
the Investors' Voice

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

Aug 2010


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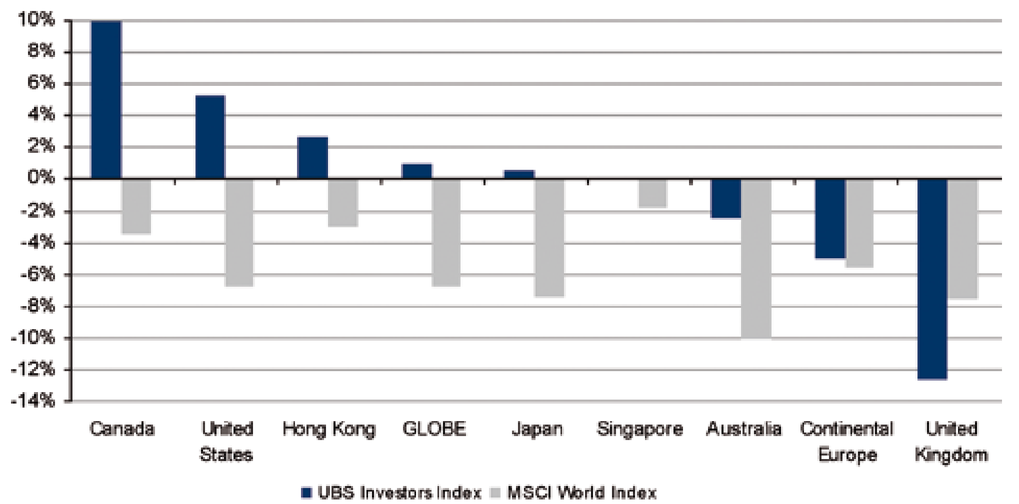
AUSTRALIAN INVESTORS ASSOCIATION


# Real estate and the road to economic recovery

**By David Quirk**

This has been a dangerous time, with a nearly universal credit crisis across the developed world leading to the first global reduction in GDP since the Great Depression. There has been significant recovery, with much of the credit going to government intervention used to speed economic recovery and prop up private (and public) financial institutions that were in the process of collapse. These efforts have mostly worked thus far, and almost all the world's economies are growing again, albeit at different rates and not without problems.

**UBS Global Investors vs MSCI World Index (data local currency)**




## Real estate in the financial meltdown — and recovery

Looking back with a two-year perspective, it is apparent that, for the long-term investor with moderate leverage, the actual impact of the global recession was a moderate reduction in property cash flow, with the prospect that growth would return in a few years. Properties still generated significant positive cash flows, and the financial condition of most owners was not in jeopardy.

The *perceived* impact was quite another thing. When credit dried up in late 2008, interest spreads skyrocketed and capitalisation rates (the return rate used to estimate the value of real estate) increased dramatically as well. The perceived value of real estate dropped, and the stock prices of companies owning real estate also dropped. Observers expected a great wave of commercial property foreclosures and numerous offerings of properties at huge discounts with no takers.

The reality has been quite different. Transactions in real estate dried up to practically nothing. Lenders gave borrowers time to regroup. The credit markets, far from remaining closed indefinitely, opened up for high-quality borrowers in the spring of 2009, and to a much broader group of borrowers later in the year. Real estate investment trusts (REITs) in the US raised new equity capital at a torrid pace. By mid-2010 they had added equity capital equal to 15% of their total market capital at the depth of the market crash in early 2009, issuing almost US$70 billion in new shares. Real estate capital markets are beginning to become more active in other countries, especially in Asia, and debt markets are supportive as well. Open-end public real estate funds in Germany and the UK are reporting significant net inflows.

*Continued on page 2*

# President's message

**By Jolyon Forsyth**

The Ken Henry review of the taxation system has been released and the budget has been tabled in the Commonwealth Parliament. The resources companies launched their advertising campaign against the Resources Super Profits Tax (RSPT) and the government replied with its own $38 million campaign. Since then the country has seen the appointment of a new Prime Minister and the withdrawal of both advertising campaigns. Wayne Swan said at the G20 meeting in Toronto that the tax was at the right level and cut in at the right figure; but negotiations with the big three miners have been held since then and the proposed revenue of $12 billion has come down to $10.5 billion. The government has refused to release the detailed calculations, but Ken Henry has admitted to a parliamentary committee that the new figures are based on the increased prices for coal and iron ore obtained by the mining companies in recent negotiations. This still leaves a puzzle for investors in resource companies.

The RSPT was expected to realise $12 billion at the 40% super profits tax rate, which equates to $30 billion of super profits. The new rate of 30% less an extraction allowance of 7.5% (25% of 30%) gives an effective rate of 22.5%. Tax revenue of $10.5 billion at a 22.5% rate says that the super profits are now expected to be $46.67 billion. The original $30 billion was supposed to apply to all resources and 2500 companies, but the new figures are for iron ore and coal only, and apply to only 320 companies earning profits greater than $50 million pa. The AIA suspects there are other factors at work in this calculation, and we believe the detailed figuring should be disclosed so that investors can make informed decisions.

To keep the budget in the black, the government has wound back the 2% reduction in the company tax rate to 1%. This will affect all investors, because the imputation credits will be calculated at 29% against a likely tax rate of 31.5% (including the Medicare levy) and they will therefore have more tax to pay. It would have been nice if the government had picked up two of the Henry tax review recommendations to make the first $25,000 of income tax free and abolish the Medicare levy. Admittedly this would have entailed taxing income from $25,000 to $180,000 at his proposed 35% rate, but all taxpayers would have paid less tax. Perhaps that's why the government didn't take those recommendations up.

**Real estate and the road to economic recovery... from page 1**

## Expectations for the real estate recovery

Although recent economic reports have been mixed, global GDP forecasts have improved considerably since the beginning of 2010. Growth has returned to almost all of the larger economies. Real estate fundamentals are tracking the economies of their host countries to a considerable extent.

After a sharp downturn, real estate in the Asia-Pacific region began to recover first, building on the above-average rate of underlying growth seen in most Asian countries. Ten of the fifteen largest public real estate companies by market capitalisation are located in the Asia-Pacific region today. Conditions are so favourable in the region that Australia and China have initiated policies designed to cool their economies and (in China) real estate speculation.

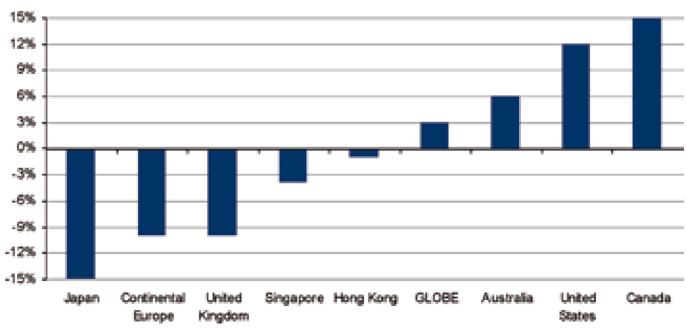
The US has been slower to recover, but there is growing evidence that real estate fundamentals in the US are bottoming and should begin to grow again in the next few months. The rate of leasing has increased in all sectors. In most US property sectors the real estate downturn was not as severe as had earlier been predicted.

