

the Investors' Voice

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

May
2010

Features

- Sub-prime recovery: scale, speed & timing **1 & 4**
- Introducing our new office **2**
- The Warren Buffett way **5**
- Investing in art **6**
- On the road to recovery **7**
- Account-based pensions out, government annuities in? **10**
- Bayside discussion group **10**

Regulars

- President's message **2**
- Bulletin board **2, 5 & 11**
- The Australian share market's annual cycle **3**
- Tax notes **8**
- What is a hybrid? **8**
- Book review **9**
- AIA web book reviews **6 & 9**
- Me and my portfolio **11**
- Calendar of events **12**

Sub-prime recovery: scale, speed & timing

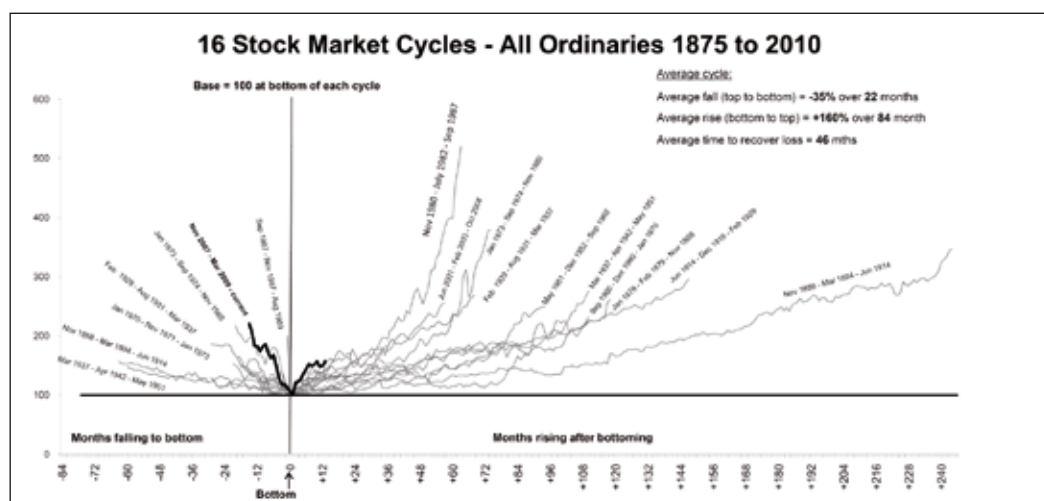
By Ashley Ormond



The US sub-prime crisis took stock markets for a wild ride over the past couple of years as the crisis spread from a US housing crisis, to a US lending crisis, then to a global credit crisis, and then the worst global economic contraction and financial crisis since the Great Depression.

The Australian stock market followed a path very similar to that of all other major markets around the world. The All Ordinaries Index peaked at the start of November 2007 and fell 54% before reaching the bottom in early March 2009. In the 12 months since the bottom, the market has bounced back by more than 50%. This article will shed some historical light on whether the sub-prime collapse and subsequent bounce-back in share prices was unusual in terms of its scale, speed or timing, compared with past cycles.

There have been 16 major cycles of Australian stock market collapses and recoveries since records began in 1875. Figure 1 shows these cycles superimposed on a single timeline so that the falls and subsequent rises during each cycle can be compared. We can see that although the sub-prime collapse certainly seemed sudden and catastrophic at the time, it was similar in scale to the falls in 1929-32, 1973-74, 1980-82 and 1987. The largest overall top-to-bottom fall was -61% between 6 January 1970 and 30 September 1974 (which combines cycles 9 and 10).



Continued on page 4

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 • Alan Hull • Stephen Mayne • Roger Montgomery • Colin Nicholson • Marcus Padley

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.

Further details are posted to the AIA website www.investors.asn.au

President's message

By Jolyon Forsyth



AIA representative appointed to CAP

It gives me much pleasure to advise members that the AIA has been invited by the Australian Securities and Investments Commission (ASIC) to appoint a representative to their Consumer Advisory Panel (CAP). We nominated Jenni Eason, our Secretary/Treasurer, and this nomination was accepted by ASIC. The appointment recognises the role of the AIA in the

investment field and gives all of us — both your council and, more importantly, you as members of the association — a voice in consumer protection functions. I quote two paragraphs from Jenni's letter of appointment:

CAP is first and foremost an advisory body. We (ASIC) expect CAP members to provide input about key consumer and investor issues facing CAP members and feedback on ASIC's consumer protection activities. This process is important to keeping us informed about consumer and investor issues in the market and so we may set priorities for ASIC's work. Please be assured that we value all advice given by CAP members, even though we may not always be able to act on or deal with every matter that CAP members draw to our attention.

Whilst CAP members represent a broad number of constituents and interests, we are keen for issues raised at CAP to be primarily focused on those that ASIC can effectively deal with. Despite this, we are interested in hearing your views on issues such as law reform or particular policy proposals in the finance and consumer credit sector, including the possible practical effects of these reforms.

Members, this is your opportunity to have broader-brush issues of policy or law reform brought to the attention of CAP by Jenni Eason.

Ban on commissions for financial advisers within sight?

A report in the Business section of the *Australian* (5 April 2010) by Tim Blue forecasts that financial advisers could be banned from taking commissions when selling investments and pensions, as part of sweeping reforms now close to finalisation under the Cooper Review of superannuation. Jeremy Cooper is understood to be discussing his proposals with large industry bodies and product providers as he nears the end of a year-long review of Australia's \$1.2 trillion superannuation industry. A crackdown on commissions, which could come into force as early as the end of 2011, would also prevent advisers from burying the cost of advice in the price of the product, according to industry sources.

At the end of March, Britain's corporate watchdog, the Financial Services Authority, said it would ban financial advisers from accepting commissions or financial incentives for recommending most products from the end of 2012.

The AIA has advocated a ban on commissions for several years now, and it's good to see this being accepted by the authorities.

DO WE HAVE YOUR EMAIL?

Most AIA communications including event notifications, email bulletins and surveys are sent by email. If we don't have your email address you may be missing out. So, if you haven't done so already, please send it to us at aia@investors.asn.au or update it yourself online at www.investors.asn.au.

Introducing our new office

By Jenni Eason

The AIA's Gold Coast-based office is now fully operational. For the last four years the AIA has contracted McCalls Pty Ltd to provide secretariat services to our members. Earlier this year the AIA Council decided to terminate this arrangement and establish our own office with our own staff. In doing so we believe we will both improve and extend member services and efficiency.

We are pleased to advise that Silvana Eccles, who has been with the AIA for over 10 years, will be our Executive Officer. Silvana will be responsible for the overall operations of the office and will assist the council in marketing, public relations and of course with all its major events.



Chris Kesting, Office Manager



Silvana Eccles, Executive Officer

Chris Kesting will assist Silvana in the role of Office Manager; she will look after the database, accounts and services to members. Chris already has some knowledge of the AIA, as she worked for us before the outsourcing of the secretariat services.

Our new contact details are:

Australian Investors Association
PO Box 7439
Gold Coast MC Qld 9726
Telephone: 1300 555 061
Facsimile: 07 5538 8376
Email: aia@investors.asn.au

Jenni Eason is Treasurer and Secretary of the AIA.

