

# the **INVESTORSvoice**

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

**September 2013**

**Think like the  
great investors**

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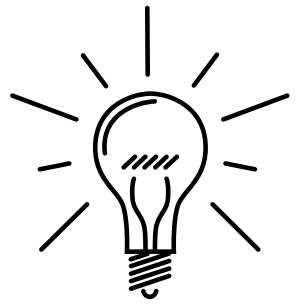
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# Think like the *GREAT INVESTORS...*

Colin Nicolson



This is the first chapter of my new book *Think Like the Great Investors*: I am a very keen reader of books and articles about investing. In particular, I love reading about the great investors, those who consistently achieve outstanding returns that make them and their clients very wealthy. After all, if we want to be better investors, our best models are those with a proven outstanding track record. The more I study the great investors, the more I am struck by the way the quality of their thinking seems to be superior to that of the ordinary investor. I find that the great investors have several key attributes that, in combination, lead to outstanding results and to their classification as outstanding investors:

- **Education.** This is a must. A very few have been entirely self-taught, but most will have a tertiary qualification, usually at postgraduate level. Moreover, they maintain their level of education over their career in all sorts of ways, both formal and informal.

- **Intelligence.** They tend to be of above-average intelligence but do not have to be in the genius class, which can, in fact, be a handicap. Modern finance is not easy to understand and conceptualise. It requires a great deal of deep thinking over many years.

- **Experience.** Great investors do not just burst onto the scene. They ripen over time. They develop a great depth of knowledge about how markets work and what has happened before and have honed their skills under pressure in the markets. Out of all this, the great investors seem to learn to think in ways that are quite different to the average person in the street who is trying to invest his or her savings. When I read about decisions great investors had made that led to their investment success, I found that their decisions often seemed to be counterintuitive. This puzzled me for years. Warren Buffett, one of the greatest investors of my lifetime, started to help me put my finger on it when he wrote in his famous preface to Benjamin Graham's investment classic *The Intelligent Investor*: What's needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework.

For a while I thought this was the key I had been looking for: to master the market we have to learn to master ourselves. It

seemed that the solution was to be so coldly logical in every decision that I shut out my emotions by the sheer power of my logic. However, while this was a part of the puzzle I was grappling with and was a big step in the right direction, it was very difficult to implement and did not seem to provide the solution that I was seeking. What still puzzled me was exactly what my emotions were and why decisions made by the great investors, which I read about, seemed to be counterintuitive rather than simply logical. Then one day the light came on for me. I came across what is called behavioural finance or behavioural economics. What I was calling emotions were in fact a whole set of cognitive biases in my thinking.

**Great investors  
have key attributes  
education  
intelligence &  
experience**

Since 1971 a tremendous amount of research has been done into the way people make decisions. As an economist, I was trained to assume that people always made decisions to logically maximise their personal gain in whatever situation they were in. From the research that has become behavioural finance I have learned that people are far more complex than that and in fact do not always maximise their possible gains in investing or in life generally.

Instead I found that, when faced with a decision about something, we use shortcuts or heuristics. A heuristic is a rule of thumb for solving problems. For example, if a married couple are both blond-haired, we assume that their children are also likely to be blond. Quite frequently these kinds of heuristics will be reliable guides and we will make sound decisions based on them.

This is likely to be even more so when the heuristic is founded on experience formed over many situations over many years and becomes intuition. This is why experience is so important in investing: we develop intuition-based heuristics that avoid the common cognitive biases we are seemingly born with.

However, common heuristics and intuition that are not always well based on experience can lead us to make very poor decisions, because we are all prone to a wide range of cognitive biases when we make decisions. The Nobel Prize winners who began this new field of study have provoked wide-ranging research, which has meant that I have greatly improved my decision-making methods.

I began to study the cognitive biases that had been explored in the research and time after time I found them in myself. More importantly, I found that they began to explain the apparently counterintuitive thinking behind the decisions made by the great investors who I read about. Gradually I came to realise that their counterintuitive decisions could often be explained by the fact that they avoided many of the cognitive biases to which we are all naturally prone. This was partly because they had developed better intuition from the depth of their experience, which was greater than that of inexperienced investors. However, it was more than that: they also seemed to have developed an awareness of, and an ability to avoid, many common cognitive biases when they made decisions.

As a result of the pioneering work of the behavioural finance researchers, there is now a body of knowledge that can give us valuable insights into the task of making investing decisions. Many of these ideas were quite challenging to me at first, as they will be to you. However, once I became aware of some of the common cognitive biases in my thinking, I began to make better investment decisions and my returns began to improve. Not only that, but I saw the cognitive biases in my own thinking and that of others around me in all facets of life.

Decision making is right at the focal point of investing. No investment exists until we make a decision. No investment is successful unless we also make a series of sound decisions in managing it.

# Think like the GREAT INVESTORS continued...

We make the best decisions when we understand what is happening inside our minds and avoid the natural cognitive biases to which every one of us is prone, but which the great investors seem to know how to avoid.

My personal aim is to keep honing my thinking skills in order to come closer to being a great investor. How close I come is an unfinished story.

I have stressed two things in this description of my journey to writing this book:

- The common cognitive biases in our thinking are very natural. They never feel wrong to us.
- We are all prone to these cognitive biases to a greater extent than we imagine. It is not a criticism of us; it is just how we are made as human beings.

I have found that the initial step to dealing with our cognitive biases in investment decision making is to become aware of them. It is not until we know they exist that we can recognise them and start to deal with them. Therefore, a large part of this book will be devoted to a description of the various cognitive biases that can be present in the way we make investment decisions.

I have also gradually developed strategies for avoiding and countering many of these cognitive biases. These will be described after I have introduced each cognitive bias in our thinking in part I. Many of the strategies are effective in countering more than one cognitive bias, so some of them will appear several times, perhaps with a different emphasis.

I hope that having these strategies to work on will offer a roadmap to follow on our progress to becoming great investors. I invite you to join me on the journey.

The book is available from my website [www.bwts.com.au](http://www.bwts.com.au)

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## President's Message

By Bill Shirley



Many AIA members have recently returned from another successful Conference. By all accounts it was enjoyed by all who attended. Many insights were gained and, from my perspective, members may have some economic data to consider in relation to their portfolio management as outlined below.

It seems we could have a challenging time during the months until the end of this financial year. Some interesting questions arise as to the direction in which the following market segments, interest on savings, real estate, and equities will move. In this article I would like to make some comments about the equities space, similar to the outline in my comments in March this year.

In relation to the market performance of equities, there are some results to consider for the twelve-month period to the end of June 2013. During this period the ASX 200 index moved in an upward trend to around 4802, if we assume the start point was in the area of 4095, this would give a growth rate was in the region of plus 17.00%; Interesting!

(Note – This figure does not include dividends or franking credits, so the actual figure will depend on the investment mix, as well as the investment platforms being used, however the total percentage could be in the low to middle twenties)

That is not a bad financial result.

I would like to suggest a word of caution, however, in relation to this recent upward direction of the ASX 200. Recently a large Australian based Newspaper tabled a set of forecasts submitted by 27 industry experts in the areas of Market Economists, Academics, Consultants as well some Industry Sector experts. The results make fascinating reading, I find one of the areas tabled in the statistics very challenging. One suggestion is that for the ASX 200 figures, the average forecasts to the end of December 2013 were 5081, and to the end of June 2014 the average forecasts were 5235. At the time of writing the market was already at 5070, just below the December 2013 average estimate. If the figures for the 12 months to the end of June 2014 are assessed for capital return, the estimates could be around the 9.00% mark, before dividends and franking credits are added to the total yearly outcome.

I leave it you to consider what these figures may mean, however I believe a review may need to be made in relation to your portfolio tactical strategy and approach for the period to June 2014.

## THANK YOU

Thank you to the Sponsors, Exhibitors and Volunteers of the 2013 AIA Annual National Conference.

This year's conference was a great success and we would like to take this opportunity to recognise and thank our valued sponsors and exhibitors at the 2013 AIA Annual National Conference. Our sponsors, exhibitors and volunteers are a pivotal part of this event and their input is invaluable. The energy, support and commitment they bring represent a tremendous contribution to making the conference an outstanding event.

# SHARE PRICE Catalysts...

Geoff Wilson

Benjamin Graham, the father of value investing, is credited with coining the saying "In the short run, the market is a voting machine but in the long run it is a weighing machine." He meant that market sentiment drives share prices in the short term but in the long run share prices will go where value dictates.

At Wilson Asset Management we use a value approach in an attempt to identify high quality, underpriced growth companies which tend to be small and medium sized industrial companies. I have learnt that cheap stocks can stay cheap for a long time and therefore we overlay a price catalyst identification process. This means we find what we deem as good value and then attempt to get the timing right by identifying a catalyst (or two) that can lead to a re-rating upwards of the stock. This is an important component of our strategy. It is designed to maximise our investment returns by avoiding being stuck in what the market often calls "value traps" - cheap stocks that stay cheap for a long time. In a situation like this, you may ultimately get satisfaction via a realisation of value but the time taken has a huge impact on investment returns.

Doubling your money over a ten year period gives you an annualised return of around 7% which would probably underperform the broader stock market. We appreciate that the weighing machine will weigh in our favour, but we try to get the timing right by anticipating market sentiment changes. To use our strategy, it is important to understand where market sentiment lies. The trick to our business is identifying situations where market expectations are different from our own (and we are confident of being right) and exploiting such situations. Re-ratings are most pronounced when a large component of the market is wrong or hasn't seen the opportunity. Just look what happens to a stock when it releases a surprise earnings upgrade or downgrade!

The list of catalysts that may lead to a market re-rating is endless. Below I have attempted to provide a list of some of the more common events:

- **Earnings surprise.** Probably the most common single catalyst that we focus on. By doing more detailed research on a company than others in the market do, we

attempt to more accurately predict future earnings results. If we believe the market is wrong in its expectations, the result should surprise the market and lead to a re-rating either positively or negatively.

