the Investors' Voice

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Features

Regulars

AUSTRALIAN INVESTORS ASSOCIATION

The benefits of boring businesses

By Dr John Price

By any measure, BHP is not a boring business. It has billion-dollar operations around the world. Each year it makes approximately 165 reports to the ASX — more than three per week. When the chairman, Jacques Nasser, or the managing director, Marius Kloppers, says something, the investing community, politicians and much of the general public take note. It is regularly discussed, analysed and featured in newspapers and television programs.

Even though not to the same level as BHP, Telstra is another company that regularly features in the media and is pored over by analysts and investors. It made 58 reports to the ASX during 2010, approximately one per week.

At the other end of the spectrum we see companies such as ARB, which makes equipment and accessories for 4WD and off-road vehicles; or Fleetwood, which makes caravans for grey nomads and accommodation villages for resource companies in remote areas of Australia. These companies are rarely mentioned in the press or discussed by financial analysts. Most investors have never heard of them. However, there is a huge difference between the profits you would have made by investing in ARB and Fleetwood compared to BHP and Telstra. For example, the next table shows the profits after five years from an investment of $10,000 in these companies, assuming that all the dividends are reinvested.

Company	Profit after 5 years
BHP Billiton Ltd	$7,781.33
Telstra Corporation Limited	$458.17
ARB Corporation Limited	$19,080.59
Fleetwood Corporation Limited	$15,091.25

The 'boring' companies vastly outperform the supposedly exciting ones. At the two extremes, an investment in ARB would almost triple over five years while the same investment in Telstra would barely grow.

Of course, for real excitement you only need to think back a few years and recall that most analysts and stock market commentators were recommending companies such as Babcock & Brown and ABC Learning Centres. Yet these companies crashed into oblivion.

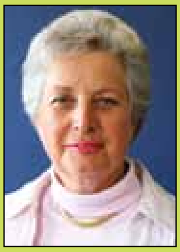
The question is, did I bias the results by cherry-picking companies to support my hypothesis? Let's look at some research.

Brad Barber and Terrence Odean of the University of California carried out a study looking at 'glitter' stocks, which they define as stocks that have attention-grabbing activity such as high trading volume, extreme movements in the price whether up or down, or appearing in the news. They came to two conclusions. First, individual investors, on average, invest in glitter stocks more than professionals do, because they tend to rely on

Continued on page 2

President's message

By Alison Harrington



When I wrote for the last issue of *Investors' Voice*, Brisbane had just been hit by floods. Since then we have had Victoria, Yasi, Christchurch and Japan; and don't forget drought in WA. We still have massive debt in many countries. Australia is facing a minimum of $8 billion for its disasters alone. Economies like New Zealand and Japan will struggle to cope with the financial burden of their disasters.

The flood in Brisbane has given me my first personal view of how individuals manage in a disaster. Individuals, like countries, do well when they don't have too much debt and have good plans, a good cash flow and a good work ethic. When I read back through past presidents' messages I find there is always mention of some disaster, financial or otherwise. The lesson seems to be that there is never a 'safe' time to invest. Instead there is safe investing knowledge, which allows each one of us to manage our investments successfully. It is a known fact that people are interested in learning about investing when the market is rising and property prices are booming. The successful time to learn about investing is during the slumps, preparing yourself to take advantage of the rise at the beginning, not the end. Get this message through to your family and friends!

Constant education is the key. The AIA is reviewing how we acquire and use the knowledge of our more experienced investors to help all our members. The *Sharemarket Investment Course* DVD is an excellent beginning. (Have you bought your copy yet?) And education will be given a more direct focus on our new website — we have a team working on that area now.

ASIC have released a new service called Money Smart, which aims to provide education guidance for individuals. Looking at the work we've done and comparing the ASIC information made me realise how much more we can say as a not-for-profit organisation, and what a wealth of knowledge we have among our members and among the industry experts who support us wholeheartedly.

Our conference this year is in Sydney, from 1 to 3 September. Remember, this is Australia's only conference where independent investors can obtain contemporary updates on the various asset classes, estate planning, super and SMSF, share analysis, managed funds and much more from our leading investment educators. My own introduction to the AIA was through one of the conferences, and the intensive exposure to the broad range of experts and information that I experienced then has formed the basis of my investing knowledge. The Sydney location of this year's conference allows us to have speakers who could not afford the time to go to the Gold Coast. And our early bird rate is still the same as in 2008!

Thank you all for the support of our investor sentiment survey. The ABC online picked it up, and our aim is for it to become something that is anticipated by the media. The more the AIA becomes known, the more effective we can become as advocates for the independent investor sector.

The benefits of boring businesses... from page 1

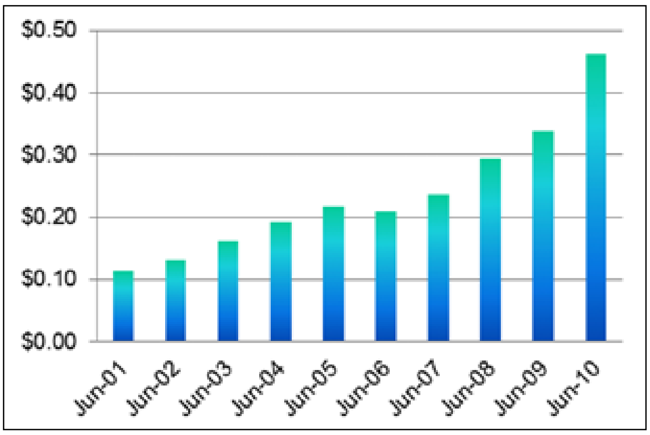
what they read in the press. Second, glitter stocks underperform the market by anything from around 2.8% to 7.8% per annum.

I define 'boring' companies as those that systematically grow their sales and earnings every year with minimal publicity and public attention. To find these companies I developed a scanning tool called STAEGR® (stability in earnings growth), which measures the stability of earnings and sales. The message is clear: stay away from exciting companies, since more often it is glitter and, just as in prospecting, all that glitters is not gold. To avoid glitter stocks requires the ability to scan large numbers of stocks so that you are not reliant on the small number that are recycled by brokers, the media and analysts.

ARB and Fleetwood satisfy the criteria. For example, Figure 1 below shows the strong steady growth of earnings over the past 10 years for ARB. It has a STAEGR of 90%.

In contrast, BHP is unstable over the 10-year period and Telstra has no growth over the same period. Figure 2 shows that, since 2001, earnings for BHP have dropped, risen and then stayed flat for the past 5 years. The STAEGR of BHP is only 65%.

Figure 1: Earnings per share for ARB



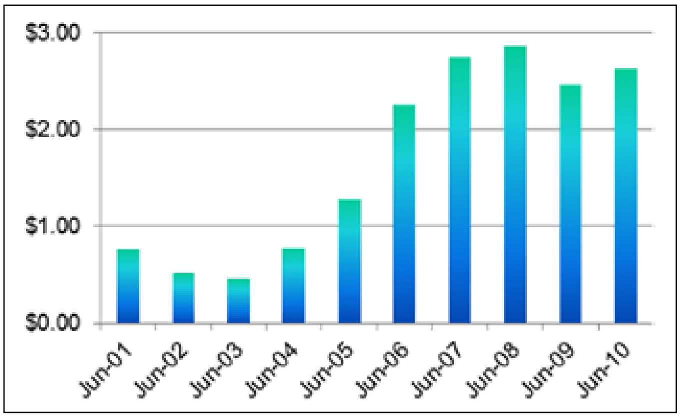


Figure 2: Earnings per share for BHP

I have carried out large-scale studies on databases of Australian and US stocks, some of which are described in my book *The conscious investor* (Wiley, 2011). They show that, when companies have high stability, we can be more confident that past growth will continue into the future. This helps fulfil one of Warren Buffett's criteria: companies for which we can have confidence in the growth of earnings. 'Though it's seldom recognised,' he explains, 'this is the exact approach that has produced gains for Berkshire shareholders.'

