growth to cover rises in inflation. However, these percentages will vary as we respond to market and economic conditions, since our priority is to limit risk and protect capital.

Our net worth is now higher than our November 2007 high, and we feel confident and comfortable for the future. For this we owe thanks to AIA, Lincoln Indicators, Bill Murphy, Bernard Chapman and Colin Nicholson for their parts in our success.

The author is a member of the AIA who prefers to remain anonymous.

AIA web book reviews

Recent book reviews available on AIA website www.investors.asn.au.

Title: **20/20 Money: See the Markets Clearly and Invest Better Than the Pros**
Author: Michael J Hanson
Publisher: John Wiley & Sons, USA, 2009
ISBN: 9780 4702 85398
RRP: $47.95 hard cover
Reviewer: Tim Kottek

Title: **Staging to sell – the secret to selling homes in a down market**
Author: Barb Schwarz
Publisher: John Wiley & Sons, USA, 2009
ISBN: 9780 4704 47123 RRP: $32.95
Reviewer: Artur Santos

Title: **The Little Book of Main Street Money: 21 Simple Trusts That Help Real People Make Real Money**
Author: Jonathan Clements
Publisher: John Wiley & Sons, USA, 2009
ISBN: 9780 4704 73238 RRP: $32.95
Reviewer: Lesley Smith

Title: **Salvage Your Super**
Author: Geoff Peck
Publisher: John Wiley & Sons, Brisbane, 2009
ISBN: 9781 7421 69477
RRP: $32.95
Reviewer: Michael Stearn

Title: **Top Ten Investments to Beat the Crunch – Invest your way to Success in a Down Turn**
Author: Jim Mellon & Al Chalabi
Publisher: Chapstone Publishing Ltd (Wiley Company), Chichester, UK, 2009
ISBN: 9781 9064 65681 RRP: $32.95
Reviewer: Colin Dowzer

Title: **Self Managed Superannuation Funds: A Survival Guide**
Author: Max Newnham
Publisher: John Wiley & Sons, Brisbane, 2009
ISBN: 9781 742 169 262 RRP: $34.95
Reviewer: Jenni Eason

Calendar of events

Date	Event	Time	Venue	Topic
02 Nov 2009	Canberra Information Meeting	7.30-9.30pm	Southern Cross Club, Woden (Check room allocation in foyer)	Equities Discussion
03 Nov 2009	South Sydney Information Mtg	7.30-9.30pm	Miranda Community Centre, Wattle Room, 93 Karimbla Rd, Miranda	Investment resources
04 Nov 2009	Brisbane Information Meeting	2.00-4.00pm	Broncos Leagues Club, Fulcher Rd, Red Hill	Cycical & defensive stocks and international managed funds
13 Nov 2009	Sydney One Day Seminar	9.00am-4.30pm	Tattersalls Club, 181 Elizabeth Street, Sydney	What's in store for 2010?
17 Nov 2009	Adelaide Information Meeting	7.00pm	Enterprise House, Room 4, First Floor, 136 Greenhill Road, Unley	How to plan for the stockmarket – Colin Nicholson
17 Nov 2009	Perth Information Meeting	1.00pm & 7.00pm	Wembley Tennis Courts, Cnr Morden & Ednah Street, Wembley Downs	The Australian sharemarket - where are we now? – Alan Hull
18 Nov 2009	Gold Coast Information Meeting	9.30-11.30am	Robina Community Centre, Conference Room, 196 Robina Town Centre Dve	Trading strategies – Neil Godwin
18 Nov 2009	North Shore Information Meeting	7.00-9.30pm	The Chatswood Club, 11 Help Street, Chatswood	The outlook for Australian share investors
21 Nov 2009	Adelaide Half Day Seminar	9.00am-12.30pm	Enterprise House, Room 4, First Floor, 136 Greenhill Road, Unley	A scientific approach to investing – Robert Vagg
25 Nov 2009	Toowoomba Information Meeting	9.30am-12.30pm	De Molay House, 90 Margaret Street, Toowoomba	How to use technical analysis simply but effectively – Ron Gibson
01 Dec 2009	Melbourne Information Meeting	6.30-9.00pm	Telstra Conference Centre, R1, L1, 242 Exhibition Street, Melbourne	Economic & Sharemarket Outlook for 2010
01 Dec 2009	Perth Christmas BBQ	6.00pm	Wembley Tennis Courts, Cnr Morden & Ednah Street, Wembley Downs	Christmas BBQ
02 Dec 2009	Brisbane Information Meeting	2.00-4.00pm	Broncos Leagues Club, Fulcher Rd, Red Hill	The year in review; Christmas drinks
09 Dec 2009	Perth Information Meeting	1.00pm & 7.00pm	Wembley Tennis Courts, Cnr Morden & Ednah Street, Wembley Downs	Managing risk in the Stockmarket – Colin Nicholson

NB. Topics subject to change.

Event details

What's in store for 2010?

Are you equipped to select a portfolio of stocks and measure your net return against the index? If not, are you able to pick the better-managed funds? Might you be better off using index funds and concentrating on asset allocation and timing? Or should you leave it all to an adviser? These are the questions we've put to the speakers for the **Sydney seminar** to be held on **Friday 13 November** at the Tattersalls Club. The $125 registration fee includes lunch, refreshments and papers.

Adelaide – 21 November half day seminar

AIA member Robert Vagg contributes regularly to the *Investors' Voice* and *Equities Bulletin* and has also presented at AIA seminars and the National Investors Conference in 2008 where he was rated one of the top speakers. **On Saturday 21 November** Robert will present a seminar, '**A scientific approach to investing**', in Adelaide from 9am to 12.30pm at Enterprise House. He will show you how by applying scientific analysis you can pick the trends, will identify market sectors that lead a recovery, and will provide an evaluation of current opportunities amongst Australia's blue-chip stocks.

Check the AIA website www.investors.asn.au or call 1300 555 061 for more details on both of these seminars.

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Investors Helping Investors

The Australian Investors' Association (AIA) is a non-profit association dedicated to assisting the individual investor by providing affordable, independent education and information, and by promoting the common interests of individual investors to government, regulators and the financial services industry.

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