

the Investors' Voice

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

February

2010

Features

- The recovery to continue **1 & 2**
- Core and satellite investing **4**
- The Ripoll Report **5**
- Alphabet soup **6**
- Rental yield: it's all relative **7**
- The Kew discussion group **9**
- A summary of the Sydney November seminar **10**

Regulars

- President's message **2**
- Bulletin board **2, 5, 9 & 11**
- A share market model for a new decade **3**
- Tax notes **8**
- Hybrid annual review **8**
- Book review **10**
- AIA web book reviews **10**
- Us and our portfolio **11**
- Calendar of events **12**

The recovery to continue

By Shane Oliver



A year ago all was doom and gloom for investors. There was much scepticism about the effectiveness of the economic stimulus measures, and many feared that we were sliding into a rerun of the Great Depression. In the event, the stimulus measures did get traction and share markets started to recover.

In 2010 we're likely to see the global and Australian economic recoveries continue and become self-sustaining. This will underpin gains in most growth-oriented investments

Key themes

We see several key themes that will be relevant for investors over the year ahead.

- 1. Self-sustaining economic recovery.** Leading economic indicators point to continued growth over the year ahead. Most importantly, signs that labour markets are starting to turn the corner — notably in the US — suggest the recovery is on its way to becoming self-sustaining. In other words, fiscal and monetary policy has primed the pump and the private sector will now take over. In 2010 we're likely to see global growth of around 4% (from a low of -0.8% in 2009, primarily reflecting the slump in late 2008 and early 2009).
- 2. Stronger growth in the emerging world.** Thanks to stronger domestic demand and less in the way of structural constraints such as debt and demographics, average growth in the emerging world is likely to be 7% in 2010 compared to around 2.5% in advanced countries. China is likely to grow by 10%, India by 8% and Brazil by 6%.
- 3. Benign inflation.** Inflation lags behind economic activity because it reflects capacity utilisation, which is below normal well into an economic recovery. This time is no different, except that excess capacity is greater than normal, so underlying inflation will probably continue to fall in the year ahead.
- 4. A gradual move to wind back the stimulus.** There will inevitably be pressure to wind back budget deficits and raise global interest rates. Talk of higher interest rates, and uncertainty about how aggressive the windback will be, may fuel occasional corrections in asset markets — much as occurred in 2004 when the Fed last moved to tighten. However, memories of premature tightening in the US in the 1930s, continuing high unemployment and falling underlying inflation will all contribute to make tightening a very slow process in advanced countries. Global central banks will move to unwind the liquidity stimulus before gradually raising interest rates. China is likely to move a little more aggressively to tighten, but it is not as dependent on stimulus measures.
- 5. Earnings recovery.** As economic recovery becomes entrenched, earnings growth will return and take over as the key driver of share market gains. Profit growth is likely to be around 20% in the US and Australia, and 30% or more in emerging countries.
- 6. Australian economic growth to rebound but underlying inflation to slow.** The rebound in business and consumer confidence, a housing construction recovery, numerous mining projects and increased public infrastructure spending are expected to underpin GDP growth of around 4%

Continued on page 2

AIA National Investors Conference

INVESTMENT STRATEGIES FOR CHANGING MARKETS

25 to 28 July 2010 Surfers Paradise Marriott Resort & Spa

Featuring six streams: ASX sectors • Investing in the share market • Investment opportunities • Portfolio masterclass • Property and SMSFs

Confirmed speakers include: Louise Bedford • Andrew Doherty • Marcus Padley • Alan Hull • Stephen Mayne • Roger Montgomery • Colin Nicholson • Jonathan Pain

Includes: lunches • refreshments • happy hour coupons • conference dinner satchel with speakers' papers • networking opportunities

Features: Optional *Introduction to investing and Introduction to technical analysis* workshops on Sunday 25 July 2010 – open to all members. \$45 per member.

Early Bird Member Rate \$695
expires 15/05/10.
Partner rate \$630.

President's message

By Jolyon Forsyth



In the November issue of *Investors' Voice* I reported on the main issues that the AIA had put to the Parliamentary Joint Committee on Corporations and Financial Services. This report was tabled in parliament on about 23 November and I have now received a copy of the printed report.

We asked the committee to recommend separating 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. Recommendation 1 in the report was that the Corporations Act be amended to explicitly include a fiduciary duty for financial advisers operating under an AFSL, requiring them to place their clients' interests ahead of their own. Recommendation 4 was that 'the government consult with and support industry in developing the most appropriate mechanism by which to cease payments from product manufacturers to financial advisers.'

Before we get too carried away by those recommendations we need to remember what the Minister for Financial Services, the Hon. Chris Bowen, said in a media release on 23 November: that the government will respond to the committee's report in conjunction with the Cooper Review, which will also be looking at commissions and fee structures in superannuation. This effectively means no government action until

the second half of 2010. He also stated that the government would be guided by the following two key principles:

- The financial advice that people get must be in their best interests — distortions to remuneration, which misalign the best interests of the client and the adviser, should be minimised.
- In minimising these distortions, we need to ensure that we don't put financial advice out of reach of those who would benefit from it.

This last point is important, as CBA stated to the committee that commissions subsidise the cost of advice. 'Research commissioned by Colonial First State suggests that it costs advisers an average of \$3570 to produce a full service financial plan. However, few investors, in fact around just 3% of superannuation members who had recently switched super funds, were prepared to pay this amount.'

Recommendation 10 was that the government should investigate the costs and benefits of various models of a statutory last-resort compensation fund for investors, to be funded by a levy on AFS licensees.

Recommendation 11 was that ASIC develop and deliver more effective education activities, targeting groups in the community who are likely to be seeking financial advice for the first time. The AIA wholeheartedly concurs with this recommendation.

Our next task of this type will be to prepare a submission to the Cooper Review.

The recovery to continue... from Page 1

through 2010. As a result, unemployment is likely to head back down to around 5.5% by year end. Inflation is likely to be 2.5%, thanks to a combination of global excess capacity and the impact of the strong Australian dollar. While the RBA will continue to raise the cash rate, the process is likely to be gradual, taking it to about 4.75% or 5% by year end, with low inflation and additional increases in bank lending rates stopping a more aggressive rise.

Investment implications

Overall, there is a reasonably favourable outlook for most asset classes for the year ahead. Share markets are likely to rise further, thanks to the combination of improving economic and profit growth, low inflation and low interest rates at time when there is still plenty of cash on the sideline. However, shares are moving from a multiple-driven phase to an earnings-driven phase; and this, along with moves towards higher interest rates, will probably result in more volatile and constrained gains than has been the case since March 2009. The Australian share market is expected to rise to around 5600 by the end of 2010, and we see Australian shares continuing to outperform traditional global shares, reflecting their higher dividend yields and stronger growth prospects.

Asian and emerging markets are likely to remain outperformers, reflecting better growth prospects, but the ride will be more volatile.

Commodity prices and the A\$ are likely to remain solid off the back of the economic recovery, with the A\$ breaching parity. But expect occasional sharp corrections when the Fed moves towards tightening.

Cash remains unattractive, due to low interest rates. Cash returns are likely to be around 4.5%.

Government bond yields are likely to push higher later in the year as monetary tightening starts to be factored in. Corporate debt is far more attractive, with yields of 7.5% or more.

Unlisted non-residential property is likely to give positive returns, on the back of yields around 7% and modest capital growth thanks to more favourable space demand/supply fundamentals and increased investor demand.

Average house price gains are likely to slow as mortgage rates rise and the first home owners boost comes to an end. However, a stronger labour market will provide some support. Overall, expect average house price gains of around 5%.

Conclusion

The strong rebound in share markets and in global economic activity in 2009 has told us that, just as the investment cycle goes down, it also goes up. Right now it's still early days in the upswing, so growth assets such as shares are likely to continue to do well over the year ahead.

Dr Shane Oliver is the Head of Investment Strategy and Chief Economist, AMP Capital Investors.