The economies of Europe have a smaller private sector, and consequently had a shallower dip in GDP and real estate operations. By the same token, their economic activities are expected to grow more slowly than those in the rest of the world over the next few years. Conditions for public real estate are somewhat better than the broad regional numbers indicate, however. These companies are focused in the REIT-enabled northern countries where the economies are somewhat better than in the EU region as a whole.

The market for better properties has picked up considerably in this region. The market recovered first in the UK, with Continental Europe following suit. There is reason to expect that portfolios of these types of properties will be marketed by EU financial institutions later in the year. This should work to the advantage of those public real estate companies with the financial liquidity and intelligent management to effectively operate or reposition them.

There is strong investor demand for institutional-quality property throughout the world today, with a major focus on high-quality, well-located real estate, the kind owned by many public real estate companies. Capitalisation rates have fallen materially in the last two quarters, resulting in a partial recovery in real estate values in many markets although they remain well below pre-recession levels. Rising property values reflect low financing costs, capital availability, and an improving outlook for real estate fundamentals. This has had the effect of increasing the net asset values of the public companies in our investment universe. The premium to NAV is less than 10% today, considerably lower than it has been for some months. We think this is a very comfortable ratio, given that company earnings are expected to recover in the next few quarters and many of these companies are well positioned for adding more properties to their portfolios.

**Global Real Estate Securities Stock to NAV Premium/(Discount)**




## Public real estate companies in a recovering global market

REITs and other public real estate companies in every region have rebuilt their balance sheets and improved their liquidity, positioning themselves to make attractive acquisitions as real estate becomes available. We believe they are prepared to move forward, whichever course the economy takes. If the recovery falters, they are financially secure and able to improve their existing property portfolios, as well as take advantage of bargain acquisition opportunities, should they appear. In an expanding economy, they will also be able to make acquisitions and/or begin new developments in a prudent manner. In addition, they have managements that are able to make and execute intelligent business plans, are providing increasing transparency to their public market investors, and offer current cash returns and enhanced liquidity to institutional and individual investors alike.

*David Quirk is the Director, Client Services Asia-Pacific, LaSalle Investment Management.*

# Australian stock market growth trends since 1974

**By Robert Vagg**

My previous articles in this series for *Investors' Voice* have concentrated on trends in the All Ordinaries Price Index derived from its complete 135-year history. This article extends the analysis to growth features that relate to market price, earnings, dividends and price/earnings (P/E) ratios over the last four decades. An in-depth look at these fundamental parameters is allowed by the availability of monthly data for the market compiled by the ASX and the Australian Bureau of Statistics since January 1974.

Figure 1 displays values for the All Ordinaries Price Index from 1974 to June 2010. Also shown are the corresponding market earnings, dividends and changes in the market's P/E ratio over this period. I have fitted regression trendlines representing simple exponential growth to each of these parameters.

**Figure 1: Growth in selected market parameters**


Most readers will have some familiarity with the pattern that the Price Index has displayed over this time. Its trendline reveals that the market has achieved average capital growth of 9.1% pa since 1974. Underlying earnings have appreciated at an average rate of 6.8% pa, while growth in dividends has been a little greater, at 7.6% pa, suggesting a tendency towards slightly higher dividend payouts.

The chart shows that the market's P/E ratio has followed a definite upward trend for most of this period, although with some volatility over the last 4–5 years. Its trend growth has averaged 2.3% pa over the last 36 years. This apparent steady expansion in market P/E is not generally acknowledged and is worthy of comment. A major determinant would be the gradual increase in market growth rate over the long term that I have described in earlier articles. Briefly, as with individual stocks, higher growth rates result in higher P/E ratios. The observed growth in the Price Index (9.1% pa) may be seen as resulting from a combination of two parameters: growth in underlying earnings and P/E expansion (i.e. 6.8% + 2.3% pa).

Comparison of a current P/E ratio with a calculated long-term average is widely used as a measure of the market's relative value. For example, if the P/E is above that calculated average, this normally is interpreted as indicating that the market is overvalued and can be expected to move down towards that average figure. For any average value to be meaningful, however, it would need to represent a mean around which that particular parameter fluctuates. Since the P/E ratio is seen to display a steady rise over time the use of a long-term average for this comparative purpose therefore becomes invalid. Rather, relative valuation should be based on the P/E ratio's position relative to its rising trendline. The commonly used long-term averaging method incorrectly assumes that this trendline remains horizontal.

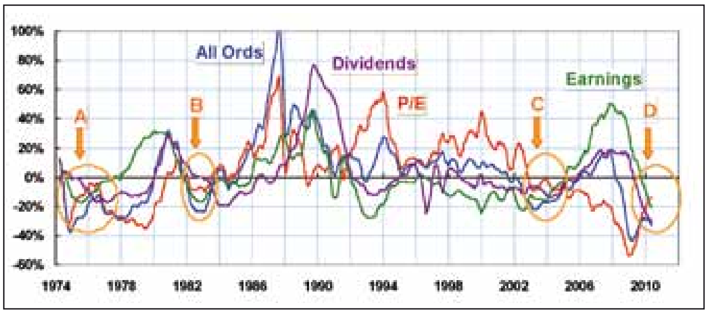
It may be observed from Figure 1 that the market's P/E of 16.0 at 30 June falls below its regression trendline (which calculates as 19.2), thereby indicating current market undervaluation on this fundamental basis. By comparison, the long-term average P/E value since 1974 calculates as 13.8. Calculated for the period beginning January 1980 the average is 15.0. From 1990 onwards the average is 16.2. For the period January 1990 to January 2005 it was 17.1. The current P/E value falls alternately above or below these various calculated averages, and therefore the market could be described as either overvalued or undervalued according to which one is chosen for comparison.

It may be concluded from this exercise that a fundamental analyst's determination of market value based on comparison with a long-term average clearly would depend on their appreciation of 'long-term', and hence should be interpreted with discretion.

It is noteworthy that all four parameters represented in Figure 1 are currently below their respective trendlines. This is an unusual situation, and is indicative of the market's current depressed levels. The All Ordinaries 30 June close of 4325 places the Index 38% below trend (which calculates as 6976), a good guide to its present degree of undervaluation. Similar calculations for earnings and dividends show them to be 26% and 34% below trend, respectively. The normal mean reversion process that would result in these parameters rising back to trend should produce above-average capital and income growth for investors in the years ahead.

Fluctuations that have occurred in these parameters relative to their fitted trendlines are plotted in Figure 2. Once its immediate impression of complexity is overcome, some useful information may be extracted from this diagram. Not unexpectedly, a generally negative correlation between movements in earnings and P/E is apparent. However, this has not been so in periods when the market has plumbed major lows.

**Figure 2: Deviations from trend lines**




Times during which all parameters were below trend have been highlighted in Figure 2. One period (A) commenced in October 1974. A similar pattern arose in January 1982 (B) and then again in October 2002 (C). In each case these proved to be periods of accumulation prior to major bull markets that progressed over the subsequent 4–5 years, with the All Ords increasing by factors of 4.32, 5.14 and 2.57 respectively. Higher gains are achieved from a lower base. Our market entered a similar period in August 2009 (D), and I look forward to reporting in a future article on history again repeating itself.