Bulletin board

New member offer

The AIA is pleased to announce it has negotiated a new member offer. Anyone who joins by **30 June 2010** will receive a 3-month subscription to Rudi Filapek-Vandeyck's *FN Arena* (www.fnarena.com), an online newsletter offering analysis and commentary on the Australian and global financial markets, valued at \$100. AIA membership costs \$110 for one year or \$190 for two years, plus a \$20 joining fee. It's a great investment!

Submission to the Super System Review, Phase 3

The AIA has lodged its submission to the Super System Review. We have stated clearly that, although we believe all SMSF trustees should be educated, we do not support tighter regulations, nor do we support regulated education. Visit the Australia's Superannuation System website (www.supersystemreview.gov.au/content/submissions.aspx?round=3&pageid=008c) to read this submission.

The Australian share market's annual cycle

By Robert Vagg



The recognition of linear and cyclical trends in a financial market contributes much to assessing its possible future direction. Technical analysts seek to identify chart patterns in order to evaluate a market's current position, while quantitative analysts build computer models for a similar purpose. The popularity of Elliott Wave Theory lies in the belief that the wave patterns identified have potential for quantitative prediction. While longer-term trendlines and cycles have some measure of reliability, shorter-term price movements may be much more random. This article evaluates the reliability of data relating to the share market's intra-year cycle.

In order to undertake this analysis, I have calculated the month-on-month change that has occurred in the Australian All Ordinaries Price Index throughout its 135-year history. Monthly average or mid-range values were used. The results, illustrated in Figure 1, give some indication of the annual cycle that exists for the Australian share market. Corresponding data are listed in Table 1.

Figure 1: The annual cycle



The media often refer to the existence of a 'Christmas rally', market optimism in the new year, and the likelihood of market weakness around October. The data presented here provide general support for these beliefs. Overall, the mean month-on-month change in the Index is an increase of 0.49%. The standard error (standard deviation) of $\pm 3.46\%$ on this figure acts as a measure of risk associated with the monthly volatility. By comparison, the mean monthly increase since 1970 is 0.61%, with a standard error of $\pm 4.53\%$. These latter values show that both growth and volatility have increased in more recent years. Since 1875, 973 months (60%) have shown an increase in the value of the Index, the remaining 649 showing falls.

As both Figure 2 and Table 1 illustrate, January, with the largest mean change of +1.81%, stands out as a consistent and exceptional month. Only 23 Januaries (17%) have been negative, verifying the optimism existing at that time of year. Values for the new financial year (July) also suggest some optimism. The only negative movement (mean -0.36%) occurs in November, although much of this might be attributed to the notorious contributions of 1930, 1987 and 2008. Full profiles for these two months, extending over the Index's 135-year history, are displayed in Figures 2 and 3 respectively.

Figure 2: Historical profile for January



Figure 3: Historical profile for November



The standard errors and rise-fall extremes listed in Table 1 give an indication of the lack of precision in the monthly mean values quoted. For the month of August, for example, with a mean value of +0.26%, the expected change for that month only may be quoted as likely to occur within a range from -5.66% to $+6.18\%$ with 90% confidence. A value outside these limits is likely to occur one time in ten. The lack of predictive reliability of the mean value of -0.36% for November is well illustrated by the widely scattered values shown in Figure 3. There have been very few Novembers when the change has been that small. For this reason, the annual cycle would make no meaningful contribution if it were to be included in long-term stock market models.

Table 1: Monthly data 1875–2010

Month	Change mean	Standard error	% Negative month	Extreme months	
				Rise	Fall
Jan	+1.81%	$\pm 3.21\%$	17.0%	+14.2%(1980)	-12.6%(1876)
Feb	+0.20%	$\pm 3.86\%$	44.1%	+10.4%(1980)	-8.4%(1921)
Mar	+0.26%	$\pm 3.08\%$	41.9%	+13.2%(1921)	-10.0%(1980)
Apr	+0.78%	$\pm 3.01\%$	39.3%	+11.1%(1983)	-6.7%(1952)
May	+0.67%	$\pm 2.89\%$	39.3%	+12.8%(1968)	-9.8%(1970)
Jun	+0.35%	$\pm 3.26\%$	37.0%	+9.7%(1980)	-14.0%(1974)
Jul	+1.13%	$\pm 3.12\%$	29.6%	+9.0%(1902)	-8.6%(1974)
Aug	+0.26%	$\pm 3.61\%$	45.2%	+10.4%(2009)	-13.2%(1974)
Sep	+0.26%	$\pm 3.58\%$	44.4%	+8.8%(2007)	-11.4%(1973)
Oct	+0.19%	$\pm 4.41\%$	50.4%	+22.2%(1930)	-15.8%(1987)
Nov	-0.36%	$\pm 4.35\%$	50.4%	+9.7%(1974)	-32.3%(1987)
Dec	+0.29%	$\pm 3.19\%$	41.5%	+11.3%(1903)	-11.0%(1896)
Average	+0.49%	$\pm 3.46\%$	40.0%		

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

Sub-prime recovery: scale, speed and timing... from page 1

In terms of the suddenness of the falls, the 1987 collapse was fastest of all. The market index lost a little over 50% in just 37 trading days during September and October 1987, including 25% on a single day (Tuesday 20 October) plus five further days of at least 5% losses each. The recent sub-prime collapse took an agonizing 15 months, and contained five days with losses worse than 5% and a further 14 days of worse than 3%, but at least we had no single big crash day like 20 October 1987.

The bounce-back has been strong — but it was very similar to previous bounces out of the middle of previous recessions and crises. Figure 2 shows that the latest bounce-back was similar in scale and speed to previous cycles, and that the first 12 months of the current bounce-back has been similar to several previous recoveries.

Table 1

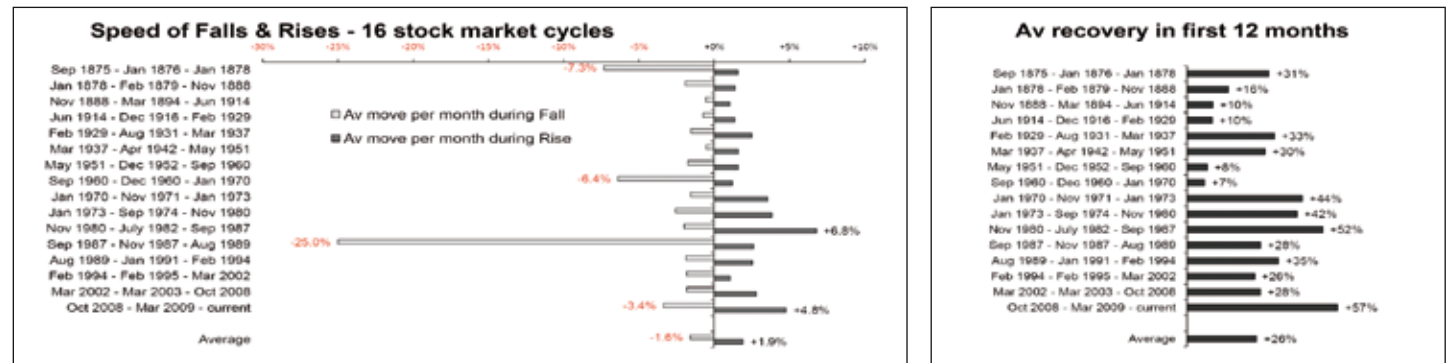


Table 1 shows the speed of the first 12 months of the recoveries as a ratio of the speed of the falls preceding them. 'Speed' is measured here as the average monthly move in the market index. In the current recovery since March 2009, the All Ordinaries index has risen at a speed of +4.8% per month, after a fall of -3.4% per month in the collapse between November 2007 and March 2009; so the ratio of speed of recovery to the speed of the fall is 1.4. The table shows that the speed ratio of the current cycle (Cycle 16) has been spot on the average speed ratio in the previous 15 cycles.