Bulletin board

Melbourne Frankston discussion group share game winner 2009

The Frankston discussion group has approximately ten regular attendees at its meetings, around seven of whom partake in the 'share game'. Players are given paper money amounting to \$100,000 to start their superannuation investment portfolio. In 2009 the share game took place between April and November — 7 months. Its main aim is to show the various investment strategies that each player has developed, and discuss why they bought or sold a given stock during the period. Players are allowed to select up to 10 ASX-listed stocks from any of the sector groups listed, in addition to the usual buying and selling. At the bi-monthly meetings each player briefly outlines where the movements in their portfolio happened for the last period, and the best and worst stocks for the period. The three leading players achieved the following results over the 7 months:

first	52.10%
second	47.10%
third	34.96%.

That's the equivalent of around 89% for 12 months. For further details regarding this group please contact the coordinator, Bill Shirley, by email at bshirley@hotmail.net.au.

A share market model for a new decade

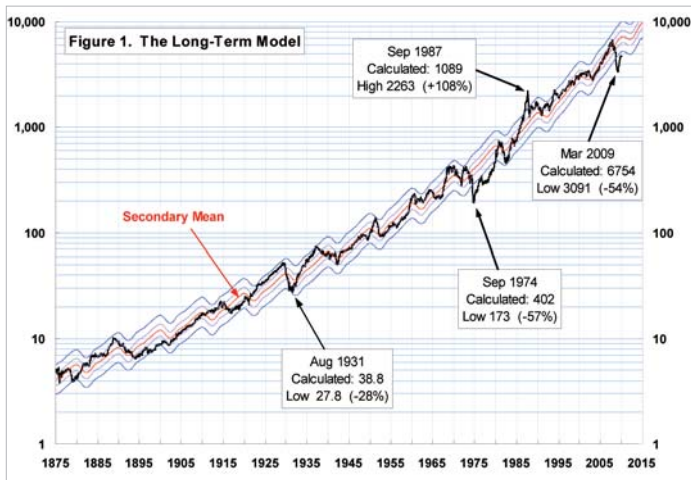
By Robert Vagg



The dawn of a new decade seems an appropriate time to review some earlier ones, to update readers on the current position of the market, and to explore the market's possible direction as it enters the new decade cycle purged of a systemic weakness that had built up over recent years. In doing this I shall refer to the long-term model based on the All Ordinaries Index that I have described in several AIA articles during 2009.¹

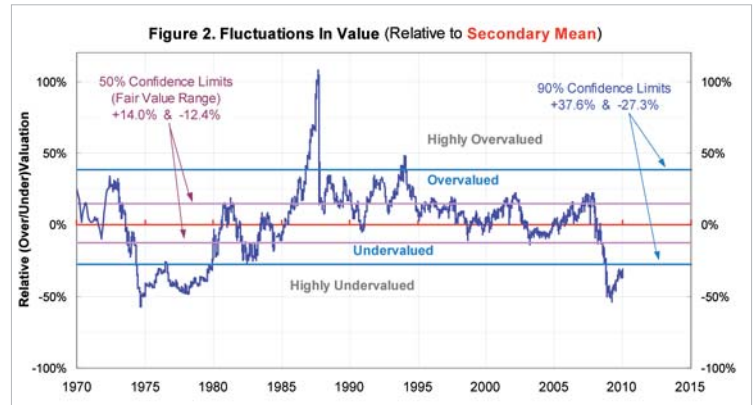
The model shows the market to have two long-term fundamental drivers that describe a well-defined pattern over time, together with a third far less predictable element. The first of these drivers is based on the underlying earnings of the market's listed companies, which have demonstrated a continually improving rate of compound growth. As a result, the Index has displayed smooth underlying growth (currently averaging 9.5% pa), which I have described as its 'primary trend'. This equates to an increase in market capitalisation of 160% over a decade.

The second fundamental driver is a decade-long economic cycle, which causes fluctuations in earnings yields along with associated interest rates. In combination, these two systematic drivers result in the wave-like model that has been calculated for the market, as shown in Figure 1. Projected forward, the central mean (red line) in the graph suggests fair value for the Index of about 10,000 at January 2015. This target would require average annual compound growth of 15.4% through the first half of the decade.



Market volatility not resulting from these two fundamental causes tends to be more violent and unpredictable. This third systemic driver of price movements can be short-term in nature, can be technical and/or sentiment driven, and at times can result in either a rapid contraction or expansion of price/earnings (P/E) ratios unrelated to fundamentals. Four infamous examples of market extremes resulting from such movements are detailed in Figure 1, with indications of each consequential degree of over- or undervaluation relative to the central long-term mean.

This volatility is shown in further detail in Figure 2, where percentage movements relative to the calculated mean are plotted. The rapid P/E expansion that occurred in 1986–87 saw the market achieve an extraordinary degree of overvaluation by September 1987. The final stages of this exuberance might be ascribed to the introduction of dividend imputation in mid-1987, whereby on a dividend capitalisation basis the theoretical value of companies paying dividends from local earnings increased by 43% overnight. This market overvaluation corrected very rapidly through an almost 50% P/E contraction over a period of a few days in October to bring the Index down into the overvalued region of the model. It remained there for almost 7 years before returning to fair value through the second half of the 1990s.



The two P/E contractions that led to high undervaluation are represented by the lows of 1974 and 2009. To date, the price patterns of these two periods are very similar (Figure 2). In each case similar falls led to a degree of undervaluation greater than 50%. After 1974, the Index doubled over 20 months to reach the model's lower limits before lingering at highly undervalued levels for another 3 years. Similarly, by the first week of January 2010 the All Ordinaries has shown appreciation of 60% above its 3090 low of March 2009; but at 4960 it is yet to move out of the model's highly undervalued range. The mean value at 8 January calculates as 7176, indicating that at these levels the Australian market is still 31% below long-term fair value.

Figure 3 shows the model projected 5 years further forward than in Figure 1. Fair value for January 2020 is seen as 18,500. Meeting this target would require average annual price growth of 14.2% throughout the decade. Included in this graph are primary support/resistance levels that I have calculated.



In the August 2009 issue of *Investors' Voice* I described possible future pathways for the All Ordinaries Index based on the recoveries and bull markets that followed previous significant lows. With similarities apparent between the 1974 and 2009 lows it is tempting to use the former period as a guide to the market's possible direction in the decade ahead. Purely for the sake of speculation, I have reproduced the market movements that occurred in the 10 years following September 1974 as a forward projection from March 2009. The result of this exercise is displayed in Figure 3. While there is no basis for expecting the market's path to adopt the pattern projected, it is worth noting that it exemplifies the type of fluctuations that might be anticipated within the bounds of the model.

¹Supplement to *Investors' Voice*, May 2009 (available on the AIA website).

Robert Vagg is a member of the AIA (email: rsvagg@gmail.com).

Core and satellite investing

By Tony Rumble



Core and satellite: the essentials

As investors become more discerning, investment managers are expanding the range of investments available to allow tailoring of portfolios to suit individual needs. One of the emerging trends in this field is the use of different products to generate investment 'beta' (i.e. the general market performance) and 'alpha' (i.e. the out performance over that of the market 'beta'). This is easily implemented in a 'core and satellite' approach which

has been described in the following way:¹

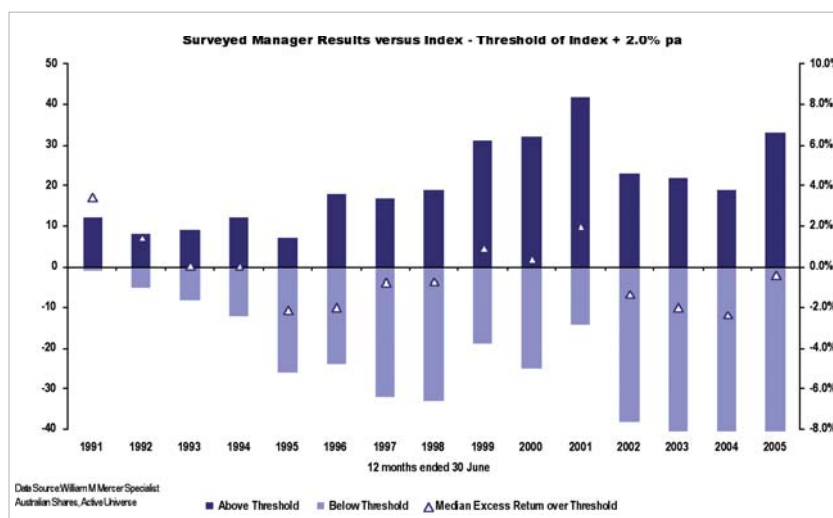
One of the most promising investment models is 'core and tactical satellite.' This model allocates a significant portion of the equity investment to a passive tax-managed core (possibly with style or class tilt). The balance of the allocation is made to satellite (investments)... The total portfolio is managed to be dynamically efficient in a taxable client's three-dimensional investment space (return, risk and taxes). This may become the basic wealth manager investment model for the future.