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

# Protecting your wealth requires forward planning

**By Peter Whitehead**

Most investors focus on growing their wealth. What many don't realise is that protecting it for the future is just as important — and that making a simple will is not enough.

## Trusts

There are many important factors that need to be considered when preparing a modern and effective estate plan. For example, you may need to incorporate a specific trust within your will if your aim is to grow and protect your assets for your family or chosen charity. A trust can protect your assets, provide greater flexibility in managing your investments, leave a sustainable community gift, ensure the financial security of someone who needs special care, or better manage how your estate is taxed.

One example is a charitable trust, whereby your donation is invested and the income earned is distributed to your chosen purpose each year. Over the years the capital is nurtured so that your trust grows to become a significant and lasting legacy.

## Some essential considerations

Many people don't often think about how they will cope if they become incapable of, or lose interest in, managing their own financial affairs. Ask yourself what the situation would be if this happened to you.

Have your wishes been communicated clearly? Have you nominated someone you can completely trust to make prudent investment and property decisions, and has that person the independence to always act in your best interests, especially if conflicts arise within the family?

You can reduce this risk and the potential burden on your family by making an enduring power of attorney or enduring guardianship — appointing someone you can trust to make financial and personal decisions if and when required. An attorney and a guardian can be the same person but often they are not, because the roles require different skills. For instance, a guardian makes lifestyle decisions such as where to live, the level of care and medical treatment, whereas an attorney manages your financial and property affairs.

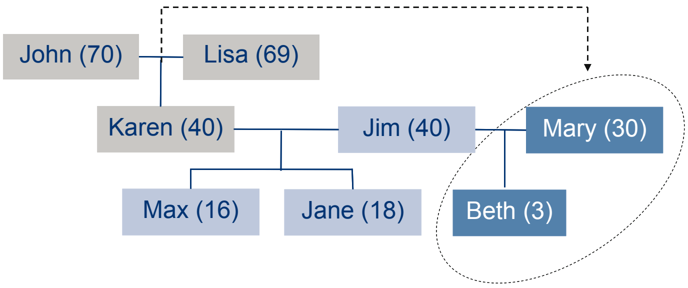
Superannuation death benefit planning is also essential, because superannuation entitlements are treated separately from your will. For this reason, many people simply forget to make or update their superannuation binding nominations during the accumulation period. This needs to be considered and updated in light of your estate plan and when your circumstances in life change, in order to protect the inheritance of your superannuation entitlements.

## Risks of under-planning

What happens when you don't have a plan, and what happens if you die without a will? If there is no will, your estate will be split according to state legislation. Depending on where you live, your spouse could receive the whole of your estate or part of it, with the rest split between any children. Although the law aims to be fair, the absence of a will means that your wishes may not be met and your family may experience unnecessary distress and uncertainty. Consider the following case study.

John, aged 70, has been married to Lisa for 45 years. They have one daughter, Karen, who is married to Jim and together they have two children, Max and Jane. John and Lisa are very close to their daughter and their grandchildren. They both have wills that left their estates to each other and then to Karen. Unfortunately, John and Lisa die suddenly in an accident and their estates ultimately pass to Karen. Karen does not have a will and has not considered the need for a trust to safeguard her children. Three years later Karen dies. As a result, under intestacy laws, Jim inherits her entire estate, which includes her parents' wealth. As time goes on, Jim remarries and makes a simple will that leaves his estate to his new wife, Mary, with whom he has a daughter, Beth. Mary assures Jim she will always take care of the children from his first marriage, Max and Jane.

If Jim dies, John and Lisa's wealth ends up with Mary. With Mary's main concern being Beth, Max and Jane could be excluded from acquiring the wealth of their grandparents. This is not the outcome that John and Lisa had intended for their family, and expensive litigation could ensue.




This example illustrates how, without a sound estate plan or the inclusion of the right trust structure within their will, a family's wealth could end up with complete strangers.

## Checklist: do you have the right protective measures in place?

Work through the following checklist to determine whether you need to take action or seek professional guidance.

- Do you have a current and valid will?
- Have you chosen a suitable executor who you can trust to carry out your wishes?
- Does your executor have the time and impartiality needed to administer your estate?
- If you've been named executor of someone else's will, do you have capacity to take on the responsibility?
- Have you appointed an enduring power of attorney?
- Have you made a binding death nomination in your superannuation, either to your family or to your estate?
- If you have a business, do you have a contingency plan in place?
- If you have children under 18, does your will provide a guardian for them?
- Have you considered setting up a trust to protect your family's inheritance, a dependant with a disability or a charitable trust?
- Do you have income protection and life insurance?

## Professional assistance can help

A professional trustee can help you create a sound estate plan to ensure your wealth is transferred smoothly, tax-effectively and, most importantly, according to your wishes after your death. The professional can help you determine how best to protect your assets and can advise on the most appropriate trust types and strategies.

*Peter Whitehead is the National Manager — Fiduciary Solutions, Perpetual Private Wealth. Peter is responsible for the strategic direction and management of Perpetual Private Wealth's trust advice and estate planning operations. He has over 33 years' experience in the trustee industry. Any inquiries can be forwarded to dermot.lindsay@perpetual.com.au.*

# How to buy the best stocks

**By Roger Montgomery**

Last year Alan Kohler asked me to write about a portfolio. So I put one together, bought a few stocks and started writing. To cut a long story short, the stocks selected positively whipped the market return and I traded only three times in the year. Common sense, it seems, is not all that common; but I'd like to share some with you.

Few investors bother to look properly for the best companies, because they see reading annual reports as too difficult (or too boring); but I have no doubt in my mind that you are already more than qualified to do it.

The first thing you need to do is turn the stock market off. The reality is that it doesn't contribute as much to your returns as you might think. In fact there's a real risk that it has become an unnecessary crutch and is slowing you down. All of those prices, up-to-the-second quotations, daily announcements, research reports and opinions serve their purveyors much better than they serve you. So turn them and your computer off. As Warren Buffett, the world's most successful investor, has demonstrated, you may not need a computer at all.

Instead, use what you already know. Make no mistake, your own energy and intellect hold the key to finding value in the stock market. In the quiet that now confronts you, you can think.

The next step is to separate the extraordinary businesses from the ordinary ones. Identify those that have superb economics, outstanding prospects for sales, profits and intrinsic value, and peerless management. As you are about to discover, winnowing the good from the ordinary is easier than you might think.

Let's consider a basic investment option for $100,000 — a term deposit. A quick search on Andrew Willink's website (ratecity.com.au) will show that the latest interest rates being offered for term deposits vary between 5.5% and 6.5%. How long did it take for you to decide that 6.5% term deposit offers the highest return and is therefore significantly better value than the others? Not long, because it was easy to put all accounts on a level playing field for comparison purposes and see which is going to give you the highest return.

Approach the selection of businesses the same way, and you will have no problem identifying extraordinary businesses that offer better value than the ordinary ones.

Your goal as an investor is to have your money work as hard for you as you did for it. Think of the cash you have in your bank account, or the investments in your super fund. What return do you want from those assets? I'm guessing as high a return as possible, with a correspondingly small outlay. That's almost as much as you need to know. All that remains is to find the right numbers being reported by a company, which can help you compare options and reach rational conclusions.