- **Management change.** Good management is incredibly important to the performance of any business. Sometimes when a well-respected manager joins a company that is struggling and perhaps has withered under poor management, a stock will often re-rate in anticipation of better future performance. Sometimes the appointment of a new CEO with a different (perceived) set of skills can lead to a re-rating. A number of years ago, the founder of Reckon Limited (RKN) stepped aside for Clive Rabie and the shares have moved from 6 cents to \$2.50 since.

- **Demergers.** On average, companies that demerge outperform the broader market over the following 12 months. One of the best examples was when Fosters hived off its Wine business into a separately listed entity (Treasury Wine Estates). Both did well following that decision.

- **Acquisitions.** The announcement of an acquisition is not a guarantee of a re-rating but it can be if the market deems it a smart and well-priced purchase. Strangely, the long-term benefits of making acquisitions are often questionable despite the market's proclivity for them in the short term.

- **Dividends.** Particularly in the current environment, a surprise increase in dividend or indeed a surprise dividend can trigger a rapid re-rating. Australian shareholders love dividends. Since announcing its first dividend and an intention to pay a regular one, FSA Group Limited (FSA) shares have moved from 27cents to 75cents.

- **Structural industry change.** Early this year, we built a position in Fairfax Media Limited (FXJ) despite the seemingly dire outlook for newspapers. We felt the stock was cheap on a break-up value and holds a number of attractive growth businesses. The catalyst that we felt would lead to a re-rating was the implementation of a pay-wall around its major online newspapers. Overseas newspaper companies that have done this previously had seen their share prices move much higher over the proceeding year. FXJ did not disappoint us,

nearly doubling from its lows.

- **Takeovers.** It is stating the obvious to say a stock is rerated if it receives a takeover bid. Long-term industry analysis can provide insight into Merger and Acquisition activity. This is a particularly satisfying outcome for an analyst who considers a stock a prime takeover target only to ultimately realise that outcome. Sometimes a stock is so cheap, our view is that either the market will re-rate the stock or a competitor will buy it. I should note that we don't hunt for stocks based specifically upon a likely takeover bid.

- **Macro Environment.** While WAM is a bottom up investor looking for stocks based on their own merits, some investors focus initially on the macro environment. Once they have identified a macro trend they invest in stocks that they believe will be beneficiaries of that trend. For any investor who understood what was happening in China before the resources boom and structured their portfolio accordingly, large profits could have been had. Some investors are now busy buying food producing assets based upon a long-term expectation that there will be food shortages in the future. Trends such as the ageing population and growth in superannuation are more domestic currents that investors consider when investing.

While it is pleasing to get the timing right, it's fair to say we don't always succeed, but if we have bought value then it is usually only a matter of time before the weighing machine pays us for our patience.

“

In the **short** run the market is a **voting** machine but in the **long** run it is a **weighing** machine.”

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# INVESTING

## *In The Toothbrush Test...*

### Jason Sedawie - Decisive Asset Management

There are many ways to invest in technology but for me, as an investor, the biggest gains come from applying something new or different to activities we do every day. Google calls it their toothbrush test. They only invest in products that are meaningful enough to be used at least twice a day. One product that meets this definition is the smartphone. Having what is effectively a computer in your pocket means, whether we like it or not, we are constantly connected to and surfing the internet.

According to Google, 77% of Australians don't leave home without their smartphone and 78% have researched a product of service on their phone, thus influencing their shopping decision. Just to check your smartphone addiction, the average Australian has 33 apps installed on average on their phone with 11 of these being paid applications. Australia leads the world in having one of the highest smartphone usage rates but as investors we tend not to invest in the industry.

#### Australians big technology users but not investors

The reason most Australians do not invest in technology is because we typically only invest in our home market of Australia. Yet the technology sector in the ASX200 is less than 1% of the overall sharemarket. While the companies whose services we use everyday like Google, Ebay and Visa are listed in the US, as investors we have figured out it is better to put our money in bank shares rather than bank deposits. But what about other investments like the internet and technology that we use everyday?

Technology can produce high returns but at high risk. The question arises, which companies will still be around in ten years time. In the past we all used Motorola, Nokia and Blackberry phones but now Samsung and Apple are dominant. Who knows who will be successful in the future?

#### Benefit from technology without technology risk

As a fund we focus on companies that benefit from technology without the technology risk. A good example is Domino's Pizza (US listing DPZ) which also has its Australian business listed here (ASX listing DMP). Unlike some technology companies we know, we expect Domino's will still be around in ten years' time while technology can accelerate the growth of the business. Domino's might not be thought of as a technology company but technology has transformed their business. The smartphone and the internet have made it easier for consumers to order online through Domino's smartphone application.

This dynamic has had a twofold impact on the business through increasing revenue and decreasing expenses. Domino's found that customers actually spent more online as they tended to order due to the tempting pictures on the smartphone compared to the absence of pictures when calling. In addition, the introduction of the delivery tracker application revealed to customers the whole transaction process counting down from ordering, to baking and finally delivery. This technology has the effect of increasing the frequency of orders by reducing anxiety over delivery arrival time. Domino's also benefits on the expense side. As they reduced the need to employ staff to answer phones, they could be employed actually making pizza. They also benefit from less waste and ordering mistakes.

In Australia, 60% of pizza sales are now made online with 50% of online orders made via a mobile phone. This usage compares with 34% online orders globally. If Domino's US results in 2011



were ranked on the internet retailers top 50 list, they would be number 3 in transactions. Maybe it is time to order a pizza, sit back relax and watch the delivery come to you.

#### About Decisive Asset Management

Decisive is a strategy for after the mining boom. We are focused on consumer and technology companies in the US to give investors exposure to the next growth opportunity while diversifying your portfolio. An international fund for Australian investors, Decisive helps balance portfolios towards the next stage of growth.

[www.decisiveassetmanagement.com](http://www.decisiveassetmanagement.com)

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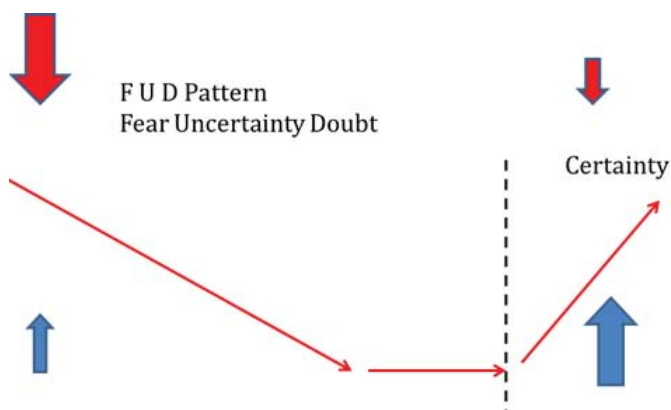
# The shape of the market in an ELECTION YEAR

Jody Elliss - CEO Investor Centre



An election year in Australia has a predictable effect on the market. People assume that the relevant policies of the “two party preferred” campaigns are a major decider in the direction of the market. However, the psychology of the market remains the same every election year, regardless of the current policies defined by the two major parties.

Once understood, it is an opportunity to profit from the market in general with short-term (1-2 week) market trends. The basic pattern is referred to as a F.U.D. Pattern. It is made up of Fear, Uncertainty, & Doubt (FUD).



If the market has a known event that will have an effect on the market in the future, it will create a FUD pattern. The actual result is not as important as the anticipation of the result. The pattern is broken up into three distinct psychological events.

# 1

**The first phase** is the fear of a change. Regardless of the potential change, some stocks will fall. The fear of the change is characterised by a dominance of sellers. It also creates a secondary force, a scarcity of willing buyers. This becomes evident as investors, greeted with a known date for possible change, will delay their purchase until the outcome of the event is known.

In the case of the 2013 election, a victory for the conservative party is potentially beneficial for the resource sector. Investors will look at these stocks with the potential to BUY after the election. However, history shows there will be a lack of buying before the election.

# 2

**The second stage** of the pattern is market exhaustion. Buyers are waiting for a known outcome on which to base their decisions but sellers have already sold running into the event. This period becomes the low volume, low volatility phase of the FUD pattern. For an election, this is traditionally the last trading day (Friday) before the election.

# 3

**The third stage** is the recovery phase. The sellers have exhausted themselves and now the buyers, who are now dealing with a known outcome, enter the market to capitalise on potentially low prices. Regardless of the election outcome, the recovery pattern will emerge as buyers overpower sellers. Remember, those disposed to selling their stock

have mostly already done so.

The only real challenge to a recovery phase is an unknown outcome. If everyone is expecting a known outcome by a certain date and for some reason we end with an unresolved outcome (such as a draw as seen in the 2010 election), then new FEAR will set in and the market will fall again.

Regardless of the actual outcome of the election, however, we can look forward to a fall in prices going into the election and a rise after the election. Different market sectors will benefit from different political party outcomes. The only disaster here would be another hung parliament with balance of power once again held by minority parties or independents. The current statistical likelihood of that occurring is currently estimated at just 3.2%, so it is deemed highly unlikely.

Investors can capitalise on this flow through the Index. The Top 200 Index (XJO) can be sold short and held short till the election and then released and a long position can be taken on the Friday prior to the election date.

The flow of the election will see our market on Monday 2nd September react to the international market from the weekend before and then flatten. Tuesday, Wednesday, and Thursday will have a downward disposition. Unfortunately, this will be in opposition to the US market that will have a seasonal disposition to rise in the first week of September. This influence will mitigate the fall in our market to some degree. Friday 6th September will be a flat, down day for the index and we will see relatively low volumes of stock exchanged.

Monday 9th September is expected to be a considerably bullish day on high volume and this typically extends through to Thursday 12th September. We are estimating +105 pts from Friday 6th September close through to the high for the following Thursday. This then leads us into an election year profile that is expected to see September to continue to rise. October traditionally has a higher high than September and this Bull Run will slump into the end of November as the effects of the September election wears off and the market starts to go defensive in preparation for the Christmas break.