Table 2

Recovery Speed Ratio - Ratio of the Speed of the Rise in the first 12 months of Recovery, to the Speed of the Fall:																	Averages
CYCLE	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Top	Sep 1875	Jan 1876	Nov 1888	Jun 1914	Feb 1929	Mar 1937	May 1951	Sep 1960	Jan 1970	Jan 1973	Nov 1980	Sep 1987	Aug 1989	Feb 1994	Mar 2002	Oct 2008	1.4
Bottom	Jan 1876	Feb 1879	Mar 1894	Dec 1916	Aug 1931	Apr 1942	Dec 1952	Dec 1960	Nov 1971	Sep 1974	Jul 1982	Nov 1987	Jan 1991	Feb 1995	Mar 2003	Mar 2009	
Top	Jan 1876	Nov 1888	Jun 1914	Feb 1929	Mar 1937	May 1951	Sep 1960	Jan 1970	Jan 1973	Nov 1980	Sep 1987	Aug 1989	Feb 1994	Mar 2002	Oct 2008		1.4
Ratio of speed of Rise in first 12 months to speed of Fall	0.4	0.7	1.4	1.1	1.8	4.7	0.4	0.1	2.3	1.4	2.2	0.1	1.5	1.2	1.3	1.4	

Table 3

Share prices move much more quickly than people expect — and always in advance of underlying economic fundamentals. Collapses in share prices are always disturbing, and faster than anybody would like, but the recoveries are generally even faster than the falls. The same has been true again in the current cycle.

If both the scale and the speed of the current recovery are not unusual relative to previous cycles, including the 'big ones' like the two global depressions and the two world wars, finally there is the question of timing. Share prices have risen strongly over the past 12 months, but economies are still weak; companies are reporting losses and dividends are being cut.

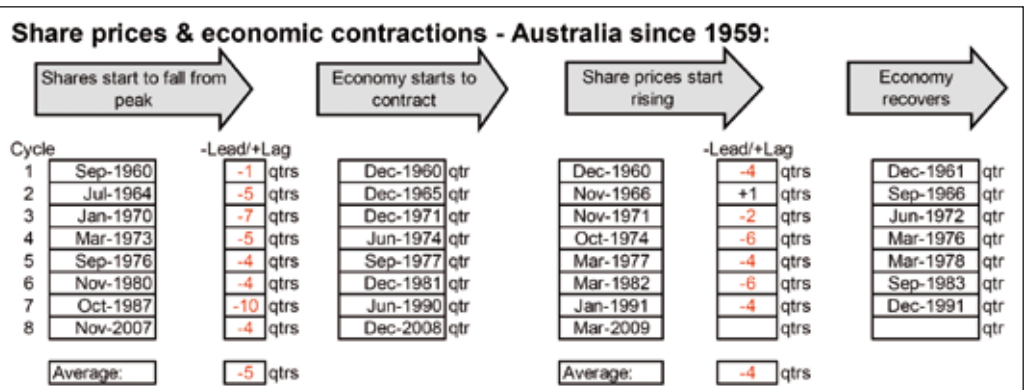
In all past cycles, stock markets have generally started bouncing back out of the *middle* of recessions — even in the middle of the major depressions in the 1890s and 1930s, and in numerous less serious recessions and contractions. It has happened even while the underlying economy is still contracting, while unemployment is still climbing, while bad debts are rising, and while dividends are being cut.

In Australia, quarterly economic growth data is available only from 1959. Figure 3 shows that share prices *led* the economy in seven out of the eight economic contractions since 1959. Share prices started falling an average of five quarters *before* the contraction started, and then the bounce-back started an average of four quarters *before* the economy recovered. In other words, the sub-prime cycle was very similar to past cycles.

Conclusion

The bounce-back in Australian share prices has been very similar, in terms of scale, speed and timing, to previous cycles — including the recoveries during two global depressions and the two world wars, which saw far more destruction of human lives, economies and wealth than the recent sub-prime cycle.

Ashley Ormond is Principal of Investing 101. The full version of this article with supporting facts, figures and charts, plus many other articles, are available free of charge from his website (www.investing101.com.au).



The Warren Buffett way

By Marcus Padley



I love 'the Warren Buffett way'. In fact, one of my first ever clients introduced himself by saying 'I am Fred and I'd like to invest the Warren Buffett way.' Well whoopee do. OK, so what shall we do? Go out and get the annual reports of the top 200 companies. Analyse the profit-and-loss and balance sheets of each one, accurately assess 'value' and then go out into the stock market and find out that 'Wow, I'm right and the whole market is wrong' and the share price is trading below true 'value'. Then purchase the shares and wait for that value to inevitably emerge.

Yeah right, but hardly realistic, and it's my contention that 'the Warren Buffett way' and the way investors and advisers alike have skimmed the surface and pretended to apply his methods has cost the average investor more money than it has ever made them. No problem with Warren Buffett himself, but it's a popular delusion that we can and should do what he does, or at least do what he has done in the past.

There is hardly a man in the street who does not quote Warren Buffettisms, and hardly an adviser who does not claim an empathy with his investment style. But the truth is that there is only one Warren Buffett and only one person in the world who has his skill, patience, money, well-earned advantages and dedication to the task.

But the rest of us? To think we can assess the Fosters profit-and-loss account between packing four school lunches and holding down a job is simply delusional, as is the marketing of the idea that someone who is not Warren Buffett can emulate him and his success on our behalf.

Seriously, if it was possible to imitate 'the Warren Buffett way' and transplant Warren Buffett's judgment into another fund manager, wouldn't we know about it, and wouldn't his fund be the highest-returning fund in the market? But there is no such fund manager and no such fund, because being Warren Buffett and exercising his judgment is not easy. In fact it's impossible, because so many elements of his analysis are so subjective. Getting stocks right is a very personal thing, and I'm afraid if you really want Warren Buffett to be your adviser or your fund manager there is no alternative but to ring him.

I know from experience that it works in our industry to align yourself with Warren Buffett's success in the pursuit of more sales, clients, funds. But the truth is that, apart from the fact that these products have Buckley's chance of delivering the same success, they are also conveniently inoculating themselves from responsibility for their performance, because the Warren Buffett way relies on such a long-term approach. This negates the need for them to perform 'today' or be judged until much later.

In fact most Warren Buffett-based approaches are terrible at timing, which in reality is about the only thing that really matters. In an increasingly impatient market it's not just about 'what'; it's becoming all about 'when'. Investors who sat through the 54.5% fall in the market in the financial crisis need to earn 113% to get their money back. That's 13 years of compounding average annual returns. Not caring about 'when' just cost us 13 years.

There are only two ways to make money out of Warren Buffett. Buy shares in Berkshire Hathaway or write a book about him — there are close to 50 of those, and he didn't write one of them.

On that basis Warren himself is hardly to blame for all this hoopla, and if there is any blame at all it is ours, for skimming the surface of the biggest investment success story in the world in order to commercialise it.