Take a look at two businesses The first is JB Hi-Fi, which earns $94m after tax; the second is Primary Health Care, which earns $107m after tax. Their profits suggest Primary is the bigger and therefore superior company. But is it? In which one would you invest $100,000?

If you said Primary Healthcare, simply because it earns more, you would be making a decision with insufficient information. In business, owners regularly look at how much money they're making; but in reaching conclusions about how good their business is, they invariably have at least one eye on how much money they can put back into the business. They inevitably compare what is coming out to what they are investing. When looking at Primary and JB Hi-Fi, unlike the business owner, you haven't yet considered how much capital is required to generate those profits. To do this you too must start thinking like a business owner. As CEO, your job is to get the highest returns. To do that you must put in as little capital as possible to generate each dollar of profit. Start thinking like this and you'll have no problem identifying the superior businesses.

What if I told you that it would require $2.1b for Primary to generate the $107m in after-tax profits — equivalent to a mere 5% return on the equity you've put in? What about JB Hi-Fi? To generate a similar profit of $94m after tax, the company needs just $230.2m. The profit therefore represents a 40.8% return on the money you've invested in the business. Looking at companies this way is no different to comparing term deposits. Which one would you choose now?

It will take only a few seconds for you to determine that you would rather own all of JB Hi-Fi than even a small piece of Primary Healthcare. Indeed, if you could invest the same $2.1b into JB Hi-Fi and the company continued generating the same 40.8% return on equity, net profit after tax would amount to $862.1m. The best businesses, the really extraordinary ones, are those that generate more value each year. And the best filter for finding those is return on equity — the return you would be entitled to if you owned the whole business. Even Buffett agrees. In 1997 he said:

> Except for special cases (for example, companies with unusual debt–equity ratios or those with important assets carried at unrealistic balance sheet values), we believe [a more appropriate measure] of managerial economic performance to be return on equity capital.

Before you rush off and buy high-return-on-equity businesses, consider one more thing. The final step in your assessment must be to value the business, ensuring that the price you pay is a bargain one. You can't go and pay any price, even for the best businesses. A great asset purchased at a high price can become a very poor investment.

Valuation is a separate course, and while it's not that complicated, I don't have the space to write about it here. It requires a few chapters — which, I'm happy to report, you will find in the first edition of my first (and probably only) book, *Value.able*.

Once you've established a conservative valuation for the company and its shares, you can turn the stock market back on and see whether anyone is offering to do anything silly.

In an urgent world that drives you to act constantly, such an approach seems boring or even slothful, but it is precisely this single-minded focus on the best businesses that will almost always improve your investment returns.

*Roger Montgomery is the author of the book Value.able, which is available via his website, www.rogermontgomery.com.*

# Bulletin board

### AIA Conference 2011

At the time of publication the AIA 2010 Investors Conference will have been held at the Surfers Paradise Marriott Resort. After receiving feedback from members the Council of the AIA have decided to hold their 2011 conference in Sydney. Details will be forwarded to members once the venue and dates have been confirmed. However, the likely month will be September 2011.

### Member Discounts

The AIA offers a range of member discounts which can all be viewed on the AIA website www.investors.asn.au. Go to ABOUT THE AIA / MEMBER DISCOUNTS. Great discounts are offered for online subscriptions, investment books, software and more.

### 50% Pension Relief Extended

As you are probably aware, the Government has announced that the 50% reduction of minimum pension amounts will continue for another year, until 30 June 2011. This is certainly good news for many pensioners, 50% less withdrawn, but keeping 100% tax exemption.

# Some issues for trustees of SMSFs to consider

**By Jenni Eason**

At recent meetings of the Brisbane SMSF Discussion Group, and in other forums, the discussion has often turned to some fairly basic issues with regard to self-managed super funds. I would therefore like to detail a few matters to consider in relation to your fund.

## Trustees

These are the general rules:

- For funds with two or more members, all members of the SMSF must also be trustees of the fund. If there is a corporate trustee then the members must be directors of the company. Any person who is not a member of the SMSF cannot be an individual trustee of the fund nor a director of the corporate trustee company.
- For single-member funds there must be two individuals as trustees (rules apply for the second person) or you can have a single- or dual-director company as trustee.
- Remember also that trustees must pass some other tests (e.g. they must not be a disqualified person).

I realise these rules are basic requirements for an SMSF, but I was recently asked about a fund with four adult members and only two trustees!

## Pensions

When establishing a pension from an SMSF fund it is essential that the trustees and members read the trust deed. If you haven't updated your deed since 2007, it is unlikely that you can pay account-based pension, as most deeds would only have provided for allocated pensions.

Trustees also need to comply with the requirements in the deed in relation to pension documentation. Some members simply make a pension payment in an ad hoc manner (i.e. when they need the money) without realising that the trust deed usually requires that a 'pension agreement' be made in writing. This may be evidenced by minutes or other documentation but will usually include the following:

- type of pension (e.g. account-based)
- date pension commences
- amount to be paid
- payment frequency.

In addition, any amounts in excess of the pension specified in this document need to be documented either as lump sums or additional pension payments. If you take the amount as a lump sum, you also need to make sure that the pro rata minimum pension payment has already been taken for the year.

The pension amount must be reviewed annually to ensure it complies with the minimum requirements, and the new amount and payment frequency documented.

## Borrowing rules

The government has recently released new rules in relation to using trust structures. The new rules involve an extensive rewrite of the existing sections of the Act and will affect all existing structures, including listed instalment warrants purchased directly by an SMSF. While existing arrangements will be quarantined, listed instalments will probably only be exempt until the next 'rollover' of the arrangement (usually annually). It is likely, however, that existing listed instalment warrant providers will make their products comply with the new rules. The new rules will make it difficult to use the trust structure to invest in shares, as each investment will need a separate trust structure.

If you are using or wish to use instalment warrants, do you have a 'Derivative Risk Statement'? Although the fund's auditor no longer needs to sign off that the trustee complies with the DRS, auditors will want evidence that the statement exists, because the SMSF is required to have one (refer to APRA Circular II.D.7, 'Derivatives' for more information).

## Administration services

Another matter that is regularly raised (or more likely complained about) is the cost and adequacy of administration services. There is no simple solution here. It really comes down to talking to other members (e.g. by using the Members' Forum), and trial and error. Some operators charge less than $1000, but they restrict who you can bank with and who you trade shares through, and won't take existing funds.

## Allocation of earnings/tax

A member recently contacted the online AIA Members' Forum regarding a problem with the allocation of members' earnings. There are no hard-and-fast rules about this — it depends on the software used by the fund. However, it may be worth checking the allocations, particularly where a pension has been commenced part-way through a year or members have segregated assets. If you have a problem with the allocations, contact your administrator or accountant and have the problem fixed manually (most systems have manual override facilities).

## Cooper Inquiry

An interim report has been made available by the Review into the Governance, Efficiency, Structure and Operation of Australia's Superannuation System (the Cooper Inquiry); it can be found at www.supersystemreview.gov.au/. Most of the recommendations are of little concern to most trustees, but the recommendation that the fund's investment strategy need not be in writing (as is the current case) is a little perplexing, given that the auditor has to sign off that the fund has invested in accordance with the strategy.