The September market will be led by mid-cap stocks. However, the run in October will tend to lead with resource stocks, with both parties promising to rescind or rework the carbon tax, mining taxes, and company tax structures to favour the resources sector.

## Previous Elections to reference:

21-8-2010	Down into election, fall on draw, market rally on Labour forming government.
24-11-2007	Down into election, rise on Labour victory.
9-10-2004	Flat into election against a rising international market – rise on Liberal victory
10-11-2001	Down into election – rise on liberal victory
The FUD election pattern is applicable to Australian, Canadian, UK, US, and French elections and tends to be occur regardless of party victory – it is a psychological market phenomena easily expressed as the motivation for buyers and sellers to act by a specified time.	

# Me & My Portfolio

**Rosemary O'Connor - AIA Member**

## **Are you in a wealth accumulation phase or income producing one?**

I completed a fairly long career in university management in 2012. Since then I have started a small business. I am in both the accumulation and income producing phases.

## **What are your investment objectives?**

Basically my objective over a three year period is to outperform the inflation rate by at least 5%. On a more general level, I aim to have sufficient income to fund a reasonably comfortable life style, taking into account "longevity risk".

## **What percentages of your investment assets are in the superannuation environment and what percentage are outside?**

I have around 85% of my investments in super. These are in Unisuper (an industry fund), and my SMSF.

## **What is your current asset allocation? (Cash/AFI/property/Aust shares/international)**

Currently, I have roughly 5% cash, 35% in fixed income and 60% in Australian shares.

Such an allocation is unlikely to result in achieving my objective of outperforming the inflation rate by at least 5% over the next 12 months. Today's asset allocation, however, is not the same as it will be in one or two year's time.

## **What's the reasoning behind these numbers?**

I guess the main factors in having so much in cash and fixed income are the continuing uncertainty in investment markets, together with being aware that I have fewer years left to accumulate assets.

Risk management is now more important than it was previously. I realise, however, that inflation can also be a significant risk, so I am not entirely comfortable with the current asset allocation.

## **Has this allocation changed much over the years?**

The allocation has changed significantly over the years. In my 20s and 30s, my investments were heavily biased towards inner city Melbourne residential property, together with a modest share portfolio. Since my 40s I invested more in Australian shares.

## **What drove those changes?**

I saw a lot of potential in inner city

Melbourne residential property in the late 1970s and 1980s. As prices increased, however, and with changing circumstances and priorities, I sold some property but retained one which I now live in.

## **Let's talk now about specific assets and investments, starting with Australian shares (including managed funds). Describe your shareholdings please.**

I have no managed funds. The GFC experience, together with the often high fees that managed funds charge, really turned me off them. I am quite capable of losing money all by myself. I don't need to pay a fund manager to do it for me; an over-reaction perhaps.

My largest share holdings are the big four banks, plus Macquarie Bank, Woodside, Origin Energy, Telstra, Santos and BHP.

I also have some stocks that I hope will show some growth over the next few years. These include Computershare, Carsales, iiNet and SMS Management & Technology.

Under duress, I may also admit to having some "penny dreadfuls".

## **What about international investments?**

I have no direct international investments. I do have some Australian shares with a good level of international earnings such as Breville.

## **What about property?**

My home is the only property that I now have.

## **What about cash and fixed interest?**

Currently I have funds in term deposits, mainly with Ubank and CBA. As these mature over the next 12 months, the proportion of assets invested in cash and fixed interest is likely to decline significantly. The big question is where to invest these funds.

I also have some CBA, NAB and Westpac hybrids.

## **Any other investments?**

I recently started a new venture called Encore Careers Australia. The business focuses on the evolving careers of older Australians. I hope to develop and build the venture by providing quality services for individuals and businesses.

Years ago - when the price of Penfolds Grange wasn't crazy like it is now - I used

to buy some every year. There is one solitary bottle left. Grange was an excellent investment - in sharing great wine and great times with family and friends. Had it not been consumed, it would have been a great financial investment. I'm glad we drank it!

## **Let's look to the future - does your asset allocation and/or specific investment portfolio reflect anything about your belief about market directions in the future? Please explain.**

Currently, I am not particularly confident about the global and Australian economic outlook, which explains my relatively high level of investment in fixed interest. I am taking more of a wait and see approach just at the moment.

## **Do you use computer software to manage your portfolio? What software and how well does it work?**

Apart from Excel spreadsheets, I don't use software. I am not great with using Excel, but it is very useful and a lot quicker than doing things manually.

## **What is the best investment advice you ever received?**

"Don't lose money." This was one of several memorable rules the inimitable Marcus Padley laid down (slightly tongue in cheek perhaps) at the 2012 AIA Conference. If only!

Something I was told many years ago was not to try to get rich quickly, but to build assets slowly and steadily. This sounded ridiculously boring at the time. I know now that it was sound advice. Also, if you are in the mood to gamble, go to the race track or the casino. Roulette anyone? Understanding the real difference between an asset and a liability was a bit of a light bulb moment. For example, that a car is not actually an effective asset as it produces no incomes and its value decreases each year.

## **Do you have an investment hero?**

I don't have any investment heroes as such. Among many people I do like to follow are John Abernathy of Clime Investment Management, and Roger Montgomery of Montgomery Investment Management. I was delighted to see them both on the speakers' list again at the 2013 AIA Conference.

## **What has been your best investment decision so far?**

Buying inner city Melbourne property in the

Where to start? Babcock & Brown and ABC Learning Centres are two to name a few fabulous disasters. Why did I “invest” in them? I got caught up in the euphoria of the time. I was lazy and didn’t take the time to examine their financials. I hope I have become a bit more professional since then.

Don't try to catch a falling knife. In other words, be careful about buying a falling stock. Investing in the stock market is not like buying cars, clothes or computers. It makes sense to buy the latter when they have been discounted and are cheap. You will only know in retrospect whether that stock you bought after it fell 30% was actually cheap.

Investing is endlessly fascinating - as is human psychology. I try to learn and to avoid making the same mistakes. The AIA is an excellent way for individuals to improve their knowledge and understanding of investing and types of investments.

It is vital that Australians improve their standards of financial literacy. It is such an important part of life, and one for which we are often ill-prepared. In particular, it is essential that girls and women stop seeing finance and investing as somehow ‘unfeminine’, and improve their financial awareness and skills. While attitudes are improving among young women, there is still a long way to go.

**Julia Lee - Bell Direct**

***Have you ever made an investment into a solid, good company, only to have the share price remain static for a number of years?***

**Or have you seen a company announce a record profit, only to then watch the shares fall?**

### ***What is it that moves share prices?***

Let's say that you buy a business for \$1 million. It's a corner store that has been growing at 10% a year over the last 10 years and you think that it will continue to grow at 10% each year going forward. 3 months into the investment, you change your mind and would like to sell the business. Assuming that nothing has changed in that 3 months, how much are you likely to sell the business for?

The answer is probably around \$1 million.

The point is that if nothing changes, the value of the business does not change. It's the same in the share market, if nothing changes the value of the business should not change and hence the share price also should not change.

When investing it's important to ask: "What is the catalyst that will move the share price?" Is it a new product, a new strategy, new management or changing investor

sentiment? All of these can be triggers for positive earnings momentum.

Momentum describes something that is moving rapidly. Positive momentum describes accelerating movement. When referring to momentum in the market, it is usually a reference to either price or earnings momentum. Positive price momentum is where the price is moving upwards. Positive earnings momentum is where earnings are increasing.

Foster, Olsen and Shevlin (1984) show that there's an annualised return of 25% from momentum strategies based on data from 1974-1981.

In addition, high earnings outperform low earnings according to Ball and Brown (1968) with the better performance lasting around 9 months after an earnings announcement.

Myers (2006), found that companies with increases in earnings per share (EPS) enjoy abnormal returns that average over 20% per year during first 5 years of consecutive increases.

Jegadeesh and Lakonishok (1996) noted that strong momentum signals are most prevalent when there is both positive earnings and positive price momentum. There's also empirical evidence to support the concept of price momentum, with Jegadeesh and Titman (1993) finding that stock with higher past returns tend to continue to have higher returns over a 3 to 12 month period.

To conclude, something needs to change to spur on prices to move. That something could be a new product, new strategy, new management or improved investor sentiment. The perception that this will lead to positive earnings momentum, leads to positive price momentum. Hence when investing, look for the catalyst which will drive higher earnings and higher share prices.

Happy trading!  
Julia Lee  
Equities Analyst  
Bell Direct



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# SMSFs Do you really know how to run one?

Kylie Temple - MoneyFit Australia Pty Ltd and Temple and Associates Accountants and Advisers

As the popularity of the number of self-managed superfunds grows so does the increasing focus that the Australian Taxation Office is placing on compliance within the operation of a fund. As a self-managed superfund auditor it is a strong recommendation that trustees undertake an online training program formulated by the Joint Accounting bodies <http://www.smsftrustee.com/cpa/htm/home.asp> to increase their knowledge and to gain a comprehensive understanding of their roles, duties and legal requirements. It is expected that upon completion of this "FREE" online program that trustees should form a more thorough understanding of the responsibilities that is required of them.

The program takes approximately 2-4 hours with seven modules plus a quiz approximately 40 minutes. There is no set time frame and the program is updated every six months. On registration you will have access to the SMSF Trustee Education e-learning program; a SMSF Trustee printed workbook and a certificate of attainment will be available on successful completion of the online assessment within the SMSF Trustee Education e-learning program.

According to the joint professional bodies website as listed above on completion of the program it is expected that trustees will be able to understand their roles and responsibilities, investment restrictions imposed on trustees, the rules and limitations surrounding contributions and benefit payments and the administration involved within a SMSF.

As compliance tightens so will the responsibilities of trustees, administrators and registered SMSF auditors. There are many traps with investing as is any business, however the downside of many trustees is that they have not had the luxury or opportunity of acquiring the necessary skills and knowledge to operate a fund successfully.