Since the Australian launch of index tracking ETFs (and index funds) earlier this decade, index proponents have made a valuable contribution to the debate about portfolio construction using the 'core and satellite' approach. Index proponents typically describe the wave of data showing the statistical underperformance of most active fund managers compared to their index benchmarks. That data is not new, and has been reinforced by the landmark APRA paper released in June 2009 — which makes some very harsh statements regarding typical managed fund underperformance.

Index proponents typically pitch their message to the cost conscious investor — pointing out that ETFs and index funds are a low-cost way to obtain the general market return or 'beta' that is all that many expensive managed funds deliver.

But to really power our understanding of the core and satellite approach we need to reflect on a key point — why typical managed funds underperform. This is central to understanding the real value of using a long-term 'buy and hold' approach to direct share ownership as part of well constructed portfolios.

Data provided by Mercer to June 2009 shows that the median Australian active equity fund has underperformed its benchmark in 10 of the last 15 years.



In the graph above, the benchmark is the ASX 200 index plus 2% (which is the median cost of investing in the surveyed funds via retail, or wholesale via wrap or master trust). The irony is that these findings are not new. Asset consultants such as Intech have been making similar statements for the last decade.

APRA has weighed into the debate with its recent paper 'Investment performance ranking of superannuation firms'.² The paper includes some statements that coincide with earlier findings of Mercer and Intech.

For example:

...the average (investment management) firm under-performed their net benchmark by 0.9% per year... this raises a question about the value of the active approach to risk management of investment portfolios and may support our doubt about the appropriateness of the Sharpe ratio in measuring performance...

The net under-performance of the average firm appears more pronounced in down markets. This suggests either inactive risk management where investment managers appear to forego value adding opportunities in down markets or unsuccessful risk management in down markets perhaps due to costs...

The empirical data suggests that superannuation firms may be less efficient at using the tax credits from capital gains and losses than we have assumed... For example, excessive share trading could forfeit capital gains tax concessions which are available after a 12 month holding period. [Emphasis added]

How do we implement a core and satellite approach?

Portfolios modelled on the core and satellite approach tend to include the following:

- as core investments — listed or unlisted passive or benchmark aware investments including ETFs
- as either core or satellite investments (depending on the client's risk tolerance and portfolio size) — boutique funds, often offering an absolute return style, and specialist funds offering opportunistic approaches to alpha generation
- as satellites — concentrated portfolios of direct equities with low turnover and deliberately benchmark unaware mandates, and selectively used structured investments with alpha generating underlying assets and some level of capital protection to assist in managing downside risk.

The core and satellite approach to portfolio construction does not ignore traditional approaches. Instead it focuses on matching the portfolio to the client's true tolerance to investment risk and volatility. Research shows that more than two-thirds of Australian investors are benchmark unaware, focusing instead on the absolute return of their portfolio. In fact, the traditional focus by fund managers and consultants on 'risk' and 'return' is a gross oversimplification. Many investors now frequently question:

- fees, at the level of the adviser, product provider, platform and dealer group (where an adviser is used)
 - taxes triggered by the overall portfolio and individual investments
 - liquidity
 - risk management
 - the likely or expected return of each investment
 - the potential for excess return from each investment.
- It is useful to compare traditional high-turnover managed funds against index ETFs. Four things are immediately evident:
- In terms of fees and taxes, the ETF is more efficient than the active funds.
 - The ETF allows for more precise risk control than the active funds.
 - Both the ETF and the active funds provide similar liquidity and expected return (beta).
 - The active funds provide the potential for excess returns (alpha).

Using the core and satellite approach with ETFs generating beta (instead of traditional managed funds) allows for less desirable attributes (e.g. fees, underperformance) to be traded off against more important attributes and specifically tailored to suit individuals' needs.

¹ Evensky, H, 'Changing equity premium implications for wealth management portfolio design and implementation' in US Journal of Financial Planning, June 2002)

² Sy, W & Liu, K, 'Investment performance ranking of superannuation firms', APRA Working Paper, 23 June 2009.

Tony Rumble PhD, is the founder of LPAC Online Pty Ltd and Alpha Structured Investments Pty Ltd.

The Ripoll Report

Scott McKenzie



The hubbub about Storm Financial and the Ripoll Inquiry and Report has died down now, and we await a response from the federal government (which is likely to be part of a comprehensive response including the Henry and Cooper Reviews as well). This response could be significant to us as investors, so it's important for us to recall the origins of the inquiry and the report.

The Ripoll Inquiry arose as a result of pressure on the government after the many financial disasters of the last few years: Westpoint, Opes Prime, Storm Financial, Lift Capital, and so on. Submissions were sought and public hearings were held in Canberra, Melbourne, Sydney, Brisbane, Townsville and Cairns.

The AIA prepared two submissions, the second of which included a survey of participants at the AIA's annual conference in July last year. The survey results and the document outlining our position were presented to Bernie Ripoll in a closing session at the conference. AIA President Jolyon Forsyth and I were also witnesses at a public hearing in Brisbane in October.

Our submissions can be found at www.aph.gov.au/senate/committee/corporations_ctte/fps/submissions/sub34.pdf and www.aph.gov.au/senate/committee/corporations_ctte/fps/submissions/supsub34a.pdf. Our testimony is at www.aph.gov.au/hansard/joint/commttee/J12136.pdf (pages 41–56).

The main recommendations of the Ripoll Inquiry include:

- requiring financial advisers to take on a fiduciary duty (i.e. client's interests come ahead of their own)
- empowering ASIC to supervise financial services provisions more closely

- banning commissions and other fund manager payments to advisers
- establishing professional standards boards
- investigating more effective compensation mechanisms for loss-making investments.

There is much to be applauded in these recommendations; but the AIA asked for much more. The 'scorecard' below shows our assessment. In summary, this is a satisfactory effort that offers a start to some significant changes in the provision of financial advice and investment placement. The very existence of the inquiry has stimulated others to lift their game.

Where to next?

We have distributed some media releases explaining our view about the positives and negatives of the Ripoll Report, and will continue to do so. As opportunities arise in the media, we will respond. We expect that hints at what the government is thinking in terms of new legislation and regulation will emerge from time to time, and we will respond directly to our parliamentarians in an effort to influence the outcomes.

Recently our President said, 'We acknowledge that the inquiry had to come to grips with some very difficult matters whose history has led to entrenched practices and expectations. It was never going to be easy to change some of these. We are satisfied with progress so far. Now it's down to the government to set in train some legislative and regulatory changes that will make the Storm Financial incident less likely to happen again.'

We all say 'Amen' to that.

Scott McKenzie is a financial planner and Vice President of the AIA. He, along with Kimberley Vickery and Silvana Eccles, are the Media & Advocacy Committee of the AIA, and thus responsible for the Ripoll initiative and more recently the AIA's response to the Cooper Review.