The above topics are just some of the current issues concerning SMSFs, and some that we have discussed with our group in Brisbane. I encourage other AIA members who are trustees (there are a lot of us) to get together and form a discussion group. I'm happy to assist where possible and attend meetings when I'm interstate (e.g. Sydney late August and Melbourne early October). Members should also make use of the AIA Members' Forum. There's a section devoted to SMSFs and some members have already found it useful.

*Jenni Eason is Treasurer and Secretary of the AIA, and coordinator of the Brisbane SMSF Discussion Group. Jenni can be contacted at treasurer@investors.asn.au.*

# Bulletin board

### Shares Course DVD

Following on from the success of the Shares Course compiled and presented by AIA Councillor Bill Dodd in Brisbane, the AIA is producing a 12 DVD & 1 CD set including a workbook which will be offered to members at a discounted rate. Watch out for details which will be posted to our website and emailed to you.

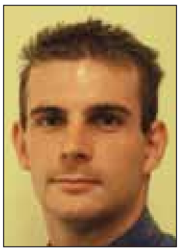
### AIA Conference 2010 Recordings

Here is your 2nd chance to access the latest information provided by your leaders. Your 2010 conference was recorded using a combination of the video of the speaker synchronised to the PowerPoints, so you get to see and hear the speaker plus view the PowerPoints all in one convenient window.

You have a number of options to purchase CD-ROMs from the conference. Please select the following link and select the AIA 2010 logo to download your reservation form: http://www.evertechnology.com/index.php?id=4. Contact Ed Van Maanen from EverTechnology Meeting Services via email ed@evertechnology.com or by phone on 07 3893 1500.

# An outlook for the S&P/ASX 200

**By Daniel Goulding**



The last six months have been a see-saw ride for investors, with the market breaking to two new highs only to be followed by a swift reversal in each instance. This fulfils a prediction I made in my last update: that volatility would remain a key theme going forward. I also noted the fact that 'expanding triangles usually unfold within protracted complex corrections', and this now appears to be the case.

My favoured short-term count for the benchmark Aussie equities index, the S&P/ASX 200 (XJO) is presented in Figure 1.

Based on my interpretation, the expanding triangle that completed in October 2009 was only the first book-end of Wave-B (denoted by 07WB to indicate that it is part of the corrective structure that commenced from or near the all-time high in 2007), which is playing out via a complex correction. Complex corrections occur when two or three simple corrections play out back-to-back, separated by adjoining X waves.

**Figure 1: Weekly chart of the XJO**


The price action since December 2009 appears to be tracing out what is called a NEoWave diametric, a seven-legged correction denoted a-b-c-d-e-f-g. The first four legs of a diametric will show either an expanding or contracting range, while the last three legs will reveal the opposite behaviour. Essentially, a diametric commences in the same fashion as an expanding triangle or contracting triangle, yet the fifth leg defies expectations. In the example above, Wave-E failed to move significantly higher, therefore invalidating the idea of an expanding triangle in play.

I believe the terminus of the current diametric will also mark the end of Wave-B (07WB), with Wave-C to follow, resulting in a marginal break of the November 2008 and March 2009 lows. While it is possible that another X Wave will develop, to be followed by a third and final leg of the complex correction, I believe the market is too fragile for such an outcome. Perusing a chart of the Australian All Ordinaries (Figure 1) versus the Cumulative Advance-Decline line (Figure 2) below shows that fewer and fewer stocks are participating in each rally. Unless some type of sea change occurs, the market will struggle to test 4600, let alone move higher.

According to NEoWave time rules, when Wave-A and Wave-B differ significantly in time, the timeframe of Wave-C is usually A+B)/2. When Wave-A and Wave-B are similar in time, then Wave-C typically lasts the time of A+B. This projects a timeframe of late 2011 through early 2013 as the final bottom for the current bear market.

In summary, the trend for the next one to two years is down to sideways. The price high for this period is already in.

**Figure 2: XAO Cumulative Advance/Decline Line 2009-2010**


*Daniel Goulding is a client adviser with RBS Morgans, Townsville.*

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

# Tax notes

## Welcome to a new tax year

### By Dennis Eagles

It's that time of year again, and a new financial year always brings a few things to consider. This article touches on a few that relate to taxation.

### Tax rates

From 1 July the marginal tax rates decreased again, but only slightly this time. There are two changes: the 15% threshold rises by $2000 to $37,000 and the second-highest marginal rate drops from 38% to 37%. See below for the rates and tax savings.

| Last year (2010) | | From 1 July 2010 | | 2011 tax saving (pa) | |
|---|---|---|---|---|---|
| **Taxable income $** | **Rate %** | **Taxable income $** | **Rate %** | **Under $35,000** | **$0** |
| 0 to 6,000 | 0 | 0 to 6,000 | 0 | $90,000 | $400 |
| 6,001 to 35,000 | 15 | 6,001 to 37,000 | 15 | $100,000 | $500 |
| 35,001 to 80,000 | 30 | 37,001 to 80,000 | 30 | $125,000 | $750 |
| 80,001 to 180,000 | 38 | 80,001 to 180,000 | 37 | $150,000 | $1,000 |
| 180,001+ | 45 | 180,001+ | 45 | Over $180,000 | $1,300 |

### Non-commercial losses

The last few years have been tough for investors. For those carrying on a business of investing, if you have made a loss in the 2010 year you now need to meet one extra condition before you can claim a deduction for the loss. The new condition requires your 'income' to be less than $250,000. For the purposes of the test, your income is your taxable income (before business and investment losses) plus any reportable fringe benefits or reportable superannuation contributions. If you don't meet this new requirement (or the existing ones), the loss must be carried forward to future years.

### Claiming interest

This is not a change for the 2010 year, but taxpayers who have borrowed for investment still need to take care they claim the correct interest. If the loan is partly for a non-investment purpose, you need to correctly apportion the interest. If you have a capital-protected borrowing (e.g. an instalment warrant), your interest deduction is limited to the specified benchmark interest rate (with the balance added to the asset's cost base).

### Deductions and record keeping

Make sure you claim everything you are entitled to. For investors, this includes any costs that you have incurred in generating income or managing your investments, whether it was investment magazines, internet costs (adjusted for private use), stationery, depreciation of computers, travel to AGMs, or ongoing advice fees — and especially your Australian Investors Association membership fee! But please remember the record-keeping requirements. Most tax records need to be kept for five years. Depending on the type of records, the five-year period is generally from when you receive your Notice of Assessment for the particular year, or, in the case of a record relating to an asset, five years from when you sold it or stopped depreciating it.

*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 dennis.eagles@au.gt.com.*

# Bonds

### By Brad Newcombe

With the current volatility in world equity markets there has been increasing interest in one of the world's oldest securities, the bond. Bonds are attractive to many investors because they offer more capital security than equities, while corporate bonds also offer a higher yield than term deposits.