Since the Australian Taxation Office (ATO) provided clarifications on the rules for SMSF's borrowing to invest in residential property, trustees now run the risk of being vulnerable prey for property spruikers and sales people who do not necessarily understand nor are aware of the regulations governing SMSF investment, let alone their financial circumstances and objectives of the investing fund. This combined with the prospect of tangible bricks and mortar over volatility of equities it becomes seemingly more attractive to the Australian investor.

With the effects still being felt from the GFC trustees are turning to what appears to be a more sound and reasonable investment.

There are a number of factors to consider when contemplating running your own self-managed super fund and it shouldn't be entered into lightly. It is because of the attitudes of many Australian's that they can run their own retirement fund that we have seen the number of funds grow exponentially over the past few years to over 478,000 funds along with increasing compliance requirements.

In my opinion there are a number of things that should be taken into consideration before entering into a self managed superfund:

Attitude

Ability

Education

Discipline

Support

## Attitude

What is the attitude of the member of the fund and why is it they want to start a SMSF? What is their purpose of having a self-managed super fund? Is it so they can have access to the funds that have been inaccessible in a retail fund and essentially "play" with the funds. Or is it to have control over the investments that they feel are appropriate for increasing their overall position for retirement.

## Ability

What are the abilities of the members and trustees of the fund and can they manage investments appropriately? Have they taken all reasonable steps to acquire the skill sets required to operate a self-managed super fund. Have the trustees read and understood the trust deed as this is the basis for the operation of the fund.

## Education

You don't need to have gone to university to run a self-managed superfund or even have finished high school, however you do need to have taken all reasonable steps to understand your roles, responsibilities and legal requirements and the consequences of operating a self-managed superfund.

It is also beneficial to have an understanding of the costs involved in operating a fund and make an assessment as to whether it is economical in comparison to a retail fund. Even though you may see advertisements for manage and audit your fund for under \$2000 the average is often between \$2500 and \$5000 and in some cases well above this. It all depends of the quality of the fund, investments within the fund and additional services you may require from your administrator and any impact this will have on the audit. The cheaper the fund the more questionable factors you need to ask yourself in relation to whether you are receiving and meeting your compliance from all aspects not just an ATO one.

## Discipline

Are the trustees disciplined enough to not use the funds for personal use and to invest in an appropriate manner for the sole purpose of retirement for the members of the fund?

Are the trustees disciplined enough to maintain accurate records?

Do the trustees have the time to devote to operating the fund effectively?

Are they vulnerable to persuasive natures of sales people?

## Support

Has the members of the fund put in place the right support mechanisms to ensure they meet compliance requirements as well as their responsibilities to the members of the fund. Do they have an appropriate administrator/accountant to assist in meeting compliance? Do all members agree to participate in the operation of the fund? SMSFs are a financial product and therefore anyone advising on the investment within the fund needs to hold the relevant financial services license.

Finally there is an absolute minefield of information and it is best to understand the reasons why Australians are choosing to run their own self-managed superfund and is this the right choice for them.

*Kylie Temple is a CPA, Registered SMSF Auditor and a Tax Agent who owns and operates MoneyFit Australia Pty Ltd and Temple and Associates Accountants and Advisers who provide a range of services including; accounting, taxation, general advise and audit of SMSF for the small to medium businesses. Her passion is in education and encouragement for her clients to empower themselves to take ownership and responsibility of their own wealth creation, knowledge and improvement on their skill sets not a reaction to historical data.*

# Recurring Volatility Cycles in the Stock Market

Robert Vagg

In my last article in the September 2012 issue of *Investors Voice*<sup>1</sup> I drew attention to evidence that the Australian stock market had formed a major cyclical low, and that price growth of around 20% might be expected in the following twelve months. With moves in its main indices from around 4000 to 5000 having occurred over that time, it would seem worthwhile to describe in more detail the underlying cyclical trends in the market's 138-year history that prompted that assessment.<sup>2</sup>

**The Annual Cycle:** Average share price growth and volatility have been seen to define two different periods within each year, such that the main component of annual growth normally is achieved between the months of November through to April. Overall, the periods from May to October generally have displayed only minor net growth, and commonly have included significant price weakness in their later months.

**The Decadal Cycle:** Contraction of the volatility of each decade into an average profile shows the market consistently reaching a peak around the end of a decade, leading then to price weakness and formation of a market low in the first few years of the following decade. On average, a multi-year bull market commonly then begins around the third year of the decade, which progresses to peak once again and the cycle repeats.

**The Natural Cycle:** Over the long term, global share price growth may be identified as proceeding in discrete steps through a structured sequence of what I designate as Primary Resistance Levels. The relative positioning of these levels is determined by the same recursive process that generates the Fibonacci number sequence. The value of any level may be obtained by summing the values of the previous two. Each level then is 61.8% higher than the previous one. This ordered pattern relates to many of the shapes stemming from growth in the natural environment.<sup>3</sup>

An example of this recurring effect is given in Figure 1 for the All Ordinaries Price Index since the middle of the last century. The volatility pattern displayed exemplifies what technical analysts describe as support-&-resistance when price approaches one of these primary levels. In its major swings, the Index appears to 'bounce' between these levels as it progresses through time.

In general, normal volatile price growth for the market often involves expanding by two of these levels before reversing back down one, a simple two-steps-forward and one-step-back process. This provides some guide to the likely extent of the market's major growth and correction phases (+162% and -38%, respectively). Further, calculation of the full wave structure that generates these levels allows determination of the normal limits to market volatility. The Index has only exceeded these calculated limits on three occasions throughout its history (in 1974, 1987 and 2009)<sup>2</sup>

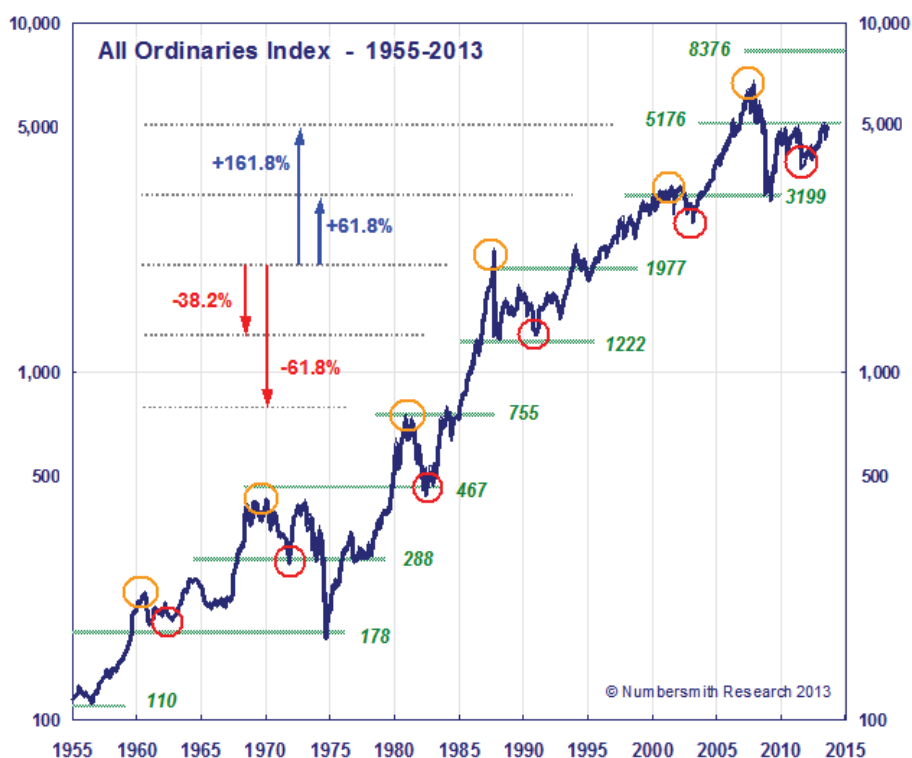


Figure 1: Major turning points in the All Ordinaries Index

Figure 2 details the growth phases that have occurred in the Australian market from each early-decade low to the corresponding late-decade high. Relevant examples have been highlighted in Figure 1. With the exception of the abnormal bear market of the mid-1970s, these have represented periods of continuous growth at twice the long-term average rate.

Decade	Early-decade Low	Growth Phase High	Gain
1920s	Feb 1921 (21.1)	Jul 1929 (51.6)	145%
1930s	Aug 1931 (27.8)	Mar 1937 (74.5)	168%
1940s	Apr 1942 (50.6)	May 1951 (139.3)	175%
1950s	Dec 1952 (92.6)	Aug 1960 (230.3)	149%
1960s	Sep 1962 (193.5)	Jan 1970 (431.2)	123%
1970s	Nov 1971 (281.8)	Nov 1980 (752)	167%
1980s	Jul 1982 (440)	Sep 1987 (2263)	414%
1990s	Jan 1991 (1280)	Jan 2001 (3425)	168%
2000s	Mar 2003 (2666)	Nov 2007 (6873)	158%
Average Gain (ex 1980s):			158%
2010s	Jun 2012 (4033)	???	???

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Figure 2: Decadal growth phases

It is interesting to review the Australian market's behaviour in recent times within this context. After peaking around the 3199 calculated resistance level as it moved into the new century, the All Ordinaries expectedly fell back to reach a low of 2666 in March 2003. In the following five years it surged forward 158% before turning abruptly in November 2007 as the GFC emerged, plunging back to find support again at the 3199 level. A rapid recovery subsequently has allowed it to repeatedly challenge major resistance calculated at 5176, a level that to date it has been unable to significantly breach despite seven attempts. With global economies now showing considerable improvements, the promise of normal decadal price growth for the next five years or so seems real, perhaps tapered initially by the annual cycle's usual period of weakness.

Summary: History suggests that the Australian stock market has commenced a multi-year growth phase that would see the All Ordinaries Price Index more than double from its current levels by late in the decade. This proposition is based on the identification of systematic growth cycles that have existed in the Australian and US equities markets, and their underlying economies, since the late 19th century. These cycles not only provide a blueprint for long-term market timing, but they may be used to define the stock market's normal volatility limits and the levels at which its likely major turning points occur.