Confidence in the growth of earnings comes also from a proper analysis of areas such as debt, return on equity and the company's economic moat. It comes, too, from understanding the risks of the business and knowing that management is acting in the best interests of shareholders. Determining whether a company meets these requirements is a core focus of Teaminvest.

Finally we need to set up margins of safety so that, as I explain as part of the final goal in my book, we gain peace of mind by finding investments selling at bargain prices with 'a high possibility of excellent returns'. This is the best way that I know to achieve consistent Wealth Winners®.

Dr John Price is a member of the AIA and the director of research at Teaminvest (email: johnp@teaminvest.com.au). He is the author of The conscious investor: profiting from the timeless value approach *(Wiley, 2011), reviewed on page 10.*

US v. ASX market performance and fair value

By Robert Vagg

There has been frequent recent comment in our financial media concerning the disparity between movements in the Australian and US stock markets. In particular, this has been directed at the differing extent of the recovery that has occurred in the two markets since their GFC bottom in March 2009. The expectation seems to be that, considering the perceived better state of the Australian economy throughout, not only should our market not have fallen to the extent that it did, but also it should at least have equalled if not outperformed its US counterpart in its recovery. This expectation relies upon a number of assumptions, not the least being that stock market movements reflect local economic fundamentals. This article considers the matter of current fair value for the two markets.

A simple method commonly applied in order to gauge a stock market's relative value involves comparison of its current price/earnings ratio (P/E) with a calculated historical average. This assessment assumes that 'fair value' is represented by the resulting average, and a lower ratio would be indicative of a mispriced market that is undervalued.

This method may be easily tested. For reference purposes, the average P/E ratio calculated for the Australian market since January 1990 is 16.2. By comparison, the current (March 2011) P/E value for our market is 15.3. On this basis, undervaluation by about 6% is inferred, suggesting current 'fair value' for the All Ordinaries Price Index to be a little over 5200.

It is worthwhile to make another comparison of this method. The All Ordinaries peaked in early November 2007 at a value of 6873 before a precipitous fall. Its P/E ratio at the time was 14.9 — even further below 'fair value' than now! Dangers associated with making investment decisions based solely on this method of valuation become apparent.

Why does this occur? Any simple ratio of two values is equally dependent on variations in either value. In the case of P/E, a low ratio may result from use of either a low price (P) or a high earnings (E) value. The method described above assumes that 'fair value' will be achieved solely through an increase in price. It does not take into account the fact that the market may be anticipating an imminent reduction in earnings. To simply interpret a low market P/E as requiring an increase in price thereby discounts the role of corporate earnings as the market's basic driver.

The earnings reporting season for both the US and Australian markets has recently concluded. General assessments of the Australian results have ranged from 'average' to 'somewhat disappointing'. In contrast, an appreciation of the US results may be gauged by headlines that appeared in their media in early March, such as 'US corporate profits surge' and 'Corporate profits return to record levels'. It is clear that, irrespective of any possible economic frailty, the extraordinary stimuli applied in that country have had their desired effect. The US stock market has responded accordingly, and therein lies the major distinction between the two markets.

Figure 1 traces the movements that have occurred in both the All Ordinaries Price Index and the S&P 500 Index over the last 37 years. Also shown are the market earnings that correspond to those indices. By way of explanation, the All Ordinaries began in March at a value of 4924 with indicated earnings of $320. This simply means that a diversified equities holding of $4924 would have been backed by reported company earnings of $320 (an earnings yield of 6.5%).

The two price indices have followed generally similar paths, with the exception of the US 'dot.com' bubble of the late 90s. Each index is seen still to be distinctly undervalued with respect to its well-defined long-term trendline. The paths traced by their underlying earnings are particularly informative. The unprecedented collapse in US earnings that occurred in 2008 has now been countered, and they now sit well above their long-term trend. In contrast, Australian earnings display no such abnormality, and are just beginning to emerge from a cyclical low.

Figure 2 shows the deviations that have occurred in the two sets of corporate earnings away from their respective trendlines over the period. After following generally similar paths for the first 20 years, those paths diverged significantly in recent times, and, as highlighted, that divergence has been particularly pronounced since the emergence of the sub-prime turmoil in the US. Their current earnings disparity is obvious.

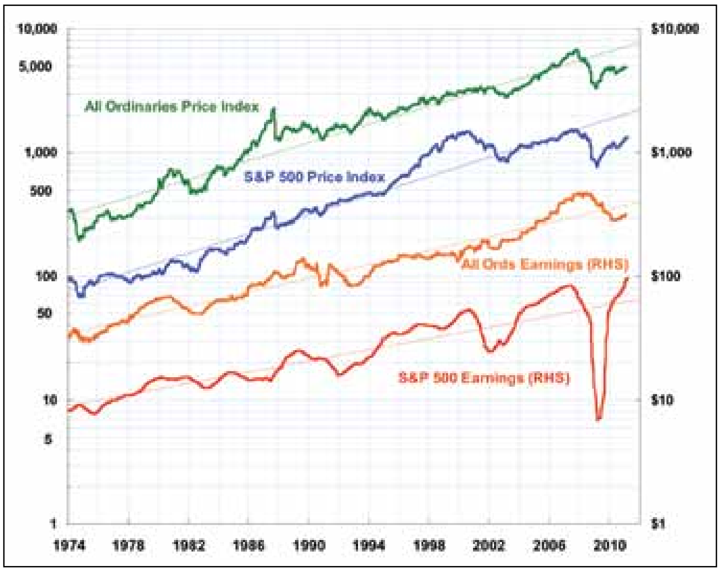


Figure 1: US v. ASX market trends, 1974–2011

The cyclical movements in Australian listed-company earnings that are represented in Figure 2 (in green) are worthy of detailed comment. It may be seen that this earnings cycle can range from a low of about 25% below trend to highs of about 50% above. These cyclical lows have a history of occurring early in each decade, with above-average growth often then ensuing for a number of years before a high later in the decade. I have previously described the corresponding average decadal cycle in the All Ordinaries Price Index as its 'secondary trend'.

Figure 2: US v. ASX market earnings: deviations from trend

Figure 2 indicates that our market entered 2008 experiencing an 'earnings bubble', with those high earnings accounting for its relatively low P/E ratios at the time. Our current position therefore might be described as a normal early-decade 'earnings recession', while displaying a similar P/E value. This adds weight to the argument that the 4500–5000 trading range witnessed for our Index over the past 18 months represents its normal early-decade accumulation phase.

A distinction may now be made between the current 'fair value' of 5200 calculated from recent earnings and that of about 7300 indicated in Figure 1 by the All Ordinaries' long-term trendline. Contrary to the perennial predictions of gloom from market 'shock-jocks', this latter value might be expected to be achieved and surpassed over the next few years as the market's underlying earnings driver recovers in its normal cyclical pattern.