Requirement	Pass/fail	Comments
1. Ban commissions or require that payment for advice be made by the client directly.	Pass	The fiduciary duty provision might hasten the demise of commissions, as will FPA actions already in train.
2. Separate sales and advice functions within the industry.	Pass	Report delivers some feasible ideas: fiduciary duty, disclosure of restrictions and conflicts of interest.
3. Legislate that financial advisers must have degree-level qualifications in financial planning plus at least 2 years' supervised experience.	Pass conceded	Some progress in this area; other proposals likely to give rise to improvements here. But we need a way of identifying advisers who are highly skilled and experienced.
4. Require that the ultimate ownership of any financial advisory firm be made quite clear to clients.	Pass conceded	Disclosure of any restrictions on advisers is a start towards this, but much more is needed.
5. Provide simple investment risk signals for consumers (e.g. 'between the flags' advice).	Fail	Inquiry rejected this idea as not part of government responsibility. If advisers do their jobs properly, signals aren't needed.
6. Require investment advice charges to be made direct to the client.	Pass	Inquiry didn't endorse the AIA's recommended method, but proposed other methods that could achieve similar ends.
7. Empower clients to be more in control of the investment process.	Fail	Didn't really tackle this matter; the inquiry was always unlikely to understand the issue.
8. Promote investment education for consumers.	Pass	Suggested a role for ASIC here.
9. Regulate the use of the term 'financial adviser' or 'investment adviser'.	Pass	Provided a suggestion as to how to begin to address this, and added the idea of a professional registration board.
10. Ensure better regulation and increased regulatory enforcement.	Pass	Quite a number of useful ideas proposed, but ASIC needs to lift its game and not wait until it's too late.

Bulletin board

New member offer

The AIA is extending its new member offer to 31 March 2010. Anyone who joins by this date will receive a complimentary *An introduction to investing* DVD, valued at \$45, and a FREE 3-month subscription to Alan Kohler's online *Eureka Report*, valued at \$99. If you are already a *Eureka Report* subscriber, 3 months will be added to your current subscription. Member benefits include a range of publications, access to the members' online forum, access to AIA meetings, and more. One-year AIA membership is \$90; 2-year membership is \$165 plus an \$11 joining fee. It's a great investment!

AIA events 2010

Dates for local discussion groups and information meetings in 2010 are now posted to the 'Events' page on the AIA website www.investors.asn.au. In addition to regular meetings, the AIA will hold one-day seminars in Brisbane and Sydney in May, and 'Introduction to technical analysis' and 'Introduction to investing' workshops on the Gold Coast in July. Check the AIA website for details.

Alphabet soup

What are ETFs, LICs and SMAs?

By Stuart Fechner



With so many investment options available, keeping track of how they work and which might be best for you can be difficult, particularly with all the industry jargon and abbreviations.

We've tried to simplify it, to help you understand the media reports and the language the industry speaks. From now on, when your financial adviser talks of the benefits of an 'SMA', an 'ETF' or an 'LIC' for your portfolio, it won't just be alphabet soup to you!

ETFs: exchange traded funds

ETFs are listed funds traded on exchanges such as the Australian Securities Exchange (ASX). They invest in a diversified basket of securities which make up an index. They are similar to managed funds except that shares in an ETF can be bought and sold like other listed shares.

The ETFs traded on the ASX follow different indices, or baskets of shares, such as:

- the domestic index, e.g. Australian shares
- the international index — shares outside Australia
- commodities, e.g. gold and platinum
- the sector index, e.g. banks, energy, media and technology.

LICs: listed investment companies

LICs are investment companies listed on the ASX. They are managed by professionals who invest in a certain range of assets such as Australian shares, international shares, private equity and specialist sectors such as wine and resources.

LICs are not sold in units. They are listed in their own right, have all the characteristics of a listed share, and can be bought and sold through stockbrokers. The investment approach of a LIC can range from very conservative to aggressive. The manager may be either internal or external, where a separate organisation is managing the portfolio under contract from the company.

SMAs: separately managed accounts

An SMA is a managed investment scheme giving investors access to a range of professionally constructed and managed portfolios of Australian shares and cash. Investors can choose from one or more model portfolios.

Unlike a managed fund, an SMA is not a unitised investment. Within an SMA, beneficial ownership of the underlying shares remains with the investor.

The shares in an SMA can be easily seen by the investor, and can be transferred in and out of the SMA and between different model portfolios. Within one SMA an investor can choose from a range of investment styles and strategies, enabling diversification across a range of companies, industries and sectors.

Ownership of underlying shares

ETFs and LICs are listed investments in their own right. The investor directly owns the units in the ETF, or shares in the LIC, but not the underlying shares into which they are invested.

In the case of SMAs, the investor remains the beneficial owner of the underlying shares.

Professionally managed

LICs are managed by the company's investment team or their management outsourced to professionals. ETFs and SMAs are managed by the investment manager of the model portfolio chosen by the investor.

Knowing the stocks you own

The most transparent investment option, in terms of seeing clearly which stocks are held in the portfolio, is the SMA. Stocks held can be seen online and in regular hard-copy reports.

Stocks held within ETFs are not fully transparent, because the ETF is a proxy investment for a particular index. It provides only an indication of the range or extent of stocks represented, so the investor does not see exactly which stocks are held through any related reporting.

LICs, too, are not as transparent as SMAs. An LIC may communicate the top stock holdings (normally the top 10) but only on a periodic basis, and not usually the entire portfolio.

Understanding the value

The share price of a LIC can differ from the net tangible asset value of the fund or company, because the LIC itself is valued according to market demand for the company's shares. This is influenced by the reputation of the managers and not by the worth of the underlying stocks in which the LIC invests.

ETF prices, while not always exactly matching the net tangible assets, commonly trade close to the net tangible assets and are less affected by stock market volatility.

The value of an investor's holding in an SMA is determined by the value of the underlying shares the SMA holds. An investor's value will therefore reflect each stock's share price multiplied by the respective number of shares held.

Tax issues

LICs retain realised capital gains; so, unlike individual entities as defined by tax law, LICs cannot take advantage of the 50% discounted capital gains tax on assets held for over 12 months.

ETFs have an income 'pass-through' structure; so all investment earnings, including realised capital gains and franking credits, net of any management fees and costs, are distributed to investors who hold units in the ETF.

SMA investors do not inherit any capital gains when investing, as can be the case with a managed fund. The investor's cost base is established the day the shares are bought. An investor only pays tax on gains from when they started investing, not from when the fund started, which is the case with some other investment options including managed funds.

Transaction costs

LICs and ETFs are listed securities, so buying and selling incurs brokerage costs which cannot be netted off or shared across other investors. Investors incur the cost of only one brokerage transaction when buying and selling LICs and ETFs.

The benefit of an SMA is that brokerage costs can be shared. For example, if there are 50 investors as part of a consolidated buy into an SMA, the brokerage cost incurred per share is spread across all the investors. This provides a saving in brokerage costs for all 50 investors.

What it means for you

It can sometimes be difficult to wade through the investment industry jargon, but understanding some of the newer options means that you will be better informed if your financial adviser suggests SMAs, ETFs or LICs for your portfolio.

Stuart Fechner is the Distribution Development Manager, Investment Products, Aviva Australia. The above information is general in nature and does not take into account your personal objectives, financial situation or needs. Before deciding to acquire or to continue to hold an investment, you should consider the relevant product disclosure statement and whether it is appropriate for you. Source: MLC Ltd, December 2009

Rental yield: it's all relative

By Paul Do



The rental yield of a property is defined as the annual rent divided by the price of the property (**rental yield = annual rent / property price**). This formula is used as a measure of value: the higher the rental yield, the better value for money is the property.

A recently published real estate investing book provided basic guidelines on acceptable rental yields. It gave the following classification:

- low yield: 1–4%
- average rental: 5–7%
- target yield: 7%+

Other real estate authors and pundits claim that the secret to making money in real estate is to buy properties with rental yields of at least 10%. Sometimes they express this in a roundabout way, such as saying that the price should not be more than 500 times the weekly rent. For example, if the rent on an investment property is \$400 per week, they say you will only make money on it if you pay \$200,000 (or less) for it, because 500 times \$400 is \$200,000. In this case, the rental yield is $\$400 \times 52 / \$200,000 = 10.4\%$, which is more than the target 10% rental yield.