- 1 Previous Investors' Voice articles are available for download on the AIA website.
  - 2 A detailed descriptive paper is available: Robert Vagg, "Volatility Cycles in the Stock Market - Summary", (download through the Resources > Papers Presented > Other links after login on the AIA website).
  - 3 Robert Vagg, "Financial Markets and Nature: The Fibonacci Connection", AIA Group Meeting, Perth, WA, 20 October 2012 (available for download through the Resources > Papers Presented > Other links after login on the AIA website).
- \* Robert Vagg is a member of the AIA (email: rsvagg@gmail.com).



## Thank You from Mummy's Wish

Mummy's Wish would like to extend a huge thank you to both the AIA conference committee and the AIA conference delegates. Through your kind support, \$1,300 was raised at the Australian Investors Association National Conference.

Our charity receives no government funding and survives from the kindness of the public, such as yourselves, to donate to our cause. We will be using this money to provide support to three families who have recently been devastated by a cancer diagnosis. The \$1,300 will be used to provide these families with house cleaning, baby sitting and car parking whilst the mums, Sarah, Elizabeth and Lisa undergo treatment for their cancer. Providing this support to them will make their journey with cancer a little easier to bear.

At the conference several people wanted to make donations via credit card. We apologise for not having these facilities available at the conference. If you would like to make your donation via credit card, please go to [www.givenow.com.au/mummyswish](http://www.givenow.com.au/mummyswish) where you can make a credit card donation and you will receive your tax donation receipt automatically.

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Mummy's Wish is a registered charity with DGR status, so all donations of \$2 or more are tax deductible. If you would like to hear more about the good work that we do, please visit our website - [www.mummyswish.org.au](http://www.mummyswish.org.au).

Thank you for all of your wonderful support  
Bernadette Vella - Founder, Mummy's Wish

# MAKING MONEY WITH BLUE CHIP SHARES ON THE AUSTRALIAN STOCK MARKET



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# IS THERE A NEED TO HAVE **DIFFERENT ASSETS FOR YOUR SUPER FUND** AT DIFFERENT TIMES OF LIFE?

Kate Anderson - SuperIQ Pty Ltd



The choice to set up one's own SMSF has become an increasingly popular one for many Australians. The major attraction of a SMSF is that the individual Members become, as Trustees, their own fund manager. Ultimately, they are responsible for both the investment decision making and the administration of the Fund. A SMSF provides its Members with many benefits such as the opportunity to actively decide upon the Fund's investment strategy and to select appropriate asset classes.

There are also rules that Trustees need to consider when devising an investment strategy for their SMSF including the acquisition of asset rules. These rules concern issues such as what the SMSF is investing in and from whom the asset is being acquired.

## **What a SMSF portfolio needs to achieve**

Portfolios today barely resemble earlier portfolios due to more asset classes on offer and fund managers and asset consultants becoming more sophisticated with how they diversify portfolio risks. The ever changing needs of an ageing population and the increasing dominance of new asset classes and new income products are also paving the way for a new thinking in portfolio construction. The impact of increased life expectancies will also result in an individual's pool of wealth relying more heavily on investments that offer higher long-term returns.

During the accumulation phase a SMSF portfolio needs to invest in asset classes that will grow a Member's wealth while also preserving capital. In pension phase the portfolio and asset selection would shift focus to invest in those assets that generate an income stream, preserve the Fund's capital and grow underlying assets.

## **Ideal investment strategies for different age groups**

The ideal investment strategies for different age groups will depend on the life stage of Fund Members. Essentially members are in one of the three life stages; accumulating superannuation assets, transitioning to retirement and retirement. The decision is then to determine what percentage of a Fund's assets are allocated to growth and income assets and at what stage does a Member move from growth to income assets.

**"The ideal investment strategies for different age groups will depend on the life stage of Fund Members"**

## **Asset allocation ranges**

A Fund's investments should be regularly monitored and reviewed to ensure that the investments remain consistent with the investment strategy of the Fund and performance benchmarks. Consideration should also be given to the long-term investment objectives of the Members, their risk profile and their timeframe. It is also important to remember that diversification can provide an acceptable trade-off between risk and return.

## **Strategies in action impact of different asset classes**

Shares carrying capital gains / losses  
A Fund should realise any capital losses before it becomes a partial or full on tax paying entity. This will enable the Fund to reduce tax liabilities of accumulation phase Members holding assets that are subject to CGT.

If an asset that is subject to CGT is disposed of in accumulation phase any gain is added to the Fund's assessable income and subject to tax. Therefore, any major capital gain realisation should be deferred whenever possible until the Fund starts paying a pension, because income and capital gains remain tax-exempt in pension phase.

## IS THERE A NEED TO HAVE DIFFERENT ASSETS FOR YOUR SUPER FUND AT DIFFERENT TIMES OF LIFE? continued...

### Excess franking credits

Excess franking credits can be used to offset the 15 per cent tax on superannuation contributions and the tax that may be payable on other investment income. The difference between the company and accumulation superannuation fund tax rate means that a dollar of franked dividend income in a superannuation Fund shelters a further dollar of the superannuation Fund's income.

As there is no tax on earnings in pension phase, all franking credits can be refunded and represent additional income to the fund. Clearly, franking credits are very beneficial to a pension fund. Ascertaining franking levels and the timing of dividend payments is important from a tax planning perspective within a Fund.

### Direct property investments

By holding a property in a Fund and renting it to an operating entity, trustees can avail themselves of the benefits of a tax rate arbitrage – a tax deduction for the rent is claimed at marginal tax rates by the operating entity and the income received by the Fund is taxed at a maximum rate of 15 per cent.

Similarly, the gains upon ultimate disposal of the asset are concessionally taxed (or eliminated if sale is deferred until the commencement of a pension).

### Intergenerational transfer of assets

When business assets pass from one generation to the next, the transfer may give rise to capital gains tax and stamp duty obligations. By holding the property in a family superannuation fund this transfer can occur gradually without a tax liability. A fund with the parents and their adult children as members could provide for parents who cease working / contributing to the Fund (subsequently commencing pensions) as their children's ongoing SG contributions into the Fund result in a increasing proportion of account balances, and consequently the ownership of the underlying assets.

Ultimately the parent's accounts will be completely eroded by pension payments and the assets of the Fund will be entirely represented by the member's accounts of the next generation. Whilst it is a slow process, the property is effectively transferred from one generation to the next in circumstances which are unlikely to give rise to the imposition of CGT or stamp duty.

There are rules trustees need to consider when devising an investment strategy for their SMSF, including rules relating to the acquisition of assets. Issues surrounding these rules include what the SMSF is investing in and from whom the asset is being acquired. Moreover, when trustees are constructing a portfolio or strategy, or rebalancing a portfolio, it may be helpful to seek professional advice to assist in making informed investment decisions.

#### Disclaimer

*This information is intended to be of a general nature only and, as such, does not take into account any individual's personal financial situation, objectives or needs. It is intended as a guide only and is based on legislation current as at July 2013. We believe the information contained in this update has been obtained from reliable sources but we do not accept responsibility for any errors, omission or inaccuracies. It is important that you consider these matters or consult your financial adviser before you make any financial decisions.*

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**INVESTMENTS**

# PICK the BEST STOCKS for LESS

Roger Montgomery

Of all the things we have learned about investing so far (we expect to continue learning more as the years pass, not to mention make every mistake along the way), I have formed the view that there really are only two truly 'essential' ingredients. The first is understanding the economics of a business and the second is learning to value that business. Think of the recipe for successful long term investing as one part Quality and one part Value.

This short paper provides some insights into how to go about investigating both the quality of a business and its estimated intrinsic value.

Before we get into some of the nuts and bolts, keep in mind that you also need to have the right mindset or the right framework. First, treat shares not as lines that wiggle on a screen but as pieces of businesses. Second, the business boat you get into is far more important than who is rowing it. Third, learn to identify great businesses; and four, only buy them when they are below their intrinsic value.

It may seem obvious to say that shares need to be treated as businesses, and yet professional investors might buy a company that is loaded with debt or wait to buy a good company until the shares have risen sufficiently to cause them to be included in the S&P/ASX200. Buying shares this way is not the same as buying a piece of a business.

Similarly, the purchase of shares on the baseless hope of a capital gain is no different to betting on black or red.

Perhaps, because it is seen as too difficult, few investors simply purchase a portfolio of 10 - 20 excellent businesses at attractive prices. This is despite the fact that such an approach produces substantial outperformance.

To prove that quality counts, take a look at Figure 1, which shows the quality history of a company like ARB Corporation. You can see that it has received the highest quality scores of A1 or A2 in most years. Look at that in contrast that with Gunns Timber in Figure 2, which regularly received the lowest possible score of C5.

In the last decade, ARB's share price has risen from \$2.10 to over \$11.50. A \$100,000 investment in 2003 has grown to almost \$550,000 (excluding the reinvestment of any dividends, which have amounted to \$92,000). Conversely, Gunns Timber has turned \$100,000 into something currently close to zero.

Figure 1. ARB Corporation Quality Score since 2003



Source: [www.Skaffold.com](http://www.Skaffold.com)

Figure. 2. Gunns Timber Quality Score since 2003



Source: [www.Skaffold.com](http://www.Skaffold.com)

Identifying a superior business is easy. Simply look at its economic performance and earnings power.

By way of example, suppose that in the year 2003 you commenced a business with \$184 million of your own money and borrowed \$139 million from the bank. Also suppose that at the end of that year, this new business generated a profit of \$110 million, representing an encouraging 59 per cent return on your equity. So far, so good.

Fast-forward a decade or so and after some good years and bad years, the business this year (assume 2012) will produce a profit of just \$43 million - less than half the profit of a decade ago. Now how do you feel? I suspect you would be thinking that this business isn't such a great one because your profits have more than halved over a decade of owning it.