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

Covered bonds

By Brad Newcombe

On 24 March this year the Commonwealth Government released draft legislation to allow Australian banks to issue covered bonds. This will allow Australian banks to 'catch up' to other international banks, which have been able to issue covered bonds for years. Covered bonds can be traced back to 1852 in France, while Germany introduced covered bonds as long ago as 1770 to finance public sector works.

A covered bond is one that is secured against specific assets such as a pool of mortgages. In the event of default by the bond issuer, investors who purchased the bonds have first claim to repayment from the underlying assets, which are typically over-collateralised — meaning that for each $100 of covered bonds issued there is, say, $105 of quarantined security/assets backing that $100 face value investment. The assets remain on the issuer's balance sheet, as opposed to mortgage backed securities (MBS), where the assets are taken off balance sheet and held in a legally separate special-purpose vehicle.

Australian market

Australia's big four banks have been lobbying the government to introduce a covered bond market to enable them to access cheaper funding. Covered bonds that are secured by high-quality assets should attract higher credit ratings than the issuer credit rating, and thus tighter spreads than senior debt. Further, they are typically over-collateralised.

Based on the over-collateralisation, the high quality of the loan assets in the covered pool and the strength of the issuing banks, most covered bonds receive high credit ratings of double- or triple-A. In general, their maturities range from 2 to 10 years, although there is a recent trend toward long-term securities with maturities of more than 10 years.

The other reason financial institutions want to issue covered bonds is to diversify funding sources. Australian financial institutions should find ready US and European markets for covered bond issuance.

Draft legislation limits cover bond issuance to 8% — lower than the 10% financial institutions had hoped for. The 'Big Four' will be able to issue up to A$150b in covered bonds before they reach the 8% cap. Westpac have suggested their limit will be around A$42.5b; CBA suggest A$41b; NAB, A$32.9b; ANZ, A$28.5b.

High quality low returns

As effectively secured debt, covered bonds technically rank above deposits (but deposits under $1m are still government guaranteed under existing rules that end in October this year). Because the bonds sit very high in the capital structure we expect the spreads over the swap rate benchmark to be very low, somewhere around 50 basis points (0.50%).

The very safe bonds with low return will have limited appeal. Most individual investors would be better investing in the same institutions but lower down their capital structure, for a higher return, given underlying confidence in the issuer. Generally, retail investors would be better off investing in term deposits, as these products will typically offer better returns than covered bonds and for similar risk.

Other examples of high quality bonds paying better returns are triple-A rated residential mortgage backed securities (RMBS), paying spreads of roughly 100 basis points, or one of our favoured corporate issuers, GE, whose bonds are trading on spreads of 75–110 basis points for maturities from one to nine years.

Brad Newcombe is a Director of Fixed Income Research, FIIG Securities.

Is your SMSF due for a super service?

By Trish Power

If you run a self-managed super fund (SMSF), you belong to an influential group that controls a third of all superannuation money held in Australia and collectively owns nearly 10% of the Australian share market. Such an impressive set of statistics becomes even more significant when you discover that this motivated group of Australians, SMSF trustees, represent less than 4% of the Australian population.

SMSF trustees are a vital part of the superannuation sector, and they are also important to the continuing strength of the Australian Securities Exchange (ASX). In the government's eyes, however, SMSF trustees also take advantage of a big chunk of tax concessions available to Australian super savers. You must follow the superannuation rules to take advantage of these tax concessions, and you must take on further responsibilities if you choose to do this via an SMSF.

Driving your super C-A-R-T

Running an SMSF is all about steering your own super CART. C-A-R-T stands for Compliance, Administration, Reporting and Tax management responsibilities. It's a term I've coined to help SMSF trustees manage the mandatory aspects of running an SMSF, including the task of ensuring that everything gets done when it should, such as meeting reporting deadlines.

Understanding your responsibilities, and when you need to meet those responsibilities, is the quickest and easiest way to ensure you keep your SMSF up to date. Have you checked your super CART lately? Does it need a maintenance check?

Driving your super CART involves the following elements:

- **Create a Compliance culture.** Life is easy when you get it right from the start. The superannuation rules create excellent opportunities for most Australians without the need to put your retirement savings at risk by breaking the super rules, or missing deadlines, or not managing your investments properly.
- **Get active on Administration.** The key decision you need to make for your SMSF's administration requirements is whether you do it yourself or you delegate this task to a professional administrator. Note that if you choose to outsource, you delegate only the task, not the responsibility.
- **Be rigorous on Reporting.** Are you particular about details? Do you keep your accounts up to date? Are you a stickler for punctuality? The answer needs to be 'yes' to all of these questions if you choose to administer your own SMSF; or you need to appoint a service provider who can answer 'yes' to all of these questions. You are legally required to keep accounting records, lodge returns and forms, and appoint an auditor to review your accounts.
- **Take advantage of super's Tax treats.** Tax-free super for over-60s is a juicy carrot for superannuation savers; but super also offers many other tax incentives. As an SMSF trustee, you have total control over how you manage your affairs. Ignore the tax rules, and how your super fund manages those rules, at your financial peril.

Take note of SMSF declaration

If you have an SMSF, then you already appreciate that, as trustee, you're responsible for running your super fund, investing your super monies, paying taxes, accepting contributions and eventually administering income streams. If you set up your SMSF on or after 1 July 2007, you should have signed an SMSF trustee declaration within 21 days of becoming a trustee, declaring that you understand your duties and responsibilities. If you set up your SMSF before July 2007, it's worth checking out the SMSF declaration on the ATO website as a quick refresher of your trustee responsibilities. I have also included a copy of the declaration in my book *DIY super for dummies* (Wiley).

Your main CART obligations

Your fund's administrative tasks generally support many of your SMSF's compliance, reporting and tax management obligations. Many service providers lump all of these responsibilities into the single category of compliance. Your main CART obligations (quoting from my book, *DIY super for dummies*) are:

- acting in accordance with super and tax laws
- acting in line with your fund's trust deed
- complying with the sole purpose test
- accepting super contributions
- investing in accordance with your fund's investment strategy, and super's special investment rules
- preparing minutes of trustee meetings and decisions
- keeping accurate accounting records, including recording all contributions, expenses, tax paid, investment transactions, and other transactions throughout the year
- paying income streams and fulfilling the legal requirements, including tax obligations, associated with an income stream (if your fund is paying a pension)
- preparing annual financial reports — operating statement and statement of the fund's financial position
- arranging for the audit of your fund's financial accounts and statements
- preparing and lodging, by due date, the fund's annual return, which contains the annual tax return, regulatory return (SIS compliance information) and member contributions statement
- paying the supervisory levy of $150, and tax liability when due. (The supervisory levy is to set to increase from the 2010–11 year.)

And there's more... to running an SMSF

Although essential to the successful operation of your SMSF, your CART obligations (compliance, administration, reporting and tax management responsibilities) are merely the foundation that enables you to fulfil your retirement dreams.

The key objective of any super fund is to deliver fund members a comfortable life in retirement. Achieving this objective involves monitoring and managing a variety of strategies relating to contributions, investments, tax, pensions and estate planning.

Typical strategies that you may consider (and you'll need to ensure that your SMSF is CART-ready), include: assessing the tax consequences of your super contributions both inside and outside the fund; monitoring and updating your fund's investment strategy and investments; thinking about how you intend to structure your income stream in retirement; and deciding whether you intend to make contributions in retirement.