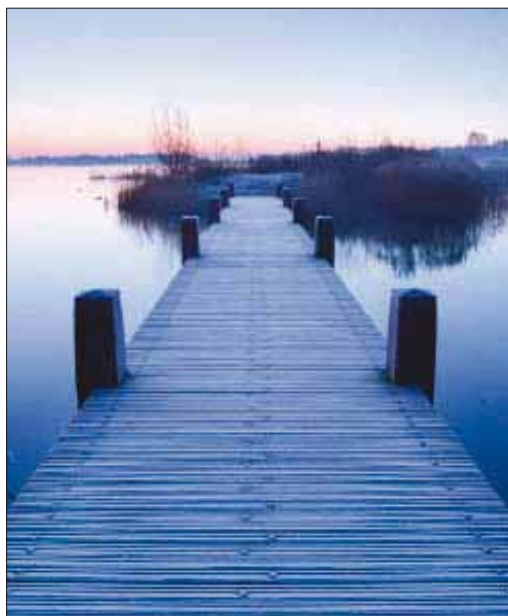
There is no 'Warren Buffett way' for other investors. There is just picking stocks that go up in price, and to do that you would be well advised to rely on you, just you, with your understanding, your time horizons, your risk profile and your expectations. Not Warren's. Forget Warren. You are not Warren. You are you. Rely on that.

Marcus Padley is a stockbroker with Patersons Securities and the author of the daily stockmarket newsletter Marcus Today. For a free trial of the Marcus Today newsletter please go to marcustoday.com.au. Marcus will also be presenting at the AIA National Investors Conference at Surfers Paradise in July 2010.

Bulletin board

Online Forum

If you haven't yet registered to the members' online forum 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.



Did your Australian share portfolio grow by 70% in the year to February 2010?

In good times and bad, Clime has outperformed the market. But the real reason why you should talk to Clime is the way we manage money.

You can trust our investment process. We value companies and invest when the share price is lower than the value. Capital preservation and growth are key.

Take charge of your financial future. Invest in a conversation with Clime Asset Management.

Contact Michael Kloeckner today
D 02 8917 2134
M 0488 188 309
michaelk@clime.com.au
www.clime.com.au

Clime Asset Management Pty Ltd
Real investing. Real value.



Investing in art

How to diversify your investment portfolio with fine art

By Cameron Hall



In recent years, good quality fine art has become more accessible and individuals are increasingly using fine art to diversify their investment portfolios. It also offers investors an ethical choice where they can support social and cultural values while also deriving pleasure from the art itself.

With good advice and a selection of quality artworks, art can outperform other assets. A tangible asset, art demonstrates stability over a longer timeframe and

is not subject to day-to-day volatility like many other investments.

Despite the market instability that typified 2008 and 2009, art has shown some resilience in the face of the global economic conditions. Since 1993, the Australian art market as a whole has expanded at a rate of 10% compound annually, with Indigenous art growing at an incredible 25% and non-Indigenous art at a healthy 9%.

As world markets recover, those who purchase art wisely now will be well placed to benefit. We have already seen confidence returning to the art market, with auctions in London and Amsterdam greatly exceeding estimate expectations.

Where do you start?

The strategies for investing in art are much the same as those used to invest in the stock market or property:

Diversify

A balanced portfolio consisting of different artists and styles spreads risk and optimises potential gains. Ensure that all artworks are accompanied by a Certificate of Authenticity guaranteeing the provenance of the piece.

Analyse the potential

Determine the artwork's potential for capital growth by examining some key factors:

- the artist's reputation, sales track record, awards, prizes and notable public and private collections holding the artist's work
- the artwork itself — it must be well constructed, of good quality and consistently marketable
- art market statistics, auction results and media articles highlighting market trends.

Enjoy a return on investment

Any astute investor will want their investments to produce a regular yield, and this asset is no different. Art, like real estate, is a long-term hold and can also offer an annual rental return in addition to potential capital growth. Corporate rental is particularly popular with self-managed super funds, allowing artwork purchased through the gallery to be leased to carefully selected organisations. Up to 8% pa return for each work leased out makes it a very competitive income-generating asset.

Where to go for advice and assistance

Specialist art consultants such as Smith & Hall can provide the art investor with unbiased advice. We blend financial and technical analysis with industry knowledge and art world connections. Unrestricted by the need to represent artists (the model of more traditional galleries) we are free to offer clients access to only the artworks and artists with the best growth potential.

Cameron Hall is the Managing Director and founder of Smith & Hall. Cameron Hall will be presenting at the AIA National Investors Conference, 25-28 July 2010.

AIA web book reviews

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

Title: Building wealth and loving it
Author: Jimmy B Prince
Publisher: Wrightbooks, Brisbane, Australia, 2010
ISBN: 1742 16995-3
RRP: \$29.95
Reviewer: Peter Schiff

Title: Common sense on mutual funds, fully updated 10th anniversary edition
Author: John C Bogle
Publisher: John Wiley & Sons Inc, New Jersey, USA, 2010
ISBN: 9780 4701 38137
RRP: \$44.95
Reviewer: Iain Smith

Title: Conquer the crash. You can survive and prosper in a deflationary depression
Author: Robert R Prechter Jr
Publisher: John Wiley & Sons Inc, New Jersey, USA, 2009
ISBN: 9780 4705 67975
RRP: \$44.95
Reviewer: Garry Eldridge

Title: DIY super for dummies
Author: Trish Power
Publisher: John Wiley & Sons, Brisbane, Australia 2009
ISBN: 9781 7421 69439
RRP: \$39.95
Reviewer: Brian Cordiner

Title: No-nonsense guide to buying and selling property
Author: Andrew Winter
Publisher: John Wiley & Sons, Brisbane, Australia, 2009
ISBN: 9781 7421 69613
RRP: \$29.95
Reviewer: Tim Kottek

Title: The business of value investing: six essential elements to buying companies like Warren Buffett
Author: Sham M Gad
Publisher: John Wiley & Sons Inc, New Jersey, USA, 2009
ISBN: 9780 4704 44481
RRP: \$59.95
Reviewer: John Russell

Title: The elements of investing
Author: Burton G Malkiel & Charles D Ellis
Publisher: John Wiley & Sons Inc, New Jersey, USA, 2010
ISBN: 9780 4705 28495
RRP: \$27.95
Reviewer: Bill Dodd

Title: The little book of behavioral investing. How not to be your own worst enemy
Author: James Montier
Publisher: John Wiley & Sons Inc, New Jersey, USA, 2010
ISBN: 9780 4706 8602 7
RRP: \$34.95
Reviewer: Gordon Wilson

Title: The property puzzle
Author: Stuart Wemyss
Publisher: Major St Publishing, Melbourne, Australia, 2010
ISBN: 9780 6465 15595
RRP: \$29.95
Reviewer: Bruce Guthrie

Continued on page 9

On the road to recovery

Australia's commercial property markets

Provided by Orchard Funds Management

The Australian economy continues to exceed recovery expectations despite traditional commercial property markets recording a cyclical trough in the last quarter of 2009.

Figures released in March by the Australian Property Council (IPD Australia Property Index) indicate that Australia's commercial property markets are now entering the recovery phase of the investment cycle. Total returns recorded for the market were -2.2% for the year ended December 2009, as compared with -4.9% for the year to September 2009. However, the Australian Property Council cautions that we should expect a 'moderate, rather than sharp' recovery.