Now let me tell you that in order to keep the business running and help it 'grow' (an interesting word when you consider profits have not grown), you have had to inject, and retain, close to a further \$700 million of your own money into the business. That's right, you have had to effectively write more cheques to maintain and 'grow' the business and you have foregone some dividends by reinvesting some of the profits. Not only that, but do you recall the \$139 million you borrowed back in 2003? Well, you have now borrowed an additional \$1.5 billion over the intervening ten years.

Your return on equity is now not much better than bank interest. Plus you owe the banks almost \$1.67 billion.

My guess is that if you owned this business outright, you would not be a happy business owner. Of course, things may indeed turn up for the better, but I would prefer a business with a demonstrated track record of attractive and improving economics. You may be surprised to hear that this example is not a hypothetical one. For the example I have used, I extracted the reported numbers from the annual reports of Virgin Australia (ASX:VAH).

If you are a trader, as distinct from an investor, you may think this is not relevant to you. You'd be wrong. Think about this, if you are going to trade stocks, wouldn't it make more sense to only trade shares of good companies? As Warren Buffett famously quipped, "if you're not prepared to own the whole business for ten years, don't own a little piece of it for ten minutes".

# PICK the BEST STOCKS for LESS

Great businesses have high rates of return on equity, little or no debt, bright prospects, and sustainable competitive advantages. Over longer periods of time, and notwithstanding black swans, such business should increase in value. And you can boost your returns if you buy lots when they are at substantial discounts to intrinsic value.

The formula for estimating intrinsic value is just simple arithmetic. The valuation formula, assuming all earnings are taken out as dividends is: return on equity divided by your required return multiplied by equity. Then divide the answer by the number of shares on issue. Run the formula over any company in your portfolio that pays most of its earnings as a dividend. You may be in for a rude awakening.

Shares in great businesses are cheap when they are at discount to the appropriate multiple of equity based on the profitability of that equity. High dividend yields or low price-earnings ratios may exist, but these are not a pre-requisite to a bargain. Indeed, through the calculation of intrinsic value that I have shown, a company's shares could display a high price earnings ratio and a low dividend yield and still be cheap.

Finally, my view is that you should take advantage of other people's fears rather than listen to them.

\*Roger Montgomery is the founder and Chief Investment Officer of The Montgomery Fund.

*DISCLAIMER: The information provided does not take into account your investment objectives, financial situation or particular needs. You should consider your own investment objectives, financial situation and particular needs before acting upon any information provided on this website and consider seeking advice from a financial advisor if necessary.*

## Why fund managers don't sell!

Bob Hartley & Greg Hunter - AIA Members

One of the criticisms of Managed Funds is that they do not sell assets to increase cash when markets are in "bubbles".

This article discusses why this occurs, what it means for the individual investor, and how it can be managed by those investors who use managed funds to gain exposure to investment assets. Historically managed funds were developed as a means for large endowment and superannuation funds to have their assets professionally managed. These "wholesale" investors typically had made their own asset allocation decisions so they would dictate to the fund manager what they wanted: For example: "Here is \$100 million; we want this invested in the ABC stock market".

Fund Managers built up reputations as equity, bond or property specialists, and as the industry grew, more specific investment funds were introduced, covering a specific region or country, or a particular sector of a financial market. However, the focus was on being "fully invested". It wasn't the fund managers' job to tell the client he should or should not be investing in a particular asset class because the responsibility for that asset allocation decision was being taken by the client.

So "risk" for a fund manager was simply about the performance of his fund compared to his peers' funds and to the sector benchmark, which typically became an index. It was a business risk for the fund manager, not an investment risk. (The profit for a fund manager is correlated to the total funds under management (FUM). Outstanding performance in the sector will lead to growth in FUM.) When these Funds were made available to private investors the perspective of the fund manager did not change.

Regulators reinforced this point of view by requiring fund constitutions and Product Disclosure Statements to be quite specific about what a fund manager could or could not do, and in most cases this has been simply expressed as "the fund will be fully invested at all times, with an allowance for cash holdings up to 10% of the portfolio for liquidity purposes".

Now let us consider the Individual investors. They have a wide range of competing investment objectives which relate to their own personal situations. These objectives typically would include, to meet or exceed a specific return, the receipt of a certain level of

income, the need to protect their capital from the effects of inflation, or the need to simply "not lose money". These competing objectives all involve risks to the investor that are not relevant to a fund manager that simply invests in one asset class under a restricted mandate.

In addition, a private investor's investment horizon or time frame may be a determining factor, whereas a Managed Fund, in most cases, is a perpetual being – it potentially has a 100 year plus view of the market it operates in.

The lesson to be learnt here is that if an investor, having evaluated his investment objectives, decides to include assets in a portfolio that have volatile market values, and then chooses to use a Managed Fund as a means to invest those assets, it is up to the investor to make the asset allocation decision of how to apportion his portfolio between cash, bonds, shares and property (just like an endowment or superannuation fund).

And, most importantly, the private investor needs to keep the asset allocation under review, assess whether the continuing exposure to certain asset classes is appropriate, or whether new asset classes should be added to the portfolio and most important take action to change the asset allocation when needed.

This article draws on information contained in the AIA Best Performed Managed Investment Report 2013. This report has recently been released and is available through the AIA Website. In addition to providing general information about Managed Investment Products the report presents data for 80 Managed Funds and 7 Listed Investment Companies covering Australian Equities, International Equities, Bonds and Real Estate.

A unique feature of the AIA report is that it presents performance data on a fiscal year basis and this year's update shows annual returns for the last 7 years (previously 5 years) which gives investors a better view as to how products have performed over the economic cycle.

Bob Hartley & Greg Hunter, AIA Members

Bob and Greg were members of the project team that produced the 2013 AIA Best Performed Managed Funds Report.

# COVERED CALLS

Michael Gable - Fairmont Equities

The star performers on the Australian share market over the last year have been the high yielding stocks.

As investors bid up the prices of these companies, the inevitable losers are the traditional growth companies as they are sold off in order to buy the new market favourites. However, holding a portfolio of Telstra Corporation and the Big Four banks creates serious problems from a diversification perspective. How can we achieve the Holy Grail of maintaining a diversified portfolio, while generating high level of income? The answer is through writing covered calls.

Stock prices can do one of three things; Move up, move down, or track sideways. If you are of the opinion that a stock is not going to move up for a period of time, then you can still benefit. Since the GFC, companies have spent a lot of time moving down or sideways. Call options provide opportunities to benefit from these movements.

Call options allow an investor to purchase a stock at a certain price. Let's say BHP Billiton is trading at \$32 and you are happy to buy it for this price, but you want to wait and see what happens in the market. A \$32 call option allows you to buy BHP for \$32 by the end of the month. This option might cost you \$1 per share to purchase. If the price of BHP trades higher than \$32, then you can act on that option and buy BHP for only \$32. If the share price goes down and BHP is trading under \$32, then your option becomes worthless (because who wants to buy BHP for \$32 if it is trading less than that?). Call options give you the ability to wait and see what the share price does before having to make a purchase. For 1,000 shares, instead of handing over \$32,000 today to buy BHP, you will be handing over \$1000 for the option to buy BHP at a later date.

## What does this have to do with generating income?

Well let's assume that you are holding 1,000 BHP shares trading at \$32. Given what is happening in the markets, BHP appears under pressure and looks to remain under \$32 by the end of this month. You can benefit from this view without having to sell your shares. Instead, you sell a \$32 call option against your BHP shares. In other words, the counterparty pays \$1 per share to buy a call option. If BHP is trading under \$32 by the end of the month, your option becomes worthless – you have gained \$1, the counterparty buying the option has lost \$1 per share. The last two BHP dividends added up to \$1.03. By making this extra \$1, you have effectively created another two dividends on your BHP shares if the call is exercised.

The main reason why this strategy works well when stocks move sideways or down is due to time decay. All else being equal, an option loses value as each day passes. This is bad if you are buying options, but great if you are selling options. It's similar to depreciation on a car; if you buy a car for \$20,000 with the view to finding a buyer at \$21,000 then you need to ensure that you sell it quickly. If not, then as the months go by, the car will continue to depreciate. The longer you hold the car, the more it will drop in value. It is the same with options. If you are buying a BHP call option for \$1, and the share price doesn't move, that \$1 option will continue to lose value until it is worthless at the end of the month.

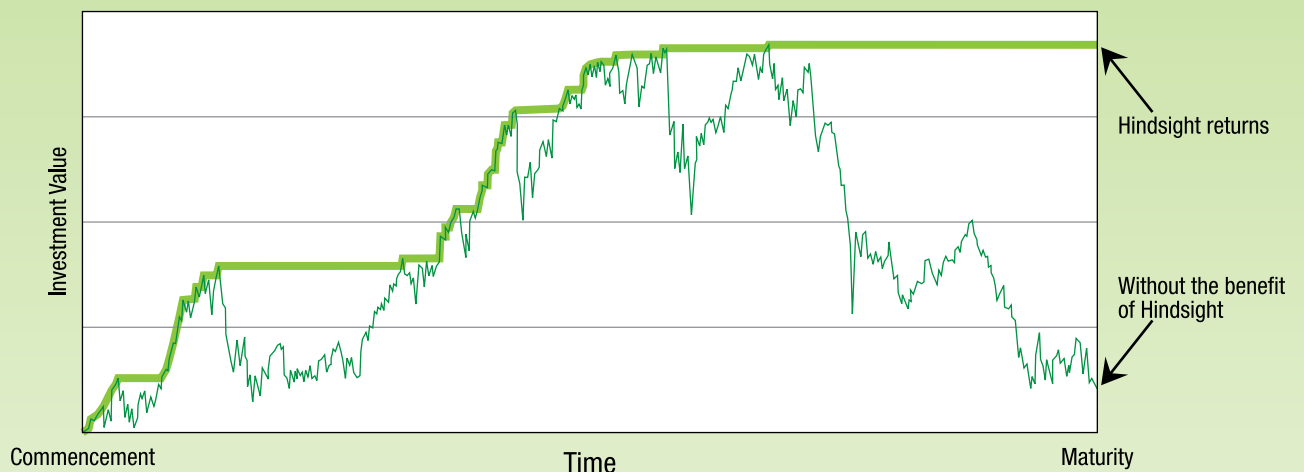
The first question asked is usually "Hang on, aren't options risky?" I believe that there are three reasons why people don't employ this strategy. Firstly, many people lose money buying options because of this time decay. Under this strategy, we are not buying options. We are the people selling the options. Secondly, most stockbrokers do not have the right accreditation to give advice on options, so they only encourage buying and selling shares (which also happens to generate better commissions). As a result, many investors do not get exposure to this strategy. Finally, covered calls are not very effective in a bull market because share prices are going up. This strategy only works when your shares are moving sideways or down. Unfortunately, most people fail to adapt their strategy to the fact that the market is not always going up. Options are flexible. You don't have to sell the \$32 option, you can choose a different price or you can choose a different time frame. With many prices and time frames to choose from, you can choose an option based on your view of the stock and how conservative you wish to be. Different options will generate different amounts of income.