Any strategies that you implement via your SMSF must be in accordance with your fund's trust deed and the relevant laws. As the super and tax rules change over time, it is prudent to periodically review the terms of the trust deed to ensure they still permit you to embark on any of the strategies currently permitted under the super laws and under trust law. For example, taking a transition-to-retirement pension (TRIP) is not covered in some trust deeds used by older SMSFs.

Every SMSF decision has CART implications. An SMSF should have systems in place to manage its CART responsibilities, enabling the SMSF trustees to respond quickly to any opportunities or strategies, and be in a position to implement those strategies.

ETF facts and fictions

Know their features, benefits and risks before using them

By Tom Keenan

The Australian Exchange Traded Funds (ETFs) market is growing rapidly as more investors use ETFs for low-cost index exposure and instant diversification. The combined market capitalisation of ASX-listed ETFs was $4.5 billion in February 2011, up 46% from a year earlier. BlackRock, issuer of iShares globally, expects the Australian ETF market to grow 20-30% annually over the next few years, and for assets under management in global ETF and exchange traded products to exceed US$2 trillion by early 2012.

This extraordinary growth trend has important implications for local investors.

As with any boom, there is a risk of misinformation about ETFs as more issuers enter the market. Australian investors should clearly understand the features, benefits and risks of ETFs so they can make informed decisions. This article looks at the main misconceptions about ETFs.

First, a review of how ETFs work. ETFs are known as index investments because they aim to replicate the performance of an underlying index. For example, the iShares MSCI Australia 200 ETF (ASX Code IOZ) aims to match the return from the MSCI Australia 200 Index. An ETF is bought and sold just like a share on an exchange, which means investors know exactly what the ETF owns and what it is worth at all times.

Unlike managed funds, ETFs do not try to beat the return from an underlying index, which is one reason their fees are much lower than managed funds. For example, the iShares MSCI Australia 200 ETF has an annual management expense ratio of 0.19%. Some managed funds that invest in Australian shares charge 2% or more in annual fees. High fees may be justified if a managed fund consistently outperforms its relevant index. BlackRock research shows the majority of managed funds worldwide failed to outperform their benchmark index between December 2004 and December 2009.

The main ETF performance measurement is tracking error — a return that deviates from the underlying index. Persistent tracking errors suggest an ETF is not doing its job. Another consideration is currency movements. To help minimise costs, international iShares ETFs listed on ASX are not hedged for currency movements, meaning investors need to form a view on the underlying index and currency of the country where the index resides. As with all investments, you can lose money using ETFs if your view is wrong.

Here are five misconceptions about ETFs:

1 ETFs are a recent phenomenon

ETFs have been widely used in the United States for almost two decades, and 2011 marks the tenth anniversary of the first ETF listed on ASX. iShares launched its first ETFs in the US and UK in 2000, and its first on ASX in 2007. iShares now has 23 ASX-listed ETFs, more than any other issuer in Australia.

2 ETFs are only about growth

ETFs can also suit income-seeking investors who prefer yield over growth, or a mix of both. Investors seeking higher yield could choose the new iShares S&P/ASX High Dividend ETF (ASX Code IHD). It gives exposure to 50 higher-yielding stocks (which are included in the S&P/ASX Dividend Opportunities Index) for an annual management cost of 0.30%.

3 ETFs replace managed funds and shares

Chosen well, managed funds and shares provide 'active' exposure that can achieve a return greater than the market. ETFs provide index exposure, or a return similar to the market. A combination of iShares ETFs, managed funds and shares can give investors a mix of active and index exposure in their portfolio, potentially better diversification and low volatility, and lower average fees.

4 ETFs are only 'passive' investments

ETFs can be used tactically to take advantage of shorter-term opportunities. For example, an investor who believes US share markets will rise could tilt the international equities component of their portfolio towards US shares by buying the iShares S&P 500 ETF (ASX Code IVV).

5 All ETFs are the same

Always consider the issuer's record with ETFs and commitment to aftermarket support, client service and education. Carry out appropriate due diligence when dealing with unfamiliar new issuers launching ETFs over new indices with low liquidity. Be aware that the top three issuers — iShares (44.1% market share), State Street Global Advisors (14.5%) and Vanguard (11.3%) — account for 70% of the global ETF market by assets under management. The other 133 ETF issuers are fighting for the remaining 30%.

For more information about iShares ETFs, visit www.ishares.com.au.

Tom Keenan is Director, iShares, Intermediary Sales, for BlackRock Asset Management Australia Ltd. BlackRock believes the information in this article is correct at the time of issue, but no warranty of accuracy or reliability is given and no responsibility arising in any way for errors or omissions (including responsibility to any person by reason of negligence) is accepted by BlackRock. This information is general in nature, and has been prepared without taking into account any individual's objectives, financial situation or needs. iShares are a sponsor of the AIA National Investors Conference to be held 1-3 September 2011 at the Sofitel Sydney Wentworth Hotel.

Australian investors sentiment survey

By Scott McKenzie

For the second investor survey conducted at the end of March, the AIA combined its results with *FNArena* who also surveyed their investors.

Major areas of concern revealed by both surveys included high oil prices on the back of political instability in North Africa and the Middle East, the ongoing nuclear threat in Japan, sovereign debt problems in Europe, a potential shift in monetary policy in the US, and a perceived anti-business climate in Canberra.

Overall, both surveys showed that investors in Australia remain cautious about the outlook for the Australian share market, although there were some differences between the two. Of the 460 AIA respondents, 21% indicated they were bullish about the market, 27% were bearish and 52% were neutral. This represents a significant change from two months ago, when 31% were bullish and 15% bearish. Similarly, among the 281 *FNArena* respondents more than half (54%) were neutral, but the balance between bulls and bears was reversed, with 26% bullish and 20% bearish.

The AIA survey asked for the first time about the investor's current level of confidence in the stock market, on a scale from 0 (low) to 100 (high). This provided a first reading for the AIA Investor Confidence Index of 54.

It is our intention to continue these surveys bi-monthly and provide regular investor sentiment updates to the media. The next survey will be distributed to members in mid to late May. We hope you will participate.

Scott McKenzie is Vice President of the AIA and Chair of the Media Committee.

Evolution of LICs

By Geoff Wilson

Free money

When I first discovered I could buy $1 worth of shares for 80 cents, I didn't believe it was possible! But that's what the stock market allows you to do every day. At times people sell things for below what they're worth. It seems illogical, but it's true.

The entities listed on the stock market that currently give you these opportunities are Listed Investment Companies (LICs). A LIC is a listed equity fund: a managed share investment fund that is itself a listed share. In Australia there are 59 of them listed on the Australian Stock Exchange (ASX) with a value of $19.1 billion. Currently at least 49 of them are trading below the value of the shares they own, creating a lot of great value investing opportunities.

Evolution of LICs

The first investment trust was launched in the UK in 1868 by Foreign & Colonial. It was the world's first collective investment vehicle and planned to raise £1m to invest in government stock of foreign countries and colonial territories. In the prospectus it said it aimed 'to give the investor of moderate means the same advantages as the large capitalist in diminishing the risk of investing in foreign and colonial government stocks, but spreading the investment over a number of different stocks'.

Unique structure of LICs

This principle is still the same today. Like unit trusts, LICs are pooled funds invested in a diverse range of shares that are listed on the stock market. But, unlike unit trusts, LICs are incorporated as quoted companies and instead of buying units in a fund, investors buy shares in that company.