Australia's resilience

Compared with its global peers, Australia's economy proved to be fairly resilient against the downturn. The strength of Australia's ongoing trade relations with rebounding Asian economies, along with global demand and a robust banking system cushioned the impact. Easing credit markets should also boost consumer confidence.

Commercial property markets are starting to stabilise, with demand for quality assets improving. Research suggests the environment for commercial property is favourable for 2010 and beyond, supported by solid underlying fundamentals, high transparency and stable returns.

Shift towards a favourable market for property investors

A shift away from favouring tenants to a more balanced longer-term market in Sydney and Melbourne and a more landlord-favourable market in Brisbane, Adelaide, Canberra and Perth is expected, as yields tighten and leasing incentives decline between 2010 and 2014. It is also expected that the softening in rents and yields will reach a turning point earlier than anticipated.

Researchers Jones Lang LaSalle (JLL) recently adjusted their forecasts: 'Broadly, a year ago we expected that the current cyclical downturn would trough around Q1/10 ... However, many indicators of rents and yields appear to have reached a turning point in Q3/09 or Q4/09, slightly earlier than forecast.'

Table 1 summarises their adjusted forecasts.

Property market outlook

Orchard Funds Management expects 2010 to be a year of consolidation, with a move towards further tightening of yields. A return to growth in rents and capital values should follow in 2011, according to JLL research.

Office

While surviving the global downturn better than most, Australia experienced a drop in demand for office space and rising vacancy.

At the peak of the market in the last quarter of 2007, the national central business district (CBD) vacancy rate was only 5.5%. In 2009, JLL research suggested vacancy levels would reach 10.5%; however, in the last quarter of 2009 the national CBD vacancy rate was 8.0%. JLL now expects this vacancy rate will peak at 9.6% in the last quarter of 2010. Although vacancy rates will remain relatively stable at current levels, they are expected to contract in 2011.

Tighter yields are also indicating a positive return to asset values. The office sector is now at yields of around 7.7%, significantly lower than earlier yield forecasts of 8.2%.

Melbourne and Sydney are likely to be the first office markets to recover due to the responsiveness and concentration of financial services organisations in these markets.

Retail

According to JLL, yields softened significantly (90–200 basis points) from their peak in 2007 across all retail sectors, and this is expected to continue. However, the retail sector responded well to fiscal and monetary stimulus measures, along with a strengthening Australian dollar and growing interest from private investors.

Retail turnover is forecast to stage a modest recovery in 2011. In 2010, researchers expect retail spending growth to decline; however, with wages and employment growth forecast to rise, the underlying trend remains supportive.

Overall, the outlook for the Australian retail market is looking brighter in 2010 with:

- positive turnover prospects on the upside
- stronger tenant demand, as vacancy seems to have peaked
- greater focus on premium and CBD assets, with limited supply coming to the market
- modest rental growth, as rents have held well
- yields that appear to have stabilised.

Industrial

The national industrial market has performed better through the downturn than expected, and 2010 is expected to be a year of moderate recovery for the sector, followed by acceleration in rents and capital values from 2011.

As JLL reports, industrial capital values experienced greater volatility in the early 1990s, when yields were higher and moved more widely. By comparison, the current market is characterised by longer leases and a high level of institutional investment, resulting in greater stability.

While the short-term outlook for the logistics sector is encouraging, the outlook for manufacturing is subdued, according to ANZ Economics & Market Research (ANZ). ANZ predicts that manufacturing output, having contracted by an estimated 8.1% in 2009, should grow by a modest 1.9% in 2010.

In summary

The current downturn has been broadly in line with researchers' forecasts, but the bottom for prime grade assets has arrived slightly earlier than expected. As anticipated, secondary grade assets have recorded greater yield decompression than prime assets. These assets are also now considered to be at, or close to, their cyclical trough.

Previous market cycles have taught us that commercial property lags behind the overall economy. While the initial signs of improvement are visible, it will take a while to gather momentum in the recovery. Looking ahead, the question for Orchard Funds Management and other key property investors will be the timing, duration and magnitude of this next property market upturn.

Sources of data

The data presented in this article was derived from the following sources:

- 'Australian office markets retain their shine', *Property Australia*, 5 April 2010
- *Australian Property Outlook*, ANZ Economics & Markets Research, December 2009
- 'Commercial property enters recovery phase', Australian Property Council, 25 February 2010
- Jones Lang LaSalle, *Q4 2009 preliminary report*
- Jones Lang LaSalle, *Market recovery: strategies for the upturn Q1 2010*.

Table 1: 2008–09 downturn — Jones Lang LaSalle temper forecasts

Sector	Indicator	Peak Values Q4/07 %	Current Q4/09 %	Previous Forecast: Trough Q1/10 %	Comment
Office	CBD Vacancy	5.5	8.0	10.5	Forecast to peak at 9.6% (Q4/10) Yields peaked 7.78 (Q3/09) Trough in Q4/09
	Prime CBD Yield	6.00	7.73	8.25	
	Prime Capital Value*	-	-25	-20 to -25	
Retail	Prime Regional Yield	6.00	6.60	7.00	Peaked in Q4/09 Trough in Q4/09
	Prime Capital Value*	-	-9	-5 to -15	
Industrial	Prime Yield	7.00	8.60	8.75	Peaked in Q4/09 Trough in Q4/09
	Prime Capital Value*	-	-21	-25 to -30	

*Peak (Q4/07) to trough (Q4/09). Source: Jones Lang LaSalle Research

Tax notes

Real estate and CGT

By Dennis Eagles



As most investors know, profits made on the sale of investment properties are subject to capital gains tax (CGT). What isn't widely known is that there are ways to avoid paying more CGT than you should. This article focuses on one of these — when your primary residence becomes an investment property.

Ordinarily, your residence is exempt from CGT whereas a rental property is subject to it. However, consider the situation where you move out of your home and turn it into a rental property in your absence. Maybe you have been seconded interstate or overseas, or you have moved in with your elderly parents to care for them.

The Tax Act allows you to choose to continue to treat that property as your main residence, and thus exempt from CGT, for a period of up to six years (indefinitely if you don't rent it out). The good news is that this choice only has to be made when the property is sold, so it can be made with the benefit of hindsight.

This even applies when you move from one residence to another. While you can only have one 'main residence' at a time, this choice enables you to select the property with the highest capital growth to be your main residence and be exempt from CGT.

As an example, let's say your current home is worth \$800,000, your children have moved out and you decide to buy a small unit to live in (for say \$500,000). You keep the house and rent it out as an investment property. After five years, it has increased in value to \$1.4m and you think it's the right time to sell it. Your unit has only increased to \$590,000 as there are newer units being built in your area at low prices, with more planned in the coming years. At the time you sell the house, you can elect for it to be treated as your main residence for the five years that it was rented. The effect of this is no CGT on the entire property, including the \$600,000 profit that it has earned since it became an investment. The downside is the unit will be subject to tax for the whole five-year period.

Alternatively, say your unit has doubled in value to \$1m and it is located in the latest trendy suburb, so looks like it will keep rising quickly in the next few years. In this situation, you might consider choosing the unit as your main residence. The unit will then be completely tax free when it is eventually sold, but the house will be subject to CGT on the \$600,000 growth in the period during which it was an investment property.