Using the BHP option, an investor can hold a growth stock and still have an opportunity to generate additional income. If you can sell these call options a few times a year then you have effectively created as much income as a banking stock.



# Sequoia Hindsight Units

Have you ever made an investment, watched it rise in value, only to see it fall again before you were able to realise or lock-in the gains? Frustrating isn't it. **Finally, there is a solution to the problem:** a way to get exposure to the Australian share market that "Locks In" the highest value during the investment term. Sequoia Hindsight Units gives investors the benefit of hindsight. At maturity, the investment "looks back" and pays a return based on the highest value of the Units during the investment period...even if the investment value subsequently falls.



**For more information about investing with the benefit of Hindsight, contact your adviser or ask Sequoia on 1300 522 644.  
[www.sequoiaam.com.au](http://www.sequoiaam.com.au)**



The Investment Value is the Strategy Value calculated by the Issuer and is not the level of the S&P/ASX 200 Price Return Index. The Strategy Value is derived from movements in the S&P/ASX 200 Price Return Index and is affected by the volatility of the index (which may decrease exposure of the Strategy Value to market gains), fees and averaging. Please refer to the PDS for a full description on how the Investment Value is derived.

Units in Sequoia Hindsight Series 1 & 2 will be issued by JBG Structured Investments Pty Ltd (ACN 145 459 936) (the "Issuer") and arranged by Valuestream Investment Management Ltd (ACN 094 107 034, AFSL 246621). A product disclosure statement ("PDS") prepared by the Issuer will be made available when Sequoia Hindsight Series 1 & 2 is released and potential investors should consider the PDS before deciding whether to invest in Units in Sequoia Hindsight Series 1 & 2. The Issuer expects that the PDS for Sequoia Hindsight Series 1 & 2 will be made available from 31 August 2013 and will be available at [www.sequoia.com.au](http://www.sequoia.com.au) and [www.jbgsl.com.au](http://www.jbgsl.com.au) or by contacting Sequoia. Applications for Units in Sequoia Hindsight Series 1 & 2 can only be made by completing the application form attached to the PDS following its release. This advertisement has been prepared by the Issuer for general promotional purposes only and is not an offer to sell or solicitation to buy any financial products. This advertisement does not constitute personal advice and has been prepared without taking into account your objectives, financial situation or needs. Investors should consider obtaining professional advice as to whether this financial product suits their objectives, financial situation or needs before investing.

# ADVANCED RISK MANAGEMENT TECHNIQUES FOR SMSF TRUSTEES

John Collignon - Sequoia

If you believe having exposure to internationally listed companies like Warren Buffett's Berkshire Hathaway or broader markets such as Australian Shares, emerging markets or US Property offer great upside potential for your SMSF, however you are concerned about taking on excessive risk, then you will be pleased to know that by implementing Advanced Risk Management Techniques it is possible to have the best of both worlds.

A popular way that SMSF Trustees are gaining exposure to Advanced Risk Management Techniques is through the use of 'Structured Investments'. A Structured Investment is simply a tailor made investment designed to achieve a certain investment outcome. It can be individually tailored or offered to a wider pool of investors.

Interest in Structured Investments has been growing in recent years as more high net worth investors begin to realise the many benefits they can offer a portfolio. If Structured Investments in Europe, Hong Kong, and New York over the past decade are any indication, Structured Investments will become one of the most popular investment vehicles for SMSF Trustees over the next 10 years in Australia. Worldwide, there are approximately 6 million products on offer worth over \$US7 Trillion Dollars.

## Brief History of Structured Investments

Structured investments arose from the needs of companies to secure cheaper debt and were first recorded in use in America during the mid 19th Century. Move on almost 150 years and this form of Structured Investment is still very common in today's investment market place. You only have to look as far as Australia's major banks issuing massive volumes of 'convertible notes' or 'preference shares' over the past 12 months to retail investors.

With advancements in derivative markets, companies have begun to build more and more features into these convertible notes (such as increased income in exchange for less advantageous equity conversions or none at all, exposures to unique investment markets, or different levels of capital protection). The goal as always is to give investors more reasons to accept a lower interest rate on debt in exchange for certain features.

## Why use Structured Investments

- Traditional investment strategies provide a widely understood relationship between risk and return. That is, the higher the risk, the higher the potential return an investor would expect from the investment. Structured Investments can be structured so that the return potential is equal to, or better than the same asset class, yet the risks significantly reduced.
- If there is limited access to the specific market you would like to invest in Structured Investments can potentially provide this exposure
- If you are after unique features to an investment (such as capital protection, higher yields or automatic lock in of gains) Structured Investments can offer a tailor made solution to meet your needs.
- With structured investments the Issuer may even lend money to investors on a limited recourse basis (i.e potentially SMSF suitable)
- Many of the additional risks of investing in international markets, such as foreign currency risks, can be eliminated



- The underlying asset the investments are exposed to can generally be anything that is listed (eg, stock, index, currency commodity etc)

## Risks of Structured Investments

- Typically the main risk is counter party risk. That is the risk of the Issuer providing the investment becoming insolvent. This risk can be reduced by selecting Issuers with a high credit ratings or those with appropriate structures in place to give investors exposure to strong counterparties.
- Dependant on the investment, liquidity may only be available at certain times, or not at all.
- As Structured Investments are usually tailored, additional risks will generally exist, dependant on the structure of the investment. Investors should consider the Product Disclosure Statement of each investment to gain a full understanding of the risks specific to each investment

## What's out there now? Sequoia Hindsight Units

Have you ever been frustrated with an investment, having watched it rise in value, only to see it fall again before you were able to realise or lock-in the gains? By using a Structured Investment it is possible to create a solution to this problem.

The Sequoia Hindsight Units have exposure to the Australian share market and "Lock In" the highest value during the investment term. With the power of hindsight the investment "looks back" and pays a return based on the highest value Units achieved during the investment period...even if the investment value subsequently falls. It is also possible to borrow up to 100% of the Investment Amount. Please make sure you see the Sequoia Hindsight advertisement in this newsletter for the 'fine print' of this investment summary and contact Sequoia for a copy of the PDS.

## Are Structured Investments for you

If you are after an investment solution for your portfolio that meets a specific objective, then it is often achievable using a Structured Investment. For more information on Structured Investments please contact Sequoia.

# TIME to LOOK at gold miners?

Tim Kelley - Montgomery Head of Research



Gold is something that has piqued our interest in recent weeks. Since late last year we have seen some precipitous falls in the share prices of gold producers, largely driven by a declining gold price. In fact, looking at a sample of ASX-listed gold companies, the average share price fall since October is close to 60 per cent. It's beginning to feel like the market may have overreacted.

When we say "gold", we should add that our focus for the moment is on gold producers, rather than the metal itself. Investing directly in the metal requires a confident view on where its price is going, and for us to have that sort of confidence requires a level of self-delusion that – for the moment – is lacking. More on that later.

We do need to acknowledge that further large changes to the gold price will have a big impact to the fortunes of gold producers, and so we can't put our head in the sand in respect of them, but if we can see good value in gold producers based on the gold price remaining broadly where it is, that can stack the odds in our favour, possibly enough to justify the risk.

Before you ask, we should also add that Newcrest Mining is not among the companies we are looking at. Newcrest has consistently dismal economics and we have never understood why our peers have been willing to pay the prices it has previously traded. Today, with the price having fallen by almost 60 per cent since its peak in September 2012, Newcrest still looks expensive in our estimation and our interest in it remains firmly 'un-piqued'. What I find more interesting are some of the lower profile gold producers. In particular, companies that may have healthy production growth profiles that the market has lost interest in.

Before we consider their merits, we should return to the gold price. Since October, when it traded at around US\$1800/oz, the gold price has fallen by around 25 per cent to now be in the mid-US\$1300's. During that decline, The Montgomery [Private] Fund has not held the shares of gold companies. In A\$ terms however, the decline has been softened by the falling Australian dollar, and the drop in local currency terms is around 17 per cent. This is still a meaningful change, but arguably small compared with the near 60 per cent share price decline for the typical ASX-listed gold company in the same period.

We can't exclude the possibility that the gold price will continue to fall. While it is considered a financial asset, gold earns no income, and we know of no reliable way of assessing its "value". All we can say with confidence is that the current price reflects the market's best judgement of what gold is worth (for now).

There is a school of thought that says that the gold price shouldn't fall much further, because many of the world's gold mines will start losing money at lower prices. The logic says that a gold price below the cost of production would curtail supply, and the forces of supply and demand would drive the price back to a "profitable" level for gold producers.

We're sceptical about that argument for commodities generally as we have seen many commodities trade below the cost of production throughout history. We are especially sceptical in the case of gold. Most of the gold that has ever been mined now sits in investors' vaults, and there is nothing preventing those investors from selling it. If they decide for whatever reason to sell, then it can become part of the supply equation, and the marginal cost to remove it from the vaults is close to zero. In fact, it may well be that the cause and effect relationship runs the opposite way for gold prices. It seems very plausible that a high price would prompt marginal gold mines to start operating and thereby raise average production costs, rather than the gold price being set by the level at which the world's gold producers can operate profitably.