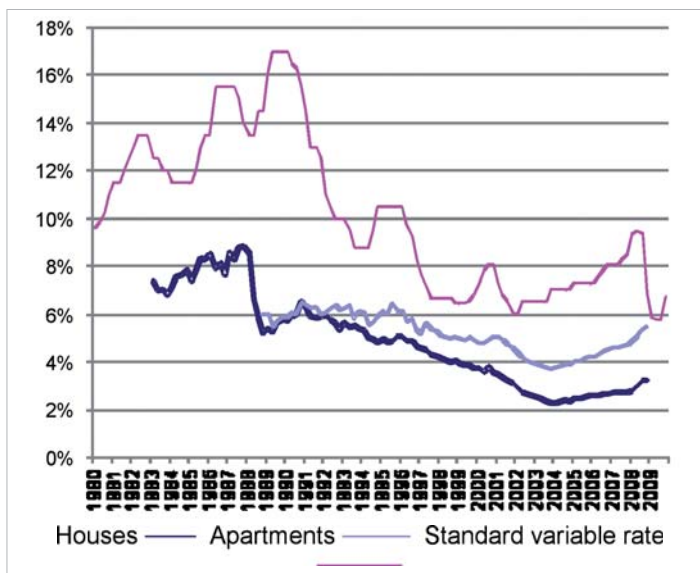
When inexperienced investors hear of a rule of thumb, especially one promoted by perceived experts, they usually take it as gospel. However, a little knowledge is a dangerous thing, and blindly following a rental yield rule of thumb (e.g. only buying properties yielding more than 7%, or more than 10%) can cost you a lot of money — in two ways.

Let's look at the rental yields of houses and apartments in Sydney over the last 30 years (see Figure 1).¹ The dark blue line shows the rental yield for median three-bedroom houses and the light blue line shows the gross rental yield for median two-bedroom apartments. The pink line shows the standard variable interest rate, which is a proxy for the average mortgage rate.

You will notice that rental yields in Sydney have broadly followed the direction of interest rates over the last 30 years. They have never reached 10%, so this rules out the 10% rule of thumb. They were only above 7% before 1988, so this also rules out the 7% rule of thumb. You may be wondering whether this means there was no value in the Sydney property market over the last 20 years. Absolutely not. Many investors, including myself, have invested very successfully in Sydney over that period.

You may also be thinking that these are *market* rental yields, and there are bound to be properties that pay more than the market. This is true, but it's also true that in life there are no free lunches. A property paying a higher rental yield will usually have lower expected capital growth.

Figure 1: Sydney rental yields of houses and apartments

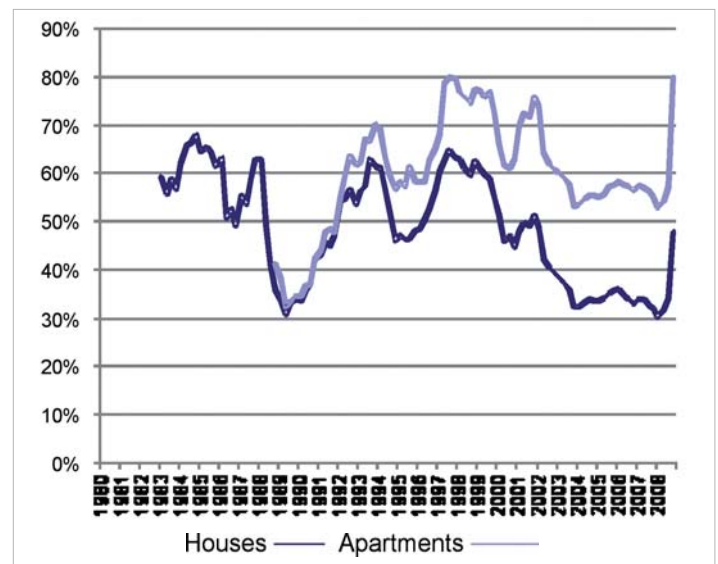


Source: Real Estate Institute of Australia, Reserve Bank of Australia

For example, properties in the outer suburbs pay higher rental yields than those in the inner suburbs, but this comes at the expense of lower capital growth.

The problem with these rules of thumb is that they are an absolute measure and do not take into account interest rates, which constitute the major cost of holding real estate. You can see this more clearly in Figure 2, which shows the relative rental yields on median three-bedroom houses and two-bedroom apartments. The relative rental yield of a property is defined as the rental yield divided by the level of interest rate (**relative rental yield = rental yield / interest rate**). For convenience, I've used the standard variable interest rate as a proxy; but note that no one pays the standard variable rate any more, with most mortgages at a 0.5–0.7% discount. The relative rental yield is a better measure of value because it compares the rental income yield on a property against the main holding cost of the property (or the opportunity cost of investing in the property) over time.

Figure 2: Sydney relative rental yields of houses and apartments



Source: Real Estate Institute of Australia, Reserve Bank of Australia

So, if you had blindly followed absolute rental yield rules of thumb, how would it have cost you money? First of all, you would have missed the opportunity to invest in the Sydney property market over the last 20 years or more. Even though rental yields are now only around 5%, interest rates are not much more, so this represents good value in the property market. The last time this occurred was in the late 1990s and early 2000s, when prices more than doubled in the following seven years.

Secondly, high rental yield can mean high risk. The last time rental yields were over 7% in Sydney and 10% in some of the other capital cities, interest rates were in their teens and rising. If you had bought then, you would have struggled to service the property, and might have been forced to sell at a loss, incurring significant transaction costs at the same time.

In conclusion, it's all relative about rental yields. Don't look at them in isolation, but compare them to interest rates. And don't blindly follow the 7% or 10% rental yield rule of thumb. It's hazardous, because it can mean missing out on great opportunities or incurring significant risk.

¹ For the other capital cities, go to www.ibhb.com.au/resources/median_prices/median_prices.htm.

Paul Do is the author of *I Buy Houses: The Property Investor's Handbook*. For more information go to www.ibhb.com.au.

Tax notes

Three overlooked issues

By Dennis Eagles



The 'Tax notes' article in the last edition of *Investors' Voice* was about claiming imputation credits. This article follows up with three other items that are often overlooked when investors' annual tax returns are prepared.

Do you need to make a family trust election?

The need to make a 'family trust election' was mentioned in the previous article. This is required

before a trust can pass on any imputation credits it receives. A family trust election also allows a trust to carry forward tax losses.

When a family trust election is made, it must include nomination of a 'test individual'. From this individual, a 'family group' is determined, which includes:

- parents, grandparents, brothers and sisters of the test individual or their spouse
- children, nieces and nephews of the test individual or their spouses
- a lineal descendant of a child, niece or nephew mentioned above
- spouse of the test individual
- spouse of any of the people above.

An interposed 'entity election' can be made, to include companies, partnerships or other trusts controlled by these people within the family group.

Once a family trust election is made, imputation credits and losses can be claimed. However, the downside is that any trust distributions made outside the group will be subject to tax at the highest marginal rate of 46.5%.

Will there be a capital gains tax E4 event?

An E4 event occurs when the taxpayer receives income from a unit trust that is not assessable for tax purposes, such as tax-free or tax-deferred income from a managed fund. Where an investor receives this kind of income, the E4 event occurs and results in a reduction of the cost base of the units. If the cost base is nil, or reduces to nil, a capital gain occurs and income tax is payable in the year that the income is received.

Are you in the business of investing?

Most investments are made on 'capital account'. That is, they are acquired to form an investment base upon which the investor will receive income (e.g. dividends or rent), and potentially a capital profit from growth in the value of the assets. However, some people invest as a business.

Operating an investment business has both pros and cons. For example, losses can be claimed immediately, and small business concessions and entitlements (such as recent investment allowance/deductions) are available; but the 50% CGT discount cannot be claimed.

The question of whether or not you are running an investment business is not clear-cut; it depends on the facts in each case. The ATO, and the courts, look at factors such as intention, repetition of activities, commercial character, size and scale, and whether or not the activity is carried out in a planned and business-like manner.

All three of the issues described above are very common. They are also often overlooked. If you think the answer to one or more of the three questions is 'Yes', please contact your tax agent for specific advice in relation to your circumstances.