Record-keeping tip: If you change your home into a rental property, you need to obtain a valuation at the time of the change and keep it with your tax records until five years after the property is sold.

This is just one example of the quirks within Australia's capital gains tax provisions, but is definitely one that can be used legally, and very effectively.

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.

What is a hybrid?

By Brad Newcombe



The term 'hybrid' is a broad classification for a group of securities, used by a variety of Australian companies to raise money, which combine both debt and equity characteristics. Hybrid securities pay a predetermined (fixed or floating) rate of return or dividend until a certain date. At that date the holder has various options including converting the securities into the underlying ordinary shares of the issuer. Therefore, unlike a share, the hybrid gives the holder a 'known' cash flow and, unlike a fixed interest security, it gives the issuer an option to convert to the underlying equity. This may allow the issuer to classify the issue as equity but also claim the tax benefits of issuing debt.

The advantages and disadvantages of hybrids are set out in the table below.

Hybrids
Advantages
- Wide variety of maturities and structures
- Wide variety of issuers rated across the credit rating spectrum
- Usually offers higher returns than those offered by more senior assets in the capital structure such as senior and subordinated debt
Disadvantages
- Varying liquidity
- The highest risk fixed income security in terms of where it sits in the capital structure, although is lower risk than equity (shares)
- These securities have some equity characteristics which may add to the existing risk of a portfolio
Suitable for
- Moderate risk investors through to those seeking very high risk securities
- Wholesale and retail investors

Source: FIIG Securities

More common examples include convertible and converting preference shares. It is important to note that every hybrid security is structured differently, with some securities behaving more like fixed income securities and others behaving more like the underlying shares into which they convert.

To be regarded as equity, hybrids must be perpetual in nature — that is, have no maturity date. So, while many such securities have clauses whereby they can be redeemed at the issuer's and not the investor's option, they technically have no set maturity date.

Perpetual hybrids have specific characteristics that set them apart from being valued purely as an equity security:

- Hybrids typically rank higher in liquidation and priority of payment of dividends than ordinary equity (shares).
- The coupons (if paid) are predetermined as either a fixed rate or a margin over bank bill swap rate, unlike ordinary share dividends where payments can vary significantly.

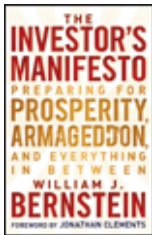
These features are typical of debt securities and mean that perpetual hybrids, although equity-like in many ways, are also lower-risk than traditional equity.

Franked or unfranked?

'Franked' simply means there is a tax credit attached to the dividend, which effectively represents the tax the company has already paid. If a dividend is fully franked, investors will receive a distribution that is discounted 30% (company tax rate) to account for the franking credits they will receive. Unfranked dividends are just dividends that have had no tax paid on them, so shareholders receive a gross distribution that has no franking credit.

Brad Newcombe is a Senior Research Analyst with FIIG Securities Limited, ABN 68 085 661 632 AFS Licence No. 224659.

Book review



Title: **The investor's manifesto**
Author: William J Bernstein
Publisher: John Wiley & Sons, New Jersey, USA, 2009
ISBN: 9780 4705 05144
RRP: \$37.95
Reviewer: Michael Stearn

In *The investor's manifesto*, author William J Bernstein tells us that a successful investor requires four main qualities — an intrinsic interest in the process of investing; substantial mathematical abilities, particularly in probability and statistics; knowledge of financial history; and emotional discipline. He estimates that about one in 10,000 people possesses all four. In spite of this, more and more people are taking on for themselves major investing decisions that will determine their financial futures. This is because more ordinary people are being exposed to market-based superannuation and retirement products of increasing complexity, and they feel pressed to make their own decisions. Many prefer to trust their own unskilled judgement rather than submit themselves to a financial industry that they have come to trust less and less.

Bernstein is scathingly critical of most areas of the financial services industry and doesn't hesitate to use the most strident language. For example: 'If you act on the assumption that every broker, insurance salesman, mutual fund salesperson and financial advisor you encounter is a hardened criminal, you will do just fine.' Bernstein describes investing as a 'life and death struggle with the financial services industry'. Consequently he deplores the fact that so many people are unwittingly and inappropriately being forced to be their own fund managers when they lack the knowledge and expertise.

This is not a book about how to get rich. It is about 'minimizing the odds of dying poor'. The author's central piece of advice is to avoid the financial services industry, on the basis that its various advisers and agencies always put their own business interests before those of their clients; they have no sense of fiduciary duty or responsibility. He also says they are largely unqualified to provide advice, and the advice is totally contaminated by other interests. He sees the financial services industry as a main factor in increasing your likelihood of poverty.

As for taking personal responsibility for investing, the book is also a warning about the dangers of overconfidence — of convincing ourselves that we are just that little bit smarter than the rest of the pack. Bernstein repeatedly puts paid to any delusions you might have in that department: 'In the investment world, you are not above average. You are likely not even close.'

Consequently he sees individual share ownership as a pathway to poverty. Personal share trading is doomed to failure, since 90% of the time you are playing against institutional traders who are vastly smarter, faster, harder-working and better equipped than you are. In the end they will always win. 'Trading individual stocks is like playing tennis against an invisible opponent; what you don't realise is that you are volleying with the Williams sisters.'

Investment newsletters and tip sheets are not spared from Bernstein's invective. He condemns them all, without exception, as useless and inaccurate, telling us US statistical research shows that the best way to make money from them is to take the worst newsletter and do the absolute opposite of what it says.

Bernstein does have positive suggestions for the average person, though. Firstly he summarises his warnings and concerns in three general principles for investment: don't be too greedy; diversify as widely as possible; and always be wary of the investment industry. He also advises that you must always save: 'Save as much as you can, and do not stop saving until you die.'

But when it comes to investment strategy he is adamant that there is only one approach. Only invest in index funds and bonds. The index funds, which should be based only on major indices of mainstream developed markets, provide the greatest diversity and lowest fees, and keep you safely clear of the ravages of the financial services industry. The bonds are there for security. (Bernstein does not discuss doubts about the risk-free reputation of government bonds in a post-GFC world.) Bonds also tend to perform inversely to the share market over time.

The proportion of index funds to bonds in your portfolio should be determined by 'your age in bonds'. For instance, if you are 60 years old, you should have 60% bonds and 40% index funds. The ratio can be bent a little, depending on your risk tolerance. But a most crucial part of the strategy is to rebalance the bond-equity mix in your portfolio each year around this ratio. This way you are forced lighten over-performing assets and buy under-performing ones. He demonstrates that this contrarian approach provides a substantial boost in portfolio performance.

Bernstein's gloves-off criticism of the financial services industry will resonate with many AIA members who are driven to develop their own investment expertise and strategies out of deep and increasing suspicion of financial advice and products. But, as a personal investor who is doing the absolute opposite of what Bernstein suggests, I found his message deeply disturbing. Especially against a backdrop of global financial uncertainty, Bernstein really did make me wonder if I knew what I was doing. I'm sure this is exactly what he set out to achieve. The investor's manifesto is essential reading.

Michael Stearn is a member of the AIA. A video interview with the author can be seen at www.amazon.com/gp/mpd/permalink/mS5ULDF0ABDMG.

AIA web book reviews

Recent book reviews available on AIA website
www.investors.asn.au. Continued from page 6.