LICs are closed end funds with a fixed amount of capital. No one can buy shares in a LIC unless someone else is willing to sell. Therefore the share price moves according to the rules of supply and demand rather than as a direct reflection of the movement in the underlying assets of the LIC. Thus LICs often trade at either a premium or a discount to the value of the assets they own, namely their Net Tangible Assets (NTA).

It is this premium or discount that makes LICs appear complicated. Most investors are familiar with unit trusts, which quote their unit values every day. Investors can buy or sell the units at the stated NTA daily. With LICs, the variance between the value of the LICs assets and its share price is a complication for some, but provides an incredible opportunity for others. Research has shown that the closed end structure enables LICs to invest more efficiently and outperform unit trusts or other managed funds over time.

In a market downturn, such as the Global Financial Crisis (GFC), investors in a managed fund are likely to sell their units to get cash, forcing the managed fund manager to liquidate some of their holdings to repay the unit holders. This means the manager is selling into a market that has fallen, and may be forced to sell stocks that they believe are cheap. In a bull market, when money is rapidly flowing into managed funds, the reverse is the case. The managed fund manager may be forced to buy shares they know are over-valued as money pours in from investors. This is never the case with LICs. The LIC manager can continue to hold the same portfolio, and is never forced to sell or buy any stock. Their total focus is on managing money for the benefit of all their shareholders — the manager's investment strategy is not dictated by market sentiment or flow of funds. They may start buying in a downturn and pick up some bargains or sell stocks that become overvalued in a bull market.

Australian evolution

The origins of the LIC sector in Australia date back to the 1920s. The oldest investment company that is now listed is Whitefield Ltd (WHF), which was incorporated in 1923, originally as an investor in mortgage loans. Its business has been solely focused on equity investment since 1949, though it didn't list on the ASX until 2 August 1971.

The largest Australian LIC started life in 1928 as Were's Investment Trust Ltd. In 1936 it changed its name to Australian Foundation Investment Trust Ltd and it adopted its present name, Australian Foundation Investment Company Ltd (AFI), in 1938. It listed on the stock market on 30 June 1962. In 1973 it was used to amalgamate the Capel Court group, which resulted in the takeover of Capel Court Investments, Breton Investments, Clonmore Investments, Haliburton Investments, Jason Investments, Jonathan Investments, National Reliance Investments and Shelbourne Investments. AFIC now has assets of $5.0 billion.

The second-largest LIC, Argo Investments Ltd (ARG), was established in 1946 and listed on the ASX in 1950. It currently has assets of $3.9 billion.

Over the years new LICs have been floated on the stock exchange. Some have grown and prospered — like the Milton Group (MLT), Kerr Nelson's Platinum Capital (PMC) and our group, WAM Capital Ltd (WAM), WAM Research Ltd (WAX) and WAM Active Ltd (WAA). Others have been taken over or returned their capital to shareholders. LICs are excellent investment vehicles and can give exposure to a range of different investment opportunities from Australia to China.

Outlook for LICs

The outlook for LICs in Australia is the brightest I have seen in my 31 years working in the securities industry. The sector is currently benefiting from two major structural changes.

The first is the change to the Corporations Act in June 2010, allowing companies to pay dividends as long as they are solvent. Previously they could only pay a dividend if they had an accounting profit, so the company might have had the cash flow, the cash and the franking credits, but if its assets had fallen in value (as happened during the GFC) it couldn't pay a dividend. This will no longer be the case. This change in legislation will give companies greater flexibility with dividend payments. With the three LICs we manage — WAM, WAX and WAA — we have planned a growing stream of dividends that can be paid over the next 20 years.

The second significant structural change is the reform of the financial planning industry. From 1 July 2012 commissions on managed funds will be banned. This will remove a significant impediment for financial planners looking at LICs or other investment products listed on the stock market (e.g. ETFs). LICs don't pay trailing commissions. For years financial planners have had a significant financial incentive to recommend managed funds over LICs. Thus LICs have not fully benefited from the significant growth in the funds management industry. The Australian managed fund industry has grown from $157 billion in 1990 to $1,199 billion today. Finally the playing field will be level. We are already seeing an increased level of interest from financial planners in LICs.

Since these changes were first discussed, the discount to NTA of a number of LICs has decreased. I believe this will continue, and may well result in a large number of LICs trading at a premium to their asset value.

Geoff Wilson is the Chairman of Wilson Asset Management, WAM, WAX and WAA and will present on this topic at the AIA National Investors Conference to be held 1-3 September 2011 at the Sofitel Sydney Wentworth Hotel.

Tax notes

Year end tax planning

By Dennis Eagles

With the financial year end fast approaching, this article highlights a few things to consider when thinking about tax planning options.

1 **Income:** Income is taxable at the point where it is 'derived', which for most types of investment income is when it is received. If received after 1 July, it will be taxable in the following year, thus deferring the payment of tax. Timing of the receipt of dividends is obviously outside our control, but investments such as term deposits can be managed so they mature after 1 July.

2 **Deductions:** Expenses are generally deductible when incurred (i.e. when you have an obligation to pay). Consider expenses incurred when managing your investments.

3 **Prepayments:** Individuals can obtain an income tax deduction for prepayments, where the item is either less than $1000 or will be used/provided within 12 months. Prepaying costs can advance the deduction, thus decreasing your taxable income in the current year. Consider whether prepaying interest is appropriate for you (balancing tax deductions against future changes in interest rates).

4 **Capital gains and losses:** Determine whether you have made any capital gains or losses in the current year. Capital losses can only be offset against capital gains, with any excess carried forward into future years. If you have made large capital gains, and have some unrealised losses, you may wish to consider realising them before 30 June for an immediate offset this year. Conversely, if you have already disposed of assets for a loss, you may wish to take profits on other investments. The worst case scenario is to have gains this year (on which you will pay tax) and then incur losses (which could be carried forward) early in the new year.

5 **Flood levy:** The flood levy has received Royal Assent and will apply on a once-only basis to the 2011–12 financial year. The levy will be applied at 0.5% of income in excess of $50,000 and 1% of income in excess of $100,000. Those earning less than $50,000 or those in receipt of a disaster payment will be exempt. Items such as the four listed above, which alter taxable income in a particular year, will affect the extent of your payment of the levy. For example, deferring the receipt of term deposit interest until next year will increase exposure to the flood levy.

6 **Superannuation:** Consider contributions — by either salary sacrifice or, if eligible, member deductible contributions. To be eligible, you need to have less than 10% of your income from salary or wages. For those drawing pensions from super, ensure that your minimum withdrawals are met; this must occur to ensure the tax-free concessions if over 60 or the eligibility to the pension rebate if under 60.

7 **Rebates/offsets:** Ensure that you obtain the maximum claim of any offsets that you are entitled to. For imputation, remember the holding period rules (45/90 days — refer to my 'Tax notes' article in the November 2009 issue of *Investors' Voice* for more information). If you have already exceeded the medical expense limit (which increased to $2000 for this year), you may wish to consider advancing other medical treatments where possible, resulting in an additional offset of 20% of each dollar spent.

8 **Trusts:** If you're investing via a trust, there are two main items that you should consider. First, consider how distributions are going to be declared: how much each beneficiary will receive and, where your deed allows it, what types of income they will receive. Second, consider how Unpaid Present Entitlements will be managed.

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.