So we are left with the current market price as our most reliable indication of what gold is worth, and the question we are interested in is: based on that gold price, are there gold companies whose share prices now look cheap based on our best estimate of the potential future profits, and having regard to the risk?

That debate still has some way to run at Montgomery, but we do have a good idea of where we are most likely to find a positive answer. Some of the companies that we will be running our analysis over include: Silver Lake Resources (SLR), Medusa Mining (MML) and Resolute (RSG).

“

It's **BEGINNING**  
to feel like  
the **MARKET**  
may have  
**OVERREACTED**

”

# The end of one boom **DROWNS OUT** **THE START OF ANOTHER**

Russell Lees - Sornem Private Wealth

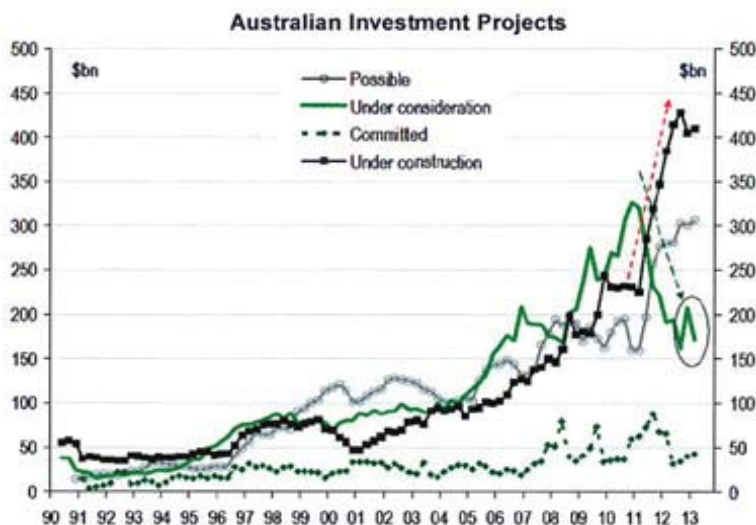
The Australian economy has been witness to a unique event over the last two decades. Since the time of Dutch tulips and gold rushes, booms have followed the same pattern of hope, growth, boom, hysteria and bust, often over short life cycles. However, the landscape of the Australian natural resources boom has been different. Often described as a 'super-cycle', the levels of investment and expenditure have totalled hundreds of billions over a much longer period of time than ever seen before in this country's history.

## The End of the Boom?

In recent months though, increasing commentary and evidence has been emerging that Australia's current commodity boom is nearing an end. Most credible of these was the publication of a report in May earlier this year by the Australian Bureau of Resources and Energy Economics (ABARE) which provided modelling that predicted a 60%-70% fall in the level of mining investment by the end of the year 2017. The peak number came in October 2012 when there was a record \$268.4 billion project development pipeline, which was forecast to fall to approximately \$70 billion in the next five years.



## Investment boom peaked



Source: Schroders

## Dig Deeper

Despite this seemingly cliff-like retraction in mining expenditure, if the numbers and sectors are probed in more detail, an interesting picture emerges. In the past 12 months, a total of \$150 billion dollars of projects have been shelved, headlined by the mothballed \$30 billion dollar BHP Olympic Dam project. Perusing the list, however, shows that the bulk of deferred

spending is in iron ore and gold related projects. Before now, there has never been such a supply response worldwide to the rapid and sustained industrialisation of China which has driven iron ore prices (the raw component for steelmaking, and essential for bridges, ports and huge infrastructure projects) to historical highs. These record peaks have since moderated recently as a result of the vast amounts of new supply coming online from new mines operated by such global titans as BHP, Rio Tinto and Vale, as well as a myriad of smaller operators.

This evidence suggests that one boom, namely, the mineral resources boom may well be over, or at the very least, returning to a more normal level of expenditure as a share of the economy as a whole, but it fails to highlight that another boom that is only now gathering pace.

## The end of one boom DROWNS OUT THE START OF ANOTHER

### Gas Powered Growth Engine

Consider these names: ExxonMobil, Shell, Chevron, Total, British Gas, ConocoPhillips and Kogas. These global energy giants have teamed up with major Australian energy players (Santos, Origin and Woodside) in replacing the commodity boom with an energy boom. Now consider this number: \$200 billion plus of investment. This is the value of the amount that these energy giants have committed to spending both onshore in Australia and offshore on a world-scale gas in LNG production projects in pursuit of the growing Asian demand for clean energy sources.

The project economics are clear to see. Australia is projected to become the world's largest supplier of natural gas by 2020. The Australian Petroleum Production and Exploration Association (APPEA), meeting in 2013, unveiled data which showed that worldwide natural gas consumption is set to rise 34% by 2035, with Australia superbly placed to serve the major growth region of south East Asia.

There are already early movers in this space, with Woodside, along with many of the companies mentioned earlier having begun development and production on super-projects like the Pluto gas field (Woodside), Gorgon (Chevron) and the four large Queensland Coal Seam Gas projects. Currently all the focus is on LNG projects, but of growing interest is the increasing focus on unconventional gas exploration, predominantly around the Cooper Basin.

Recently we have seen the large global players take positions in unconventional gas with Chevron and British Gas buying into exploration plays alongside Beach Energy and Drillsearch. Santos is also of interest in this area because it has large unconventional gas exploration leases in the Cooper Basin which, alongside the company's existing massive Cooper Basin gas infrastructure, provides significant cost and infrastructure leverage should it succeed in converting exploration potential into gas reserves.

### Who Benefits?

The implications for the Australian economy resulting from this nexus between holding world-class gas resources and our proximity to the region that will demand gas to fuel its growth in the next century are overwhelmingly positive. This investment will overlap in a significant way with the commercialised gas projects of the North West Shelf and Darwin LNG already developed. The attendant benefits stem from export-related earnings to Australian producers which will begin to flow through to company balance sheets. This commenced this year as Pluto began providing a significant earnings boost to Woodside and this is expected to continue until 2017 when the current LNG projects will be complete.

The extended picture is that government tax receipts also stand to benefit as company profits increase. In addition, the volume and value of work attributable to the running and staffing the projects, once in production phase, will require significant ongoing levels of employment in the sector.

Currently the media in Australia are infatuated with speculation about the risks to the Australian economy as these large projects are completed and the associated tail risks these present as the level of investment and employment associated with these projects comes to an end. We question this assumption to some degree and highlight that over 80% of the work for these projects was completed outside of Australia (mainly South Korea and China). Given this, it is likely that most of the fallout from any downturn will be felt outside of Australia, whilst shareholders of Australian energy companies as well as our governments enjoy the return on the massive level of investment.

It is clear that like all good things, our commodity boom must come to an end, they always do. Inspection of the evidence, however, shows that there remain significant levels of international and domestic investment in the LNG/gas industry in prospect that will provide sound economic returns going forward.

## FEDERAL Government pursues levy on bank deposits

06 August 2013  
Ekaterina Skulskaya

In early August the Australian Financial Review reported that "the government's economic statement...will contain a deposit insurance levy... to underwrite any Australian bank should it need assistance in the future".

The latest report states that the deposit protection levy will be equal to 0.5% of insured bank deposits. The levy is expected to come into force in January 2016 and will be used to fund any future bailouts. The need for the proposed levy was supported by the International Monetary Fund that highlighted a gap in Australia's public policy in regards to "provisioning for any potential bank or deposit-taking institution failure" and concluded that Australia "should develop a financial stability levy as a matter of high priority".

The aim of the proposed levy is to raise A\$408m in the first six months and A\$325m in the following 12 months. According to JP Morgan, the prospect of a tax on Australian bank deposits would pose downside risks to the major banks' earnings. This however is only likely to have a minimal earnings impact with banks expected to offset the costs via lower rates on deposits, higher rates on loans and higher fees.

The Australian Bankers Association confirmed that banks are expected to pass this levy on to customers with savings in terms of lower interest rates on their deposits or to borrowers.

JP Morgan commented that if a levy were material, it could have negative unintended consequences on the bank's funding mix and credit ratings and also perhaps broader competitive issues regarding smaller banks.



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# Calendar of Events

As AIA events are confirmed, details are posted to the AIA website [www.investors.asn.au](http://www.investors.asn.au). Please note topic is subject to change.

Date	Event	Time	Venue	Topic
<b>SEPTEMBER</b>				
03-Sep-13	Perth Information Meeting	7.00 - 9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah St, Wembley Downs	David Chia
04-Sep-13	Brisbane Information Meeting	6.30 - 9.00pm	Broncos Leagues Club, Fulcher Rd, Red Hill	Boyd Peter: Small Caps Stocks
10-Sep-13	Adelaide Information Meeting	7.00 - 9.00pm	German Club, 223 Flinders St, Adelaide (Wolf Blass Weinkeller Room)	Suzanne Mackenzie: An overview of SMSF including exit strategies
11-Sep-13	North Shore Information Meeting	7.00 - 9.30pm	The Chatswood Club, 11 Help St, Chatswood	Rudi Filapek-Vandeyck The big confusion that is the Share Market
<b>OCTOBER</b>				
02-Oct-13	Brisbane Information Meeting	1.00 - 3.45pm	Broncos Leagues Club, Fulcher Rd, Red Hill	TBA
08-Oct-13	Perth Information Meeting	7.00 - 9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah St, Wembley Downs	TBA
08-Oct-13	Melbourne Information Meeting	7.00 - 9.00pm	Telstra Conference Centre, R1, L1, 242 Exhibition St, Melbourne	Colin Nicholson
09-Oct-13	North Shore Information Meeting	7.00 - 9.00pm	The Chatswood Club, 11 Help St, Chatswood	TBA
15-Oct-13	Adelaide Information Meeting	7.00 - 8.15pm	German Club, 223 Flinders St, Adelaide (Wolf