A bond is a security that pays a defined distribution (the coupon) for a given period of time (the term) and repays the face value of the security at maturity. It is a loan from the investor to the issuer of the security. Bonds can be issued as senior secured, senior unsecured and subordinated debt. These three debt classes have differing risk and reward attributes, which are also influenced by the issuing entity's credit rating. When purchasing bonds it is very important to understand where the bond sits within the capital structure as it has relevance in relation to risk and reward (see table below).

| Bonds |
|---|
| **Advantages** |
| - Wide variety of maturities |
| - Wide variety of issuers rated across the credit rating spectrum |
| - Provides steady income (as well as potential for capital gains if sold prior to maturity) |
| - Can be used to diversify investments in a balanced portfolio as bonds add interest rate risk to the portfolio |
| - Covers three levels of the capital structure: senior secured debt, senior debt and subordinated debt |
| - Government bonds offer greater diversification than corporate bonds as there is no correlation with corporate performance and the equity market |
| **Disadvantages** |
| - Varying liquidity |
| - Most bonds are traded over the counter and not through an exchange so investors may need to arrange custody accounts |
| - These securities have some equity characteristics which may add to the existing risk of a portfolio |
| - Potential for capital loss if sold prior to maturity |
| - Bond markets are currently dominated by wholesale players in Australia |
| **Suitable for** |
| - A very wide range of investors with different risk/reward attributes from the most conservative investor through to those seeking very high risk securities |
| - Retail and wholesale investors |

*Source: FIIG Securities*

### Corporate bonds

A corporate bond is simply a bond issued by a company. In Australia there are some very well-known companies that issue bonds, such as Origin Energy, Publishing & Broadcasting, Santos, Telstra and Woolworths.

Traditionally, corporate bonds have solely been the domain of institutional and high net worth investors, as the minimum bond size has been $500,000. However, recent innovations with the bonds have reduced the minimum parcel for many securities to just $50,000 and made them accessible to self-managed superannuation funds and retail investors.

*Continued on page 9*

# ETF trading tips

## By David Bassanese

Exchange traded funds (ETFs) are among the fastest-growing financial products in Australia. An ETF can be bought and sold on the ASX just like an ordinary company share, and offers indexed exposure to a range of domestic and international benchmark equity indices at relatively low cost.

The State Street SPDR S&P/ASX 200 ETF, for example, trades with the ticker code STW, and offers exposure to the Australian S&P/ASX 200 index at an annual management fee of only 0.286%. There is also a range of Australian-based sector ETFs now available, covering the resources, metals and mining sector, financials, industrials and energy sector. And there are international ETFs covering the United States, Europe, Japan, non-Japan Asia and the emerging markets.

Australian ETF assets now exceed $A3 billion, a 180% increase on 2008. Local ETF trading activity increased by 51% during 2009.

ETFs are increasingly popular because they offer the flexibility and liquidity of a listed stock, and the simplicity, transparency, cost-effectiveness and tax efficiency of a low-turnover indexed fund. And, unlike listed investment companies, they are structured to trade quite close to their net-asset value. So, if the S&P/ASX 200 index rises by 15% in a given year, you can be pretty sure the relevant ETF (STW) will rise by virtually the same amount.

By diversifying away company level risk, ETFs allow investors either to pursue a simple 'buy and hold' strategy quite cheaply, or more actively rotate between asset classes and/or equity sectors based on top-down macro-economic analysis. Investors can, in effect, now run their own total-return equity-based 'hedge fund' should they so wish.

However, ETFs are relatively new to the market and still not well understood. So here are some trading tips to help investors who want to get involved with them.

1. Avoid placing at-market buy orders before the market opens, as you are likely to get poor prices. That's because market makers have a hard time pricing an ETF before the market has been open for at least 10 minutes; it takes that long to get valid market prices for all the stocks within an ETF. The same holds true near the market's close. The best times to buy ETFs are when the market is being actively traded in the middle part of most days.

2. Don't be scared by apparently low volumes for sale/offer for some ETFs listed through, say, an online broker. The mid-point of the best buy/sell prices offered by the market-makers should generally reflect the net asset value of the stocks underpinning an ETF.

3. If you want to buy a large parcel of one ETF, and volumes on offer seem low, don't buy all at once with a large market order, as you could again get a poor price. (You'll hit the first offer and then your order will cascade through to higher-priced offers until it's filled.) Instead, stagger your purchase by buying up what's on offer at the best current market prices, then wait for the market maker to replenish stock on offer near the same market price (provided the NAV has not changed too much). You could also leave larger limit orders (i.e. a set price) between the bid and offer prices to try and coax a better price out of the market makers. With very large orders of more than $100,00 or so, you could even ring up the ETF issuer and arrange to trade directly with a market maker to ensure good prices.

4. Decide early whether you're a long-term investor or trader. If the latter, don't be spooked by market volatility into selling out your investments rashly. ETFs are easy to trade, but there's a danger that could lead to over-trading of an investor's core investment portfolio.

5. If you're worried about the market and want to avoid a significant price decline, consider using contracts for difference (CFDs) as an alternative to selling your underlying ETF investments (and therefore being subject to capital gains tax on your long-term holding). With a CFD you can, for example, short-sell the S&P/ASX 200 index, effectively hedging your ETF position without having to sell the ETFs and realise capital gains in the short term. If the market falls, your short CFD position will increase in value, offsetting the paper loss on your ETF holding. But you will then pay capital gains tax on your CFD trading profit that financial year.

6. Be aware that international ETFS (such as the ishares S&P 500 ETF) are not hedged, meaning their value reflects not only what is happening on Wall Street but also the gyrations in the Australian dollar. So, even if US stocks are rising, the US ETF may not rise by the same amount if the Australian dollar is rising at the same time. Over time, this can help reduce a portfolio's volatility, as the Australian dollar tends to move inversely with global stock market performance.

*David Bassanese is Managing Director, PennyWise Investment. If you would like a free four-week trial of PennyWise ETF Investment Research, please consult www.pennywiseinvestment.com.au.*



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### Bonds ... from page 8

### Fixed rate bonds

A fixed rate bond is a security that pays a fixed predetermined distribution or coupon. The coupon of a fixed rate bond will be set at the time of issue and will therefore not change during the life of the bond. The Commonwealth Government, state governments, and public and private corporations all issue fixed rate bonds in Australia.

### Floating rate notes

A floating rate note (FRN) is a security that pays a coupon linked to a variable benchmark. In Australia most FRNs pay a coupon set at a margin above the bank bill swap rate (BBSW) which is the market benchmark rate for the underlying coupon. The actual coupon for an interest period will be determined at the start of that period by applying the margin to the underlying benchmark on the first day of the coupon period — for example, the three-month BBSW. The margin over and above the relevant benchmark is usually fixed and will be set at the time of issue.

### Retail bonds

A retail bond is an interest-bearing debt security issued by a government or a corporation where the security can be sold to a retail client as defined in the *Corporations Act 2001*.

Retail bonds have re-emerged due to attractive returns from fixed income investments. As the equity market experienced severe losses during the 2008 economic downturn, the bond market opened new doors for investors to diversify their portfolio with a more conservative asset allocation.

Some examples of recent retail bonds issued include the AMP Notes, which are a subordinated unsecured debt security being issued by a subsidiary of AMP. These securities are structured like bank subordinated debt. The Tabcorp 2014 listed bonds are a plain 'vanilla' style bond. That means they are senior unsecured debt issued to investors for a set time after which they will be repaid.