Title: **The true cost of happiness**
Author: Stacey Tisdale & Paula Boyer Kennedy
Publisher: John Wiley & Sons Inc, New Jersey, USA, 2009
ISBN: 9780 4704 96572
RRP: \$27.95
Reviewer: Jennifer Williams

Title: **30-Minute money solutions**
Author: Christine Benz
Publisher: John Wiley & Sons Inc, New Jersey, USA, 2010
ISBN: 9780 4704 81578
RRP: \$32.95
Reviewer: Graham Smith

Title: **Understanding stock and property markets better**
Author: Nick Renton
Publisher: BAS Publishing, Melbourne, Australia, 2009
ISBN: 9781 9214 96073
RRP: \$36.99
Reviewer: Owen Davis

Title: **Warren Buffett on business. Principles from the Sage of Omaha**
Author: Richard J Connors
Publisher: John Wiley & Sons Inc, New Jersey, USA, 2010
ISBN: 9780 4705 02303
RRP: \$32.95
Reviewer: Tony Reardon

Account-based pensions out, government annuities in?

By Scott McKenzie



The recent global financial crisis could well give birth to a particularly odious action by governments throughout the world: using the superannuation savings of retirees to pay off government debts.

They could do this by parking our money in government bonds that pay some smallish interest rate, and calling them annuities. The reasons they would give us, however, would focus not on repaying debt but on ensuring that our superannuation lasted

throughout our lifetimes and kept us off the government age pension for as long as possible.

'That's not likely,' I hear you say. 'It's our money. They couldn't take it away like that.'

But they're already talking about it. It was hinted at in the interim report of the Henry Review and an independent organisation, the Investment and Financial Services Association (IFSA), commissioned research on the matter. The IFSA research focused mainly on whether it would be better if annuities were better in private hands than with government. It won't surprise many of us that private management turned out to be superior, especially in terms of returns to investors. Challenger already manages over \$6 billion in annuities for 60,000 clients in Australia.

This matter has also become the subject of significant debate in the US, where current debt levels and unfunded liabilities for pension payments run into trillions of dollars.

One of the things that people dislike most about annuities (i.e. lifetime annuities) is the fact that those who live longer get back more than their

investment, whereas those who die earlier lose out. Demographic studies show that tertiary-educated, more affluent people tend to live longer than those who have been manual workers throughout their lives. So there is an injustice here.

Another injustice is that the amount of pension we would receive each year would be determined for us — it would be out of our control. And the capacity to take a lump sum would probably be abolished.

Studies in Australia have shown that private-sector lifetime annuities would provide retirees a higher (compared with government) total income in retirement, as well as reducing the drain on government funds caused by rising age pension costs. But where are the studies to show how much overall retirement incomes would be reduced by compulsory acquisition of annuities?

To be fair, our government has to find a way to handle its rising levels of debt, and to fund age pension payments for baby boomers who are joining the ranks of the retired without significant superannuation. We are in new financial territory for governments. But we need to watch the developing proposals and be prepared to take action to ensure that those of us who have been prudent in our long-term financial planning are not disadvantaged.

To this end, the AIA is taking the matter on as an advocacy project, lobbying the Australian Government in the interests of our members. So we're asking members with a special interest and expertise in this issue to help us formulate a position and communicate it to Canberra. If you can help, please email me: scott.mckenzie@investors.asn.au.

Scott McKenzie is Vice President of the AIA.

Bayside discussion group

By Kevin Macdonald

The Bayside AIA discussion group commenced in 2005 and seven of the original group are still active members. Currently we have 20 members on the list and an average attendance of 10–12. This is a comfortable number and allows each member to contribute to the discussion.

As expected, most interest concerns equity, but we also attempt to have a wider agenda. For example, we have run sessions on estate planning, fixed interest and interest-bearing investments. Unless someone within the group has a particular expertise, where possible we bring in an outside expert to present these more specialised subjects.

Notable speakers have included Kevin Bailey, Principal, Shadford Financial Group Ltd and well known investment commentator, who presented his 'Portfolio for all Seasons'; Jamie Nemtsas, Lachlan Partners, who led a discussion on interest-bearing investments; and Tory Klaus, a solicitor with Arnold Bloch Leibler, Melbourne, on estate planning.

This is an opportunity to learn and discuss in a small group format and we have been very fortunate to have experts of this calibre willing to give up their time; we are very mindful of this when we feel the need for an expert session.



Competition winner: Maureen Grant

In late 2008 we decided to have a friendly competition to predict the All Ords Index in June and December 2009, on the basis that our guesses would be as good as anyone else's! A wide range of guesses were forthcoming, from doom and gloom to bullish. Our December winner was Maureen Grant who guessed 4801 and received a token of red (a bottle that is) as a mark of our respect.

Kevin Macdonald is the Coordinator of the Bayside Discussion Group. This group covers a region to the south of Melbourne and meets on the second Thursday of the odd months. Refer to the events section of the AIA website www.investors.asn.au for more information.

Me and my portfolio

By Alan Timmins



We retired 16 years ago. Seven years ago, when super funds were doing badly, we decided to run our own super fund. The fund is in pension mode, with about 54% of our investment in the super fund. We'd like this percentage to be a bit higher, but family responsibilities and the work test make this difficult.

Although we are getting on a bit now, the fund still has reasonable prospects of continuing for some time. Consequently we have a fair amount invested in

Australian shares (about 46%), both directly and indirectly, through LICs and wholesale managed funds. We have generally stuck to the 'blue chip' shares, because good information on them is available to the private investor.

We have paid particular attention in our share investments to the various market sectors. We have invested heavily in health, which we regard not only as defensive (there will always be people who are sick) but with good growth prospects. We hold CSL, Healthscope, Ramsay and Sonic Health Care. In the food and staples retail sector we hold Woolworths as a defensive investment, although it looks a bit high-priced now. We are very interested in the energy sector, particularly companies with a green tinge, and hold AGL, Origin, Woodside and Geodynamics. And we are high in financial stocks, particularly the major banks. We are about neutral in resources, and we avoid manufacturing.

Over the years we have had international investments via managed funds in a variety of regions, but over the past few years have limited ourselves to Asia, which we consider the only region worth investing in — through Platinum Asia and K2. We also have a small investment in emerging markets through Aberdeen. The reason usually given for holding international investments is diversification, but in the global financial crisis this was negated somewhat by the good correlation between the performance of all the world markets. Asia, however, is a high growth region and we expect good returns. Similarly, emerging markets should show high growth, although rather volatile. Currently we have about 13% of the portfolio in international shares.

Our property investments have always been small, through LPTs and exchange traded funds — only about 2% — and we don't intend to increase them at this stage. We are holding a fair bit of cash at present (about 29%, some on term deposit, some in internet-only access), as these seem still to be fairly uncertain times; but we have also invested about 8% in some fairly short-term floating rate bank securities with good rates of interest. We believe we will have to maintain a flexible outlook over the next couple of years — because, while the economic outlook looks quite promising, there is still a lot of debt out there that could cause some nasty surprises.

We hold a small investment in a private equity company, a decision probably taken through greed — the company had done well in a previous venture. It's difficult to evaluate performance of these investments, but it does seem to be travelling quite well. However, resolution of their investments through sales or floats has been slowed down by the financial crisis, and it will be some years yet before the venture is wound up.