Bulletin board

Trading & Investing Seminars & Expo
tradingandinvestingexpo.com.au

Trading and Investing Expos — Perth & Sydney

The AIA recently manned a booth at the Perth Trading and Investing Expo, which generated much interest. Thank you to all those volunteers who helped over the two days, not only doing an awesome job but also signing up 20 new members! The AIA will man a stand at the Sydney Trading and Investing Expo to be held on **5 and 6 August**. Mark these dates in your diary, as we hope you will support our stand.

Brisbane: 'Understanding the fundamentals and technicals of share investing', one-day seminar

Renowned author and share trader Alan Hull will combine with Nathan Bell, Research Director of *Intelligent Investor*, and Janine Cox, a lead trainer and media commentator from Wealth Within, to outline a number of clear approaches to deciding what to buy, when to buy, when to sell and, most importantly, why you make these decisions. Whether you are an active trader, a passive investor or just starting out, this seminar will help you refine your investment plan.

Date: Friday 17 June from 9 am to 4.30 pm
Venue: Bardon Conference Centre, 390 Simpsons Rd, Bardon
Cost: Members, guests and partners $95 pp; non-members $145 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.

Investing & Online Trading Newsletter

In this mentoring-style newsletter, Jim Berg shows live examples each week of how to filter which shares to buy, when to buy and more importantly, when to sell — to maximise profits, minimise losses and grow your portfolio. Jim Berg says, 'Your financial independence is at the heart of everything we teach.' He is offering AIA members a special **20% AIA discount** (with no lock-in contract). For more information go to www.ShareTradingEducation.com.

AIA Conference, 1–3 September 2011: early bird rate expires 31 May 2011

By now you will have received the AIA National Investors Conference brochure. We hope you agree that we have compiled a quality in-depth program including many first-time presenters. As with any conference program, there are always minor changes, but it will be kept up to date on our website (www.investors.asn.au/events/national-conference). **Register by 31 May 2011 and you will save $100!**

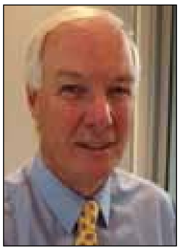
New member offer

We have a great offer for new members. Anyone who joins the AIA will receive a 15 day free trial to *Intelligent Investor*, a value research investing publication, as well as an investing education program and three special reports, *Australia's 10 best businesses; Investing lessons from the global financial crisis and Value investing fundamentals*, posted or emailed to you and valued at $267. Membership of the AIA costs $130 for one year or $210 for two years, which includes a $20 joining fee; thereafter just $110 for one year or $190 for two years.

INTELLIGENT INVESTOR

Inflation on the horizon: what it means for investors

By Rob Garnsworthy



Five years ago the developed world had pronounced inflation as virtually dead, or at least under control. How quickly the world can change.

In response to the Global Financial Crisis — the greatest crisis since the Depression — there have been unprecedented stimulus packages across the globe. Governments and central banks have reduced interest rates to historically low levels and pumped huge volumes of cash into the system to prevent the collapse of the financial system, with some success.

However, this has transferred massive debt from the private sector to the public sector, money is being printed as if there is no tomorrow, and inflation is stirring again. Uncontrolled, inflation is an insidious attack on the wealth of countries and individuals, often those least able to afford it. In its simplest form, inflation is too much money chasing too few goods and making prices rise.

Does history teach us anything?

As a fresh economics graduate in the 1970s, I watched as we went into the first oil crisis. Prices accelerated across the board, as did wages and salaries. The house we bought for $30,000 in 1973 was worth $80,000 in 1979. We felt wealthier, because we had more equity in our house, but every other house had gone up as well. I also watched work colleagues retire in 1972 or 1973, thinking they had more than enough to live on, only to find themselves on the age pension by 1980 as inflation savagely eroded their fixed income.

In today's world we have inflation breaking out not only in the basket-case economies of Africa or South America, but also in the rapidly emerging economies of China and India. In South-East Asia, Vietnam is the latest on the list; even the UK has a looming inflation problem. In many parts of the world the only thing that is holding inflation in check is the level of spare capacity and unemployment in the system. As this slack is taken up with world growth, the potential for serious global inflation is very real, given the amount of money sloshing around in the system and the fact that we are in uncharted post-GFC waters. The juggling act for central bankers will be how much inflation they allow or even encourage.

The 'normal' response of central banks to inflation is to dampen activity by boosting interest rates; you can already see that happening here and in China. However, interest rates are indiscriminate and fairly blunt instruments as economic tools. We all know that the north-west of Australia is booming, but things are a lot tougher in the working suburbs of our capital cities, and a rise in interest rates takes no account of the differences.

We also need to recognise that the Australian measure of inflation, the Consumer Price Index, may not reflect your personal position. When you pay medical bills or school fees, for example, you are well aware that they are going up by more than the official CPI.

In my view it is an error to think that the 'lucky country' will be immune to global inflation. We borrow too much offshore. If global rates go up, our banks will have to compete and we will import higher interest rates into Australia.

As an investor, what should you do?

The biggest issue I see for many investors is that during the GFC they dumped equities in favour of the safety of cash or fixed interest. In a world that is inflating, it might be an idea to revisit that strategy. When interest rates rise, fixed interest bonds actually depreciate and can do so quite savagely. On the flip side, if we get soaring interest rates and you can pick the peak, fixed rate bonds and annuities may be a great investment.

Short-term cash or variable rate fixed interest always have a place, but if you are earning 6% and inflation is 3.5%, your real return is only 2.5%.

Gold and silver are often seen as safe havens in times of trouble, or hedges against inflation. As the commentators would say, you can't print gold; and it's a valid point. I personally own some gold shares; I also hold physical gold at the Perth Mint. It's my security blanket.

Equities are the big question for many investors. There is certainly a discernible shift in the US from fixed interest investments towards equities, and the fear of future interest rate increases is partly responsible. When I look at equities and inflation, I look for the companies that have 'pricing power'. In other words, if their costs go up, they can feed it straight through to their customers. Look what our big miners have done in recent times; indeed they are contributors to global inflation as commodity prices soar. In the short to medium term at least, they look to have continued pricing power. Where I do not want to be is invested in companies where the government or a regulator will determine how much they can charge and whether they can pass costs on.

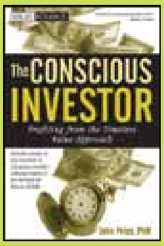
Property is the interesting one. In an inflationary world, property prices have historically been a pretty good hedge, and any debt you owe the bank depreciates in real terms. So what's the problem? The problem is that, if we have rapidly inflating property prices, interest rates will inevitably follow and the 'music will eventually stop'. We saw it in the early 1990s in Australia when interest rates soared and the property market came to a grinding halt. It pays to be careful.

What is the outlook?

The reality is that, with global growth subdued, interest rates are at or near historic lows and they are substantially more likely to go up than down. Central bankers will do their level best to manage inflation, but when once it gets going it's a pretty wild beast to tame. My best guess is that it's a 2012 issue. However, when thinking your investment plans through, particularly your fixed interest investments, it will pay to keep the inflation risk at the forefront of your mind.

Rob Garnsworthy is a member of the AIA.

Book review



Title: The conscious investor: profiting from the timeless value approach
Author: John Price
Publisher: John Wiley & Sons 2011
ISBN: 9780 4706 04380
RRP: $62.95
Reviewer: Jolyon Forsyth

Are you a serious investor? If so, *The conscious investor* is a book you should have in your library and read from time to time. It provides a very comprehensive and intensive study of valuation methods and details their strengths and weaknesses. The fundamental question for us as investors is: 'What rate of return can I confidently expect from this investment over a specified period?'