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.

Hybrid annual review

Bets placed: 2010 is time to collect

By Brad Newcombe



Whereas 2009 was the perfect time to invest in hybrids, 2010 looks like the year to cash in. The financial market meltdown that occurred in 2009 presented a once-in-a-lifetime opportunity to pick up quality hybrid securities at bargain prices. While most of the price recovery has occurred, we expect hybrids to trade higher and hence closer to their fair value in 2010, giving investors a chance to sell their investments.

Multiplex Sites

Multiplex Sites (MXUPA) were the standout opportunity during the year. These securities started 2009 at just \$21.00 and were as low as \$17.50 in March, despite having the backing of the A-rated property giant Brookfield Asset Management and never having missed a distribution. The securities are now trading close to \$85.00 and still look reasonable value despite the almost fivefold increase in price.

Stepped-up preference shares

Australand Assets (AAZPB) and Gunns Forests (GNSPA) are two securities that have already passed their step-up dates without being redeemed and are now paying higher coupons — 4.80% over BBSW for the former and 5.00% over for the latter. These securities are still trading at discounts to face value, though — around \$85.00 and \$75.00 respectively, making them interesting propositions.

We think these high margins make the securities attractive, even at face value; and we expect they will continue to increase in price, especially with the prospect of redemption for the AAZPB due to the high cost the company is incurring on this hybrid. Gunns has stated that it intends to redeem the GNSPA in 2011 and we expect this security to trade higher next year, providing investors a potential exit point at close to face value.

Bank hybrids

The normally staid bank hybrids were extremely volatile during 2009. Westpac Trusts traded as low as \$60.52 during the year before rebounding to as high as \$94.40. They currently trade at around \$87.00, which is closer to what we believe is fair value, but not quite.

The prices of non-major bank hybrids were even more extreme, with Macquarie Income Securities trading as low as \$31.75 during the year before recovering to current levels of around \$75.00. While some of that decrease can be attributed to concerns about the ongoing viability of the Macquarie Group, these fears were largely unwarranted, and Macquarie is another example of the compelling value that was available in hybrid securities earlier this year.

Overall, we think 2010 will be another good year for bank hybrids. We expect that spreads for these securities will continue to narrow, resulting in higher prices.

Summary

It was a hairy ride for hybrid investors in 2009, but those who managed to invest at the right time are likely to have been rewarded handsomely for the risks involved. It looks as if 2010 will be far more sedate. Price volatility will remain, but will be far less pronounced than in the past year. We also believe spreads will continue to contract, resulting in higher prices and hence providing opportunities for investors to sell some of their well-timed investments at reasonable prices.

Brad Newcombe is a Senior Research Analyst with FIIG Securities.

If it's discussion you want ...

The Kew discussion group

By Glenn Gonsal

Talking through investment issues with like-minded people and learning from their ideas and experiences are the key features of the Kew discussion group.

We don't use external speakers, on the basis that there are many opportunities to hear them at other AIA events such as information evenings, seminars, conferences and telepresentations. The real value of the discussion group is in providing a face-to-face forum for hearing how others in similar situations go about planning and implementing their investment strategies. The agony and the ecstasy!

The Kew discussion group has been in operation for 2½ years and has held 14 meetings. We have about 15 regular attendees who are starting to understand each other's investment styles and risk profiles. The benefit of this is that we can take a long-term look at how those ideas are playing out in the real world, and learn from changes that are made along the way.

The two major agenda items at meetings are:

1. Round table discussion

This is an open-ended discussion in which each member can comment on issues such as:

- the local and international economic situation
- local and international equity markets
- recent investment activity — what I have bought and sold, and my reasons for doing so
- likely investment activity over the coming weeks and months
- Does anyone know? (Q & A on investment issues)

2. Key topic presentation

A member makes a presentation and leads a discussion on a chosen topic. The following are examples:

- book review: *One up on Wall Street* (Peter Lynch)
- A Quantum Approach to Investing
- How I Organise and Manage My Portfolio
- How I Select Investments
- Investment/Trade Analysis (of a particular company)
- Index Funds
- book review: *The aggressive investor* (Colin Nicholson).

In addition to the educative value of these presentations to all group members, presenting a topic also causes members to critically analyse their own strategies and methodologies.

The group spends most of its time discussing the issues surrounding investing in equities listed on the Australian Stock Exchange. Other asset classes and issues are discussed as they become topical.

A very important feature of the group's operations is its 'shared responsibility' policy, whereby administrative tasks (chairing, catering, treasurer etc.) are rotated around members. This not only spreads the workload but also adds a sense of shared ownership, commitment and responsibility — with a little dose of succession planning thrown in.



The Kew discussion group provides its members with a supportive and understanding environment in which they can learn from each other and subject their ideas and thinking to constructive peer group analysis.

We are all now gaining real benefits from participating in a network of investors helping investors.

Glenn Gonsal is the coordinator of the Kew discussion group. Details of future meetings can be found under 'Events' on the AIA website, www.investors.asn.au.

Bulletin board



Brisbane: 'Investing in the share market', 6-week course

In response to popular demand, Bill Dodd will again hold his 'Investing in the share market' course, starting at 7pm on Wednesday 31 March at the Broncos Leagues Club, Red Hill. The course is aimed at those who want to learn more about the share market and start investing. Topics covered include fundamental and technical analysis, stock selection, managing trade entries

and exits, record keeping and more. Cost is \$150 for both members and non-members. Members can register online. Non-members must call the AIA Secretariat on 1300 555 061 to register.

Members online forum

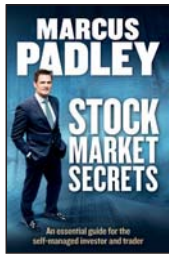
The AIA members' online forum has now been operating for a few months. If you have not yet registered we encourage you to do so. Just log on to the AIA website www.investors.asn.au as a member, click

the 'Forum' button on the top menu bar and then click 'Register' in the top left corner. There's even a practice area for those of you who have never participated in a forum before. It's a great way to share information, read what other investors are thinking, or post a query. Some of our moderators are professionals and can assist by answering questions or pointing people in the right direction.

Sydney seminar index guesses

At the AIA Sydney seminar held on 14 November 2008, AIA chairman John Lance initiated a competition where delegates had to guess where the ASX All Ords Index would be on 31 October 2009 — with the prize a fine bottle of red. It was a condition that the winner be in attendance at the Sydney seminar on 13 November 2009. Margaret Edwards' guess of 4700 was closest, but Mike Gripton was present on the day and won with his guess of 4766. It's interesting to note that the average for the 36 entries was 4654, very close to the actual 4647 index of 31 October 2009. There are 52 entries in this year's Guess the Index, and they average 5428.

Book review



Title: **Stock market secrets**
Author: Marcus Padley
Year: 2009
Publisher: The Slattery Media Group
ISBN: 9780 9806 27428
RRP: \$39.95 (hardback)
Reviewer: Tim Kottek
Place: Melbourne, Australia

I've found myself in regular agreement with Marcus Padley when reading his weekly column in the *Age* — and I don't often find myself agreeing with what is written in the financial press. *Stock market secrets* is a collection of 80 of these weekly articles. I wonder if Marcus will make it to a John Kargher innings (2000 episodes of the weekly *Music for pleasure* on ABC Radio National). Marcus's mission is 'to inform, explain, educate, and entertain', so I'll abbreviate this to 'investing for pleasure'.

What is it that I find so agreeable in Marcus's writing. First, he seems to be speaking to me as an individual using the share market. I like his focus on the individual.

Secondly, I like his challenging ideas. For example, one article in the book is titled 'The one stock portfolio', with the subtitle 'There is nothing glorious about diversification, it is just a creed we pay homage to!'. He explores the implications of trading one stock only, rather than the traditional 'diversity' of stocks. The 'one stock' approach is good for discipline. It is intense and focuses attention, and is a good way of developing and honing stock-market skills.