Our methods of managing our investments are fairly simple. We use input data from Comsec, the *Financial Review*, the *Eureka Report* and Morningstar. We supervise the investments with an Excel spreadsheet, organised to give us various ratios, dollar values etc.

About October, after the end of the financial year, we give all the documents for our SMSF to our accountant, who prepares the accounts, tax return and members statements, and arranges the audit. We generally get the completed work back by the end of November. We find this a very satisfactory method as it gives us complete control during the year and gets the end-of-year paper work completed

expeditiously and at relatively low cost (about \$1100 for the accountant and \$400–\$500 for the auditor).

Probably our best investment was the banks in about 1990, when we were able to buy them very cheaply, particularly Westpac and NAB, and later the Commonwealth Bank. We still have them, as they pay good dividends and the capital gains implications discourage selling. One of our worst mistakes was to continue to hold investments in BT after their management team all left. At that time we didn't understand the importance of the people making the investment decisions, and that whenever there are major changes in the management of a fund you need to carefully evaluate the possible effect on fund performance. Up until the change in management we had enjoyed very good returns and didn't realise they wouldn't continue.

As we grow older we are looking to simplify the task of managing our investments. We are slowly gravitating towards fewer directly held shares and more investments in LICs, exchange traded funds, wholesale managed funds and the like. In this we have profited greatly from the AIA's managed investments meetings, which have provided us with a good deal of information and a discussion forum to exchange ideas.

Alan Timmins is a member of the AIA's Brisbane Managed Investments Group.

Bulletin board

Seminars — Perth, Brisbane and Sydney

The AIA has three great seminars coming up: in Perth on investing in residential property; in Brisbane on how to invest during the year ahead; and in Sydney the seminar explores the Australian share market.

Perth: 'Residential property as an investment class', half-day seminar

Date: Saturday 8 May from 9 am to 12.30 pm

Venue: Wembley Downs Tennis Club, Corner of Morden and Ednah Streets, Wembley Downs

Cost: Members, guests and partners \$45 pp; non-members \$95 pp (includes 3-month AIA subscription)

Features: Perth's leading property experts showing you how to invest for profit

Brisbane: 'What's in store for the year ahead and how you should invest', one-day seminar

Date: Saturday 15 May from 9 am to 4.30 pm

Venue: Broncos Leagues Club, Fulcher Road, Red Hill

Cost: Members, guests and partners \$95 pp; non-members \$145 pp (includes 3-month AIA subscription)

Features: Renowned author and educator Colin Nicholson

Sydney: 'The Australian share market — where to next?', one-day seminar

Date: Friday 24 June from 9 am to 4.30 pm

Venue: Tattersalls Club, 181 Elizabeth Street, Sydney

Cost: Members, guests and partners \$125 pp; non-members \$175 pp (includes 3-month AIA subscription)

Features: Peter Thornhill of Motivated Money and sector analysts

For more information go to the events page on the AIA website (www.investors.asn.au) or call 1300 555 061.

Calendar of events

Date	Event	Time	Venue	Topic
03-May-10	Canberra Information Meeting	7.30-9.30pm	Southern Cross Club, Woden (Check room allocation in foyer)	Equities Discussion Group
04-May-10	South Sydney Information Mtg	7.30-9.30pm	Miranda Community Centre, Wattle Room, 93 Karimbla Rd, Miranda	Exchange traded funds
05-May-10	Brisbane Information Meeting	2.00-4.00pm	Broncos Leagues Club, Fulcher Rd, Red Hill	ETFs; The materials sector
08-May-10	Perth Half Day Seminar	9.00-12.30pm	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs	Residential property as an investment class
10-May-10	Adelaide Information Meeting	7.00-9.00pm	Enterprise House, Room 4, First Floor, 136 Greenhill Road, Unley	Tax planning & Interpreting company reports
15-May-10	Brisbane One Day Seminar	9.00-4.30pm	Broncos Leagues Club, Fulcher Rd, Red Hill	What's in store & how you should invest
18-May-10	Perth Equities Discussion Group	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs	Equities Discussion Group
19-May-10	North Shore Information Meeting	7.00-9.30pm	The Chatswood Club, 11 Help Street, Chatswood	Art investing & Have share prices bounced back too quickly?
01-Jun-10	South Sydney Information Mtg	7.30-9.30pm	Miranda Community Centre, Wattle Room, 93 Karimbla Rd, Miranda	Discussion Group
02-Jun-10	Brisbane Information Meeting	2.00-4.00pm	Broncos Leagues Club, Fulcher Rd, Red Hill	Current issues in taxation affecting investors
07-Jun-10	Adelaide Information Meeting	7.00-9.00pm	Enterprise House, Room 4, First Floor, 136 Greenhill Road, Unley	TBA
07-Jun-10	Canberra Information Meeting	7.30-9.30pm	Southern Cross Club, Woden (Check room allocation in foyer)	Equities Discussion Group
08-Jun-10	Perth Information Meeting	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs	Commercial property
09-Jun-10	Brisbane SMSF Meeting	2.00-4.00pm	Chermside Library, Hamilton	SMSF compliance
09-Jun-10	Melbourne Information Meeting	6.30-9.15pm	Telstra Conference Centre, R1, L1, 242 Exhibition Street, Melbourne	Tax & Estate planning
16-Jun-10	Gold Coast Information Meeting	9.30-11.30am	Robina Community Centre, Conference Room, 196 Robina Town Centre Dve	CFDs for hedging & Optimising tax
16-Jun-10	North Shore Information Meeting	7.00-9.30pm	The Chatswood Club, 11 Help Street, Chatswood	TBA
22-Jun-10	Perth Equities Discussion Group	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs	Equities Discussion Group
24-Jun-10	Sydney One Day Seminar	9.00-4.30pm	Tattersalls Club, 181 Elizabeth Street, Sydney	Investing in the share market - where to next?
05-Jul-10	Canberra Information Meeting	7.30-9.30pm	Southern Cross Club, Woden (Check room allocation in foyer)	Equities Discussion Group
07-Jul-10	Brisbane Information Meeting	7.00-9.00pm	Broncos Leagues Club, Fulcher Rd, Red Hill	Investing strategies for wealth accumulators
12-Jul-10	Adelaide Information Meeting	7.00-9.00pm	Enterprise House, Room 4, First Floor, 136 Greenhill Road, Unley	Stock selection
21-Jul-10	North Shore Information Meeting	7.00-9.30pm	The Chatswood Club, 11 Help Street, Chatswood	Stock selection
25-Jul-10	Gold Coast Half Day Workshop	1.00-4.30pm	Surfers Paradise Marriott Resort, 158 Ferny Avenue, Surfers Paradise	Introduction to investing workshop
25-Jul-10	Gold Coast Half Day Workshop	1.00-4.30pm	Surfers Paradise Marriott Resort, 158 Ferny Avenue, Surfers Paradise	Introduction to technical analysis workshop
25-Jul-10	Gold Coast National Investors Conference	25-28 July 2010	Surfers Paradise Marriott Resort, 158 Ferny Avenue, Surfers Paradise	Investment strategies for changing markets

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 7439, Gold Coast MC Qld 9726
Telephone 1300 555 061 • Facsimile (07) 5538 8376
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

Executive Officer

Silvana Eccles

Office Manager

Chris Kesting