Many years ago Benjamin Graham, often referred to as the Dean of Wall Street, said of the market: 'In the short term it is a voting machine, in the long term it is a weighing machine.' What is it weighing? Value. And value and the valuation of equities are what *The conscious investor* is all about. In a letter to partners in the Buffett Partnership in January 1966 Warren said, 'Price is what you pay. Value is what you get.' The book details all the major equity valuation methods, with a description of their motivation and justification, together with a list of assumptions and, most importantly, the strengths and weaknesses of each method, to make it easier to choose between competing methods.

The first three chapters deal with intrinsic value and price, and introduce 'real value' as a combination of intrinsic value and price. Then Chapter 4, with the illuminating title 'Follow the money', gives an introduction to accounting and the roles of the four financial statements (balance sheet, income statement, cash flow statement and equity statement) in providing the data for valuation methods and key financial ratios — to filter out the companies not to invest in.

Chapter 5 deals with ratios galore. Do you know which ratio measures how well management is using the available funds? Not return on equity (ROE), but return on capital (equity plus long-term debt) or ROC. The author illustrates his points by reference to the retailer Wal-Mart, which in 2010 had a ROE of 20.26% and ROC of 13.38%. He introduces the reader to the Du Pont analysis of ROE, which is a very old idea (dating from the 1920s) but still an effective way of looking at the operating efficiency, asset use efficiency and financial leverage of a company and comparing it with the previous year's performance and with the performance of other companies.

The book then moves on to valuation methods, beginning with balance sheet methods, including those of Benjamin Graham, and in Chapter 7 to discounted cash flow, discounted free cash flow, discounted earnings and discounted dividends, to arrive at the intrinsic value of a stock. It discusses the strengths and weaknesses of discounted methods, with the weaknesses taking more than twice the space of the strengths. The book is critical of discounted methods because the DCF formula is an infinite series and thus can never be tested. The author illustrates this in a table on discounted dividends where after 200 years the dividend per share is $4,433,173 but the present-day value is only $0.02 when discounted at 10%. The results achieved by a DCF calculation can vary tremendously, depending on minor changes to the assumptions of growth in the rate of the cash flow or the discount rate used.

In Chapter 9, headed 'Don't get mad get even' the book looks at the payback period for free cash flow, earnings or dividends again with a discount rate. These calculations need to be done for competing investments to see which is the better investment. One then moves on to the PEG rate and the PEGY rate as developed by Peter Lynch (the author of *One up on Wall Street*) but incorporating dividends, which I consider to be an improvement. John Price then introduces the reader to what every investor should be looking for, which he calls 'double-dip investments'. These are stocks where one expects (as a result of extensive and detailed investigation) to have growth in both earnings per share and the P/E ratio.

As investors we are all, like Oliver Twist, prone to ask for more. The opening to Chapter 12 leads on to more valuation methods developed by Benjamin Graham and others including the earnings growth method CAN SLIM, and option pricing models.

In *The Intelligent Investor* Benjamin Graham has put forward the 'margin of safety' as the central concept of investment. So John Price in his Chapter 13 discusses what one needs to do to protect oneself from errors in forecasts by analysts. He states: 'Careful large-scale academic studies show that these forecasts are highly unreliable.' So he has developed a computer program called STAEGR (stability in earnings growth), ESAFETY to reduce negative earnings surprises, PESAFETY price/earnings checks, and PRSAFETY payout ratio to give a conservative figure for all these. These functions apply practical margins of safety to the areas of business performance, market performance and board dividend policy.

I close with a quotation from Warren Buffett: 'What's needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework.' John Price has pointed the way.

Jolyon Forsyth is the Treasurer and Secretary of the AIA.

AIA web book reviews

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

Title: **The little book of sideways markets: how to make money in markets that go nowhere**
Author: Vitaliy N. Katsenelson
Publisher: John Wiley & Sons, New Jersey, USA, 2011
ISBN: 9780 4709 32933
RRP: $27.95
Reviewer: Vimal Mehta

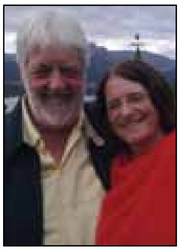
Title: **Managed funds for dummies**
Author: Colin Davidson
Publisher: Wiley Publishing, Brisbane, Australia, 2011
ISBN: 9781 7421 6942 2
RRP: $39.95
Reviewer: Peter Schiff

Title: **Technical analysis for dummies**
Author: Barbara Rockefeller
Publisher: John Wiley & Sons, New Jersey, USA, 2010
ISBN: 9780 4708 88001
RRP: $32.95
Reviewer: Andre Dreyer

Title: **Trading plans made simple**
Author: Jacqueline Clarke
Publisher: Wrightbooks, Brisbane, Australia, 2011
ISBN: 9780 7303 75401
RRP: $27.95
Reviewer: Patricia Clifton

Me and my portfolio

By Tony Reardon



For over 20 years my wife and I jointly ran our own two small businesses. During that time we contributed our default minimum amounts to superannuation and basically ignored it, feeling our time and energies were better used on our businesses. However, in late 2006, as I turned 59, we sold one business and sold the offices we had used for the other business, thus freeing up considerable capital.

At the same time, the Liberal Government created the temporary $1 million limits on contributions to superannuation and rewrote the rules on taxation of pensions. This led us to set up our own self-managed superannuation fund, which we felt would give us maximum control of our own affairs and avoid unnecessary fees. We looked at the services offered by financial planners and concluded they wouldn't bring us sufficient value, given our business backgrounds.

We took the task of running an SMSF very seriously and read all we could about the subject including such things as trustee's duties, asset allocation and investment strategy. In May 2007 we created the fund, contributed the proceeds from the property sales and transferred the balances from our existing AMP superannuation.

Our initial investment strategy took the AMP balanced growth superannuation fund that we had been invested in as a starting point, and we modified this with due regard to our particular circumstances to arrive at the following broad asset allocation:

- cash and fixed interest 30–70%
- listed property 0–20%
- Australian equities 25–45%
- international equities 10–30%.

We then proceeded to invest using term deposits and managed funds for fixed interest, managed funds for listed property and for international equities, and a mixture of direct investments, exchange traded funds (ETFs), licensed investment companies (LICs) and managed funds for Australian equities. We took the view that we were willing to pay reasonable fees for managing the parts of the portfolio that were beyond our expertise, but not to pay asset-based fees for investing in cash or in index funds.

We had never before directly owned shares, but set up an E*Trade account and started to invest in Australian shares with the SPDR ETF, then listed LICs and then into individual stocks. We consider ourselves long-term investors and try to adopt 'value investing' principles, thinking of ourselves as business owners of the stocks we buy. We keep a share review document with a one-page summary of each equity holding that includes brief financial details and our expectations of the investment, and this is updated as companies release half-yearly results. We try to arrive at a value for the stock and then make buy/sell decisions based on that. As well as reading the financial press, we subscribe to three main investing newsletters and sources of information (*Intelligent Investor, Huntleys/*Morningstar and Kohler's *Eureka Report*) and take their input and views on value into account. We are satisfied with the research we are able to do using E*Trade and our paid subscriptions.