I also like his style:

We might still have time to save them [i.e. his children] from inappropriate financial assumptions. For the elder two, I'm thinking of trying a crazy old-fashioned shock tactic called 'You want, you work'. It is the way of the future.

It's a good book for picking up and reading a story at random; and it would make a very useful reference if only there were an index. So what I'd like to do is to get together with a group of friends interested in the market, and create one. The process of creating that index would have the additional advantage of making us formulate a number of share market concepts and a common language that would allow us to communicate with each other with clarity.

With or without the index, I heartily recommend the book.

Tim Kottek is a member of the AIA. Marcus Padley will present at the 2010 AIA National Investors Conference to be held from 25 to 28 July 2010 at the Surfers Paradise Marriott Resort. Refer to the AIA website www.investors.asn.au for more details.

AIA web book reviews

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

Title: **Crash proof 2.0: How to profit from the economic collapse**

Author: Peter D Schiff
Publisher: John Wiley & Sons Inc, New Jersey, USA, 2009
ISBN: 13 9780 4704 7532
RRP: \$47.95
Reviewer: John Russell

Title: **Dear Mr Buffett: What an investor learns 1,269 miles from Wall Street**

Author: Janet Tavakoli
Publisher: John Wiley & Sons Inc, New Jersey, USA, 2008
ISBN: 9780 4704 06786
RRP: \$42.95
Reviewer: Laurie Thatcher

Title: **I buy houses**

Author: Paul Do
Publisher: Wrightbooks, Brisbane, Australia, 2009
ISBN: 9781 7421 68494
RRP: \$34.95
Reviewer: Brian Cordiner

Title: **Property is a girl's best friend**

Author: Propertywomen.com
Publisher: Wrightbooks, Brisbane, Australia, 2009
ISBN: 9781 7421 69347
RRP: \$32.98
Reviewer: Jennifer Williams

Title: **The wisdom on value investing**

Author: Gabriel Wisdom
Publisher: John Wiley & Sons Inc, New Jersey, USA, 2009
ISBN: 9780 4704 5730
RRP: \$42.95
Reviewer: Tony Reardon

Title: **Understanding taxation for investors — a simple guide for families with shares and property**

Author: Nick E Renton
Publisher: Bas Publishing, Seaford, Victoria, 2009
ISBN: 9781 9209 10914
RRP: \$34.99 (available from Australian Online for \$28.87)
Reviewer: Jenni Eason

A summary of the Sydney November seminar

By John Lance



What's in store for 2010?

In the opinion of AMP's Shane Oliver, mild inflation and low global interest rates well into 2010 provide 'a very attractive cyclical backdrop for shares'. Commodity prices and A\$ should continue upwards. He favoured Asian and developing markets.

Ron Cameron of Ords felt there were clouds in 2010, clearing for 2011. He made the amusing observation that 'analysts are a lagging indicator'.

Robin Young of Blackrock felt that Australia and China were undergoing a V-shaped recovery, Japan a W, and the USA and Europe an L.

And how should we be investing — in direct shares, index funds or managed funds?

Colin Nicholson listed the many requirements for successful investing. He then put it to the audience: 'Ask yourself honestly, do you have the knowledge and experience?' and 'Do you measure your net return

against the index?' (After his talk I asked for a show of hands in response to these questions, and very few hands went up.)

Paul Chin of Vanguard made the point that there are periods when managed funds do not outperform the index funds, and index funds can make up the core for a portfolio.

Anthony Serhan of Intech and Morningstar commented that, when comparing the performance of managed funds against their indexes, the starting and finishing points are crucial. In the longer term, however, just over half the Australian Equity Funds have outperformed their indexes by a couple of percentage points and it is up to the investor to select funds from the top half. If they are unable to do this, index funds might be preferable.

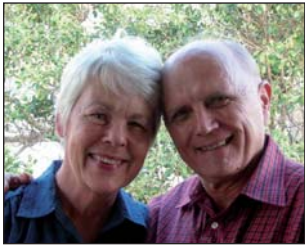
Anthony acknowledged that there was a lack of Australian research into the performance of private investors. He agreed this was an important gap in our knowledge and should be addressed. (Should it be an AIA priority for 2010?)

The Investor Quiz and Guess the Index competition provided some light relief.

John Lance (pictured with his recent catch caught on a fly rod, Fraser Island) is a member of the NSW Committee and was chairman on the day. Colin Nicholson will present at a similar seminar scheduled in Brisbane for Saturday 15 May.

Us and our portfolio

John Staples and Elisabeth Drew



Our self-managed super fund contains almost all of our investable capital. It has been in full pension mode for over 5 years, so our investments are not much influenced by income tax considerations.

As time goes on, the superannuation laws will force us to draw down a progressively greater percentage

of our capital. For this reason, investments outside super with their tax complications are likely to become a greater issue in the future.

Our investment objectives at present are:

1. to achieve average returns sufficient to fund our pensions, cover inflation and build a buffer to deal with unpleasant surprises
2. to do that with as little risk as possible.

Our investment management practices are shaped not only by these objectives, but also by what we bring to the task. We do not have professional backgrounds in investment management, neither do we have the enthusiasm to start new careers in investment management! However, both of us have risk management experience from our working lives.

In view of our backgrounds, we prefer to have some professional input regarding our investment decisions. A very basic risk management principle is to avoid any 'single point of failure'. In this context, an example of applying this principle is: don't arrange your affairs so that a single person or organisation could destroy a catastrophic amount of your capital. Most Australian investors appear to break this rule by relying on a single financial planner, or stockbroker, or bank.

Financial planners (so-called, but it seems to us that they typically persuade investors to authorise de facto management roles) are middlemen who can generally be avoided. We prefer to deal directly with several professional investment managers and to allocate each of them a limited fraction of our investment capital. Generally we set the limit at 15%, or exceptionally 20%, for each investment trust manager, and not more than 35% for a reputable bank holding our cash. (During the global financial crisis, prior to the government's financial guarantee, we were about to set lower limits for bank deposits.)

We do our best to focus on investment funds, and fund managers, which have an exceptionally good record over at least 5 years in relation to investment returns, low volatility (relative to the investment sector), performance in downturns, and probity. Liquidity is also a consideration: we much prefer daily valuations and daily opportunities for redeeming units. We also have preferred themes, such as the Australian and Asian economies, and resources. We monitor fund valuations weekly (online, helped by Morningstar's free data), we store valuations in a spreadsheet, and we keep an eye open for news about the economic climate, funds and their managers.

The table above shows our portfolio as at the end of November 2009 (except where noted otherwise) our portfolio (rounded to the nearest 1%).

We find that many people regard this sort of 'high conviction' portfolio as being rather risky. Our view is that it depends on the choice of funds: it's better to have eight winners out of ten than to have eighteen out of a hundred! We try to choose professional managers and specific funds that are likely to do a better job than others, and certainly a better job than we could do, in managing the investment of a portion of our pension fund's investment capital.

However, there are some limitations in the performance of professionally managed funds which may apply even if the management is otherwise good. For example:

1. The larger the amount under management in a given fund, the more restricted are the investment strategies open to a professional investment manager. This is an argument in favour of smaller funds, but smallness has its problems as well (e.g. key person risk, perhaps less robust processes and/or less comprehensive research). We try to balance these issues as appropriate.
2. The investment frameworks of funds are in many cases designed partly in the interests of financial advisers rather than investors. A typical example is that a fund may be required by its constitution to be, say, invested at least 90% long in its chosen asset area. In our view, this is nothing but an abdication of the responsibility a fund manager should have for the preservation of investors' capital. This approach is in the interests of financial advisers because it creates a role for them — to say when to be in the fund and when to swap out of it.

Some funds do take on responsibility for how much is to be invested in their chosen asset class, and whether long or short, while still targeting an acceptable long-term investment return. Sadly, a large proportion of those funds (not including any that we've named here) have performed poorly. A cynic could wonder if these poorly performing funds have been created to fail, in order to drive people back into the clutches of financial advisers! But by our demanding standards, most Australian managed funds of all sorts do perform poorly; hence the importance of selection and monitoring.