*Brad Newcombe is Director — Listed IRS and Fixed Income Research, FIIG.*

# Members' Forum

## By Bill Dodd

The Australian Investors Association Members' Forum was established in late 2009 to expand our investor education resources and assist in communication between members. If you use the forum you will find that it provides one of the very best opportunities to learn about investing.

### Why members should use the forum

Most members join the AIA to learn more about investing and to have access to investment information. Market conditions over the past few years have been very difficult, and investors are trying to understand the current market. Should an investor be fully invested, sell everything or just hold? Some experienced investors have an ongoing debate on this very subject on the forum.

Several forum topics have accurately documented this bear market since its start in November 2007 — providing evidence that the bear market may yet have a long way to go, and suggesting that many investors could suffer heavy losses. The forum does not give investment advice, and the people using it to debate the market position could be wrong about the future market direction; nevertheless the arguments and evidence are well worth considering. If there is a possibility that the analysis used and the logic applied could be correct, can you afford to ignore it? See, for example, the thread at www.investors.asn.au/forum/showthread.php?t=243.

### Diversity of items on the forum

There is now a broad diversity of articles on the forum, covering the full spectrum of investing. The property forum discusses the residential property bubble at www.investors.asn.au/forum/showthread.php?t=228. The thread at www.investors.asn.au/forum/showthread.php?t=239 discusses the use of Excel spreadsheets in record-keeping and provides several templates. Another forum deals with questions and answers, covering such areas as information on SMSFs, how to interpret different indices, and free charting packages. Yet another discusses investor education, where several members of the AIA are considering the establishment of investment education programs in schools.

### The recent forum survey

Recently members were surveyed on their use of the forum. The survey revealed that less than 10% of members have used the forum and very few use it on a regular basis. Of the respondents, 55% said they didn't have enough time to use the forum. But it takes only a few minutes a day to look at the forum and keep up to date with current market comment — which could make a big difference to your investment results.

### Posting on the forum

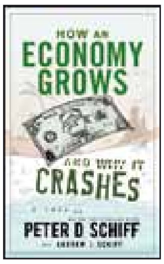
It is normal for first-time users to simply read articles, and it may be some time before they have the confidence to post an article themselves. You may not realise that before posting an article you can preview a draft, and not actually post it to the forum until you're satisfied everything is right. Even after you've posted an article, you can edit or even delete it at a later time, should you wish to do so.

### Demonstration on the use of the forum

There will be a demonstration on the use of the forum at the Annual Conference at the end of July. This will be an opportunity to find out more about the use of the forum and talk to members who use it regularly.

*Bill Dodd is a Councillor of the AIA and a moderator on the forum.*

# Book review




| | |
|---|---|
| **Title:** | **How an economy grows and why it crashes** |
| Authors: | Peter D Schiff & Andrew J Schiff |
| Publisher: | John Wiley & Sons, New Jersey, USA, 2010 |
| ISBN: | 9780 4705 26705 |
| RRP: | $27.95 |
| Reviewer: | Robert Smith |

The main author of *How an economy grows and why it crashes*, Peter Schiff, is a broker and President of Euro Pacific Capital; his brother Andrew is the Communications Director of the firm. Peter, who has also written *Crash proof* and *The little book of bull moves in bear markets*, is known for having predicted the economic crisis of 2008. Their father is noted economist Irwin Schiff.

This book is an allegory of US economic history based on stories that Irwin Schiff told his young sons to explain and simplify economics in a humorous and entertaining way. The ideas were originally presented in *How an economy grows and why it doesn't* by Irwin Schiff, published in 1979.

Known as the 'fish stories', they are set on an imaginary island nation which has an economy based on fish. The book takes us from the beginning, where catching enough fish to live is a full-time job, through the invention of the net and ability to reallocate labour and provide credit, to a trading nation and the issue of 'Fish Reserve Notes' in place of fish and the decision to move away from the 'Fish Standard'.

The 'fish stories' are interspersed with 'Reality Checks' and 'Takeaways' that draw parallels with American economic history. I found these particularly interesting — especially the effect of departing from the gold standard, and how the USA moved from massive trade surpluses to growing deficits. Also informative are the frequent contrasts between the pain-free solutions offered by Keynesian economic policies and the more down-to-earth policies of the Austrian School of economics. Schiff is not a fan of Keynes, and the 'fish stories' explain in an easily understood manner why we have had 'the recession we had to have' and, more worryingly, why there is a real probability of more pain to come. Here's a quote from one 'Takeaway' in Chapter 13:

> But now we are in a 'through the looking glass' world where for the past 40 years, no country issues real money. This is the biggest monetary experiment ever conducted. No one knows how or when it will end. But rest assured it will.

I have never studied economics, but I found the book easy to read and informative. In their introduction the authors explain who the book is for:

> We hope that the book can appeal to the kind of people who typically go numb when they hear economists drone on about concepts that seem to have nothing to do with reality. We intend to show that the model proposed by the Keynesians, whereby governments can spend without consequence in the belief that worthless money can be an effective economic lubricant is false and dangerous.

This is recommended reading, particularly for our politicians who rely on the economic advice they're given.

*Robert Smith is a member of the AIA.*

# Me and my portfolio

**By Bernie Ayers**

My wife and I are long-time property investors, but we have discovered that it also **pays to be flexible**.

Since our marriage in the early 1970s we have invested in Sydney, Melbourne, Brisbane and Canberra real estate. It was not as fashionable in those early days as it seems to be now. I can still remember staying awake with worry after we had exchanged on a sunny studio unit plus car space in Paddington, Sydney for $16,000. Our target purchase has always been older, cheaper, smaller, inner units, which we could mortgage as far as the bank would allow. As a result, we were always income poor but felt comforted by a growing asset base.

Like so many others in the AIA, we had a disappointing run with managed funds in the first years of the super guarantee levy, and when we saw the chance to take control we immediately switched to a DIY super fund. Because we had built up our real estate assets outside super, my original objective for the DIY fund was to focus our super investments solely towards shares and fixed-term deposits.

My experience in shares was limited. We had maintained a small portfolio for some time but it mainly consisted of a speculative mix of the mining shares. Serious equity trading was a new world to me. I read books on trading techniques and scanned the daily newspapers and financial magazines for help. When I talked to my friends about their trading formulas, I found there seemed to be as many trading techniques as there were traders. In the end, I decided to invest half in small to medium mid caps with solid fully franked dividend histories and half with LICs. Over the next two years the value of our share portfolio grew, together with a healthy income flow from dividends. My objective seemed to be delivering the goods.

Then one of those opportunities came along that looked too good to pass up. At the time, the Canberra property market had gone off the boil and an anxious vendor listed three one-bedroom strata units for sale in one lot. Suddenly I saw the chance to test a theory I had been developing — that direct property investment inside a DIY fund could compete against property outside super or equities within super. I purchased one of the units outside super with a maximum mortgage, and the super fund purchased the two remaining units, paying full price.

Within two years, each unit in our DIY fund was outperforming both our DIY share portfolio and the unit outside super on a net income plus capital gains basis. I now felt comfortable, in fact excited, that I could start to invest in property again, but this time via our super fund.