Currently our cash and term deposits represent 31.53% of the fund, plus we have a diversified portfolio of corporate bonds/hybrids. The Australian equities are 44.83%, which is close to the top of our range, but we are still basically using the same asset allocation as we started with. We made 42 trades in 2008, 58 trades in 2009, 16 trades in 2010 and will probably look at a similar number (16–24) in 2011.

Within the Australian equities, our ETF position is about 25% of the total. We have direct holdings in 26 companies averaging about 2.5% of the asset class invested in each, and we have a small (5%) allocation that we use for more speculative opportunities. No single direct investment is more than 2% of the total fund's assets. Currently our largest holdings are ANZ, Cochlear, Platinum Asset, RHG and Telstra. (For those not familiar with RHG, it is the rump of the former RAMS home loans and was one of *Intelligent Investor*'s best ideas, returning over 750% since October 2008.)

The GFC was horrible for us. If we were to go through the various individual disasters, we could add up losses approaching 18% of the total assets of the fund. While some of these were unrealised capital losses and might claw their way back over the next few years, some are out of business and are real lost money. With the benefit of hindsight, we can see we were unlucky to have been investing just before the GFC. Equally, however, we were lucky, because we were still in the process of building our investments during 2008–09.

Some of the investments we made in 2007 using managed funds were, quite frankly, disastrous. This was particularly galling because the worst-performing sectors were not direct equities, which were supposed to be the 'riskiest', but were associated with fixed interest and listed property — through large, reputable fund managers. If there was one huge mistake we made, it was allowing ourselves to be driven by availability of money rather than when it was a good time to invest.

We started with the expectation of having fewer, larger investments, but the pain of losses has led us to take smaller positions and to spread the timing of investments; and diversification has clearly worked for us. Our most profitable investments were made at the depths of the financial crisis in February 2009, with one mining services company up over 1200% since then. Unfortunately (and this is the flip side of diversification) we made only a relatively small investment that achieved these gains.

We are currently monitoring positions with three of our holdings on a 'sell' list, while we have three blue chips, an LIC and a speculative property trust on a 'buy' list. We are also seriously contemplating putting some extra investments with a Platinum managed fund for international shares, and it is worth mentioning that over the last three years Platinum outperformed our other two international share funds by a substantial margin.

Taking the overall performance of the fund, including interest, dividends, profits and unrealised capital gains, it has returned a small annual profit after tax and expenses of around 2.3% per annum. Considering the size of the financial crisis and the fact that the AMP balanced performance figures for the past three years seem to be negative, we are reasonably satisfied — although, of course, simply sticking everything in rolling term deposits would have been a good strategy in 2007!

Tony Reardon is a member of the AIA.

Calendar of events

Date	Event	Time	Venue	Topic
02-May-11	Canberra Information Meeting	7.30-9.30pm	Southern Cross Club, Woden (Check room allocation in foyer)	Equities Discussion Group
03-May-11	Perth Information Meeting	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah St, Wembley Downs	How to add value to your Australian share portfolio
03-May-11	South Sydney Information Mtg	7.30-9.30pm	Miranda Community Centre, Wattle Room, 93 Karimbla Rd, Miranda	Investors Discussion Group
04-May-11	Brisbane Information Meeting	1.30-3.45pm	Broncos Leagues Club, Fulcher Rd, Red Hill	Estate planning & property update
09-May-11	Adelaide Information Meeting	7.00-9.00pm	Enterprise House, Room 4, First Floor, 136 Greenhill Rd, Unley	Outlook for residential real estate in SA
13-May-11	Toowoomba Information Meeting	10.00am-12.30pm	Learning Network Qld, 27 Jellicoe St, Toowoomba	Selecting stocks for value
17-May-11	Perth Equities Discussion Group	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah St, Wembley Downs	Equities Discussion Group
18-May-11	North Shore Information Meeting	7.00-9.30pm	The Chatswood Club, 11 Help St, Chatswood	SMSF update
01-Jun-11	Brisbane Information Meeting	1.30-3.45pm	Broncos Leagues Club, Fulcher Rd, Red Hill	End of year accounting issues
06-Jun-11	Adelaide Information Meeting	7.00-9.00pm	Enterprise House, Room 4, First Floor, 136 Greenhill Rd, Unley	Listed investment companies
06-Jun-11	Canberra Information Meeting	7.30-9.30pm	Southern Cross Club, Woden (Check room allocation in foyer)	Equities Discussion Group
07-Jun-11	Perth Information Meeting	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah St, Wembley Downs	Lessons learned from investing in the mining sector
07-Jun-11	South Sydney Information Mtg	7.30-9.30pm	Miranda Community Centre, Wattle Room, 93 Karimbla Rd, Miranda	Investors Discussion Group
10-Jun-11	Toowoomba Information Meeting	10.00am-12.30pm	Learning Network Qld, 27 Jellicoe St, Toowoomba	Small cap stocks
15-Jun-11	North Shore Information Meeting	7.00-9.30pm	The Chatswood Club, 11 Help St, Chatswood	The role of ETFs and bonds in your portfolio
17-Jun-11	Brisbane One Day Seminar	9.00am-4.30pm	Bardon Conference Centre, 390 Simpsons Rd, Bardon	Understanding the fundamentals & technicals of share investing
21-Jun-11	Melbourne Information Meeting	1.00-3.45pm	Telstra Conference Centre, R1, L1, 242 Exhibition St, Melbourne	Estate planning & Centrelink
21-Jun-11	Perth Equities Discussion Group	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah St, Wembley Downs	Equities Discussion Group
23-Jun-11	Gold Coast Information Meeting	9.30-11.30am	Robina Community Centre, Conference Room, 196 Robina Town Centre Dve	Economic outlook - Chris Caton
01-Jul-11	Sydney One Day Seminar	9.00am-4.30pm	Tattersalls Club, 181 Elizabeth St, Sydney	Share investing strategies for success
04-Jul-11	Canberra Information Meeting	7.30-9.30pm	Southern Cross Club, Woden (Check room allocation in foyer)	Equities Discussion Group
05-Jul-11	Perth Information Meeting	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah St, Wembley Downs	How to apply technicals to share investing
06-Jul-11	Brisbane Information Meeting	6.30-9.00pm	Broncos Leagues Club, Fulcher Rd, Red Hill	What sector & fundamental analysis
08-Jul-11	Toowoomba Information Meeting	10.00am-12.30pm	Learning Network Qld, 27 Jellicoe St, Toowoomba	AIA & ASA Joint Meeting
11-Jul-11	Adelaide Information Meeting	7.00-9.00pm	Enterprise House, Room 4, First Floor, 136 Greenhill Rd, Unley	Shares to watch out for
19-Jul-11	Perth Equities Discussion Group	7.30-9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah St, Wembley Downs	Equities Discussion Group
20-Jul-11	North Shore Information Meeting	7.00-9.30pm	The Chatswood Club, 11 Help St, Chatswood	Valuation masterclass
22-Jul-11	Perth One Day Seminar	9.00am-4.30pm	Wembley Downs Tennis Club, Cnr Morden & Ednah St, Wembley Downs	Understanding asset allocation and how to apply it to your portfolio

NB. Topics subject to change.

AUSTRALIAN INVESTORS ASSOCIATION ABN 75 052 411 999

Investors Helping Investors

The Australian Investors Association (AIA) is a national, non-profit, independent association of investors dedicated to helping other investors achieve their goals through education and advocacy.

Contact

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