	Allocation					
	Capital	Cash	Fixed interest	Property	Australian equities	International shares
Fund	%	%	%	%	%	%
CFS Wholesale Global Resources	18	2			3	13
Hunter Hall Value Growth Trust	16	2			5	9
K2 Aust Absolute Return Fund (allocated Oct 09)	14	2				12
Platinum Asia Fund	7	1				6
Prime Value Growth Fund	15	2			13	
UBS Aust Small Company Fund (allocated Sep 09)	7	0			7	
UBS Property Sec Fund (allocated Sep 09)	4	0		4		
Shares						
Telstra (TLS)	1				1	
Cash	18	18				
Totals	100	27	0	4	29	40

John Staples and Elisabeth Drew are members of the AIA's Brisbane Managed Investments Group.

Bulletin board

Sydney Trading & Investing Expo 2009 winners



At the October 2009 Sydney Trading & Investing Expo the AIA gained 38 members over the two days and more than 150 prospective members. Two great promotions were offered during the expo, with Dr Steven Lee from Castle Hill winning the starter investment pack and Mr Ricky Choy from Panania winning the novice DVD pack.

Calendar of events

Date	Event	Time	Venue	Topic
01 Feb 2010	Canberra Information Meeting	7.30-9.30pm	Southern Cross Club, Woden (Check room allocation in foyer)	Discussion Group
02 Feb 2010	Perth Equities Discussion Group	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs	Equities Discussion Group
02 Feb 2010	South Sydney Information Mtg	7.30-9.30pm	Miranda Community Centre, Wattle Room, 93 Karimbla Rd, Miranda	Discussion Group
03 Feb 2010	Brisbane Information Meeting	2.00-4.00pm	Greek Club South, 29 Edmonstone St, South Brisbane	Economic Outlook; Balancing your share portfolio
08 Feb 2010	Adelaide Information Meeting	7.00-9.00pm	Enterprise House, Room 4, First Floor, 136 Greenhill Road, Unley	Sharemarket Outlook presented by Tony Catt
09 Feb 2010	Melbourne Information Meeting	6.30-9.15pm	Telstra Conference Centre, R1, L1, 242 Exhibition Street, Melbourne	Australian equities & Property market update
16 Feb 2010	Perth Information Meeting	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs	The Economic Outlook presented by Alan Langford
17 Feb 2010	Gold Coast Information Meeting	9.30-11.30am	Robina Community Centre, 196 Robina Town Centre Dve, Robina	Property hot spots & Property in your SMSF
17 Feb 2010	North Shore Information Meeting	7.00-9.30pm	The Chatswood Club, 11 Help Street, Chatswood	Why did the GFC happen?
01 Mar 2010	Adelaide Information Meeting	7.00-9.00pm	Enterprise House, Room 4, First Floor, 136 Greenhill Road, Unley	ETFs presented by Tom Keenan, BGI
01 Mar 2010	Canberra Information Meeting	7.30-9.30pm	Southern Cross Club, Woden (Check room allocation in foyer)	Discussion Group
02 Mar 2010	Perth Information Meeting	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs	Share selection
02 Mar 2010	South Sydney Information Mtg	7.30-9.30pm	Miranda Community Centre, Wattle Room, 93 Karimbla Rd, Miranda	Discussion Group
03 Mar 2010	Brisbane Information Meeting	2.00-4.00pm	Greek Club South, 29 Edmonstone St, South Brisbane	How to prepare your investment strategy for the next bull market presented by Jim Berg
16 Mar 2010	Perth Equities Discussion Group	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs	Equities Discussion Group
17 Mar 2010	North Shore Information Meeting	7.00-9.30pm	The Chatswood Club, 11 Help Street, Chatswood	Property hot spots and Property in your SMSF
31 Mar 2010	Brisbane Investment Course	7.00-9.30pm	Broncos Leagues Club, Fulcher Rd, Red Hill	Investing in the share market 6 week course - week 1
05 Apr 2010	Canberra Information Meeting	7.30-9.30pm	Southern Cross Club, Woden (Check room allocation in foyer)	Discussion Group
06 Apr 2010	Perth Information Meeting	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs	Rare Coins
06 Apr 2010	South Sydney Information Mtg	7.30-9.30pm	Miranda Community Centre, Wattle Room, 93 Karimbla Rd, Miranda	Discussion Group
07 Apr 2010	Brisbane Information Meeting	2.00-4.00pm	Broncos Leagues Club, Fulcher Rd, Red Hill	Property; Estate Planning
12 Apr 2010	Adelaide Information Meeting	7.00-9.00pm	Enterprise House, Room 4, First Floor, 136 Greenhill Road, Unley	Share selection
13 Apr 2010	Melbourne Information Meeting	6.30-9.15pm	Telstra Conference Centre, R1, L1, 242 Exhibition Street, Melbourne	Diversified asset allocation
20 Apr 2010	Perth Equities Discussion Group	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs	Equities Discussion Group
21 Apr 2010	Gold Coast Information Meeting	9.30-11.30am	Robina Community Centre, Conference Room, 196 Robina Town Centre Dve	Economic Outlook & Sector Analysis
21 Apr 2010	North Shore Information Meeting	7.00-9.30pm	The Chatswood Club, 11 Help Street, Chatswood	Investing in Art & Sectors on the rise
03 May 2010	Canberra Information Meeting	7.30-9.30pm	Southern Cross Club, Woden (Check room allocation in foyer)	Discussion Group
05 May 2010	Brisbane Information Meeting	2.00-4.00pm	Broncos Leagues Club, Fulcher Road, Red Hill	ETFs & The materials sector

NB. Topics subject to change.



**AUSTRALIAN
INVESTORS
ASSOCIATION**

ABN 75 052 411 999

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.

Contact

PO Box 2477, Fortitude Valley BC Qld 4006
Telephone 1300 555 061 • Facsimile (07) 3257 3932
Email aia@investors.asn.au • Website www.investors.asn.au

This Disclaimer is made for the purposes of the Corporations Act 2001 as amended by the Financial Services Reform Act 2001 ('the Acts').

The Australian Investors' Association Ltd

The Australian Investors Association Ltd ABN 75 052 411 999 ('AIA') is a non-profit association that aims to assist investors become more knowledgeable and independent. In furthering its aims the AIA offers general information through its *publications*. The AIA has no Australian Financial Services Licence ('AFSL') under Part 7 of the Corporations Act 2001 as amended

Does not contravene the Acts

The AIA, its officers, agents, representatives, and employees do not hold an AFSL and does not purport to give advice or operate in any way in contravention of the Acts. The AIA, its officers, agents, representatives, and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this publication to the full extent permitted by law. The AIA has a policy that does not permit the endorsement or recommendation of any product or service regulated by the Acts

Provides information only

This *publication* has been prepared as an information publication without consideration of any reader's specific investment objectives, personal financial situations or needs. Because of this, no reader should rely upon the information and/or recommendations contained in this *publication*. Readers should, before acting on any information contained herein, consider the appropriateness of the information, having regard to their objectives, financial situation and needs.

The AIA believes that the material contained in this *publication* is based on the information from sources that are considered reliable and is accurate when issued. However, the AIA does not warrant its accuracy or reliability. All views and information expressed by the AIA, its officers, agents, representatives, and employees are for the purposes of discussion only.

If this *publication*, or any information, relates to the acquisition, or possible acquisition, of a particular financial product, the reader should obtain a product disclosure statement relating to the product and consider that statement, and should consult a licensed person before making any decision about whether to acquire the product.

The opinions expressed in this *publication* are those of the authors and do not necessarily reflect the views of the AIA.

Copyright: All rights reserved. No re-publication or copying in any way, including electronic means, may be made without the prior written consent of the AIA.

National Council

Jolyon Forsyth **President**
Scott McKenzie **Vice President**
Jenni Eason **Treasurer & Secretary**

Graeme Bottrill
Bill Dodd
Ron Gibson
Alison Harrington
Bruce McBryde
Bill Murphy
William Shirley
John Venn
Kymberley Vickery
Adrian Vorbach

Editorial Team

Silvana Eccles
Barbara McKenzie