My revised objective was to invest up to 80% of our funds in property while our super fund was in accumulation mode, and if necessary sell in pension phase, avoiding capital gains tax implications. We were holding a couple of CGT-free units purchased before 1985, whose mortgages were now insignificant. By selling these and depositing the proceeds in our DIY fund, we were in a position to purchase new strata units within our fund. Soon property became the major component of our DIY fund.

We had also become really interested in fine art when one of our sons graduated from the ANU School of Art. I had noticed when I visited interstate galleries that there were young artists who were having sell-out exhibitions, with waiting lists for their works and with prices that increased each year. After a couple of mistakes, I developed a purchase checklist which has since shown quite positive results. This year, I was able to sell two works from our art portfolio by the winner of the 2010 Archibald and Wynne Awards, Sam Leach, for a net profit of over 100%. We had held the works for two years.

Again I found it necessary to revise our objectives to include investment in fine art. I saw this as a worthwhile diversification of our investment mix, which was never to exceed 5% of the fund's worth. You may be aware that the Cooper Superannuation Review is recommending a ban on art purchases by SMSFs. If adopted, this will spell the end of our fine art investments. I must confess to feeling cheated if I am to be banned from investing in an asset group that is returning a handsome profit in full accord with the sole purpose test.

Our last investment asset has been a disappointment. We invested in a small unit trust, which in turn has purchased a number of limited edition bronze works by a well-known US female sculptor. Her career has not taken off as we had hoped and the GFC has further deflated the value of her works. My lesson here is to ensure I research investments fully and make sure there is an escape route before investing in any new market.

The current values of our investments inside and outside super are almost equal. At present the composition of our SMSF looks like this:

| | |
|---|---|
| Shares & cash | 10% |
| Real estate | 80% |
| Art | 5% |
| Unit trust | 5% |
| Total | 100% |

What we first envisaged for our DIY fund bears little resemblance to where we are now. **It pays to be flexible**.

*Bernie Ayers is a member of the AIA.*

# Bulletin board

### Expo Winners

The AIA recently manned a booth at the Brisbane Trading & Investing Expo which generated much interest. Thank you to all those volunteers who helped over the two days. Two great promotions were offered during the expo, with Noel Bentley of the Gold Coast winning an investment pack of books and Kristen Aldrick of Brisbane winning a mini investment pack. By the time this *Investors Voice* is distributed the AIA will have manned a stand at the Melbourne Trading & Investing Expo held on 23 and 24 July and will also be manning a stand at the Sydney Trading & Investing Expo to be held on 29 and 30 October.

### Sydney: 'Asset allocation strategies to help you navigate the year ahead' one-day seminar

An economist, an academic and professional investors will outline both theoretical and practical strategies to apply asset allocation to your investment portfolio. Colin Nicholson will chair a two hour segment where we have invited four people to address the question of an SMSF investing one million dollars. As the individuals come from different backgrounds, we expect to have four quite different presentations. We have a financial planner, a physicist, a business systems consultant, and a stock specialist.

Date: Friday 27 August 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)

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 |
|---|---|---|---|---|
| 02-Aug-10 | Canberra Information Meeting | 7.30-9.30pm | Southern Cross Club, Woden (Check room allocation in foyer) | Discussion Group |
| 03-Aug-10 | Perth Information Meeting | 7.30-9:00pm | Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs | Self managed super funds |
| 03 Aug-10 | South Sydney Information Meeting | 7.30-9.30pm | Miranda Community Centre, Wattle Room, 93 Karimbla Rd, Miranda | Discussion Group |
| 04-Aug-10 | Brisbane Information Meeting | 2.00-4.00pm | Broncos Leagues Club, Fulcher Rd, Red Hill | Resources sector & Renewable energy |
| 09-Aug-10 | Adelaide Information Meeting | 7.00-9.00pm | Enterprise House, Room 4, First Floor, 136 Greenhill Road, Unley | Potential stocks to invest in |
| 10 Aug-10 | Melbourne Information Meeting | 6.30-9.15pm | Telstra Conference Centre, R1, L1, 242 Exhibition Street, Melbourne | LMIs, REITS and Resource stocks |
| 11 Aug-10 | Gold Coast Information Meeting | 9.30-11.30am | Robina Community Centre, Conference Room, 196 Robina Town Centre Dve, | Introduction to Dow Theory |
| 17-Aug-10 | Perth Equities Discussion Group | 7.30-9.00pm | Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs | Equities Discussion |
| 18 Aug-10 | North Shore Information Meeting | 7.00-9.30pm | The Chatswood Club, 11 Help Street, Chatswood | Investment resources |
| 27-Aug-10 | Sydney One Day Seminar | 9.00-4.30pm | Tattersalls Club, 181 Elizabeth Street, Sydney | Asset allocation strategies to help you navigate the year ahead |
| 01-Sep-10 | Brisbane Information Meeting | 2.00-4.00pm | Broncos Leagues Club, Fulcher Rd, Red Hill | Trading market cycles |
| 06-Sep-10 | Canberra Information Meeting | 7.30-9.30pm | Southern Cross Club, Woden (Check room allocation in foyer) | Discussion Group |
| 07-Sep-10 | Perth Information Meeting | 7.30-9.00pm | Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs | Investing in shares |
| 07 Sep-10 | South Sydney Information Meeting | 7.30-9.30pm | Miranda Community Centre, Wattle Room, 93 Karimbla Rd, Miranda | Discussion Group |
| 13-Sep-10 | Adelaide Information Meeting | 7.00-9.00pm | Enterprise House, Room 4, First Floor, 136 Greenhill Road, Unley | Superannuation |
| 15 Sep-10 | North Shore Information Meeting | 7.00-9.30pm | The Chatswood Club, 11 Help Street, Chatswood | TBA |
| 21-Sep-10 | Perth Equities Discussion Group | 7.30-9.00pm | Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs | Equities Discussion |
| 04-Oct-10 | Canberra Information Meeting | 7.30-9.30pm | Southern Cross Club, Woden (Check room allocation in foyer) | Discussion Group |
| 05-Oct-10 | Perth Information Meeting | 7.30-9.00pm | Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs | TBA |
| 05 Oct-10 | South Sydney Information Meeting | 7.30-9.30pm | Miranda Community Centre, Wattle Room, 93 Karimbla Rd, Miranda | Discussion Group |
| 06-Oct-10 | Brisbane Information Meeting | 7.00-9.00pm | Broncos Leagues Club, Fulcher Rd, Red Hill | CEO presentation |
| 12 Oct-10 | Melbourne Information Meeting | 6.30-9.15pm | Telstra Conference Centre, R1, L1, 242 Exhibition Street, Melbourne | The investor's shopping basket |
| 19-Oct-10 | Adelaide Information Meeting | 7.00-9.00pm | Enterprise House, Room 4, First Floor, 136 Greenhill Road, Unley | Roger Montgomery Presentation |
| 19-Oct-10 | Perth Equities Discussion Group | 7.30-9.00pm | Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs | Equities Discussion |
| 20 Oct-10 | North Shore Information Meeting | 7.00-9.30pm | The Chatswood Club, 11 Help Street, Chatswood | Back to basics with active investing |
| 27 Oct-10 | Gold Coast Information Meeting | 9.30-11.30am | Robina Community Centre, Conference Room, 196 Robina Town Centre Dve, | SMSFs by Jenni Eason |

***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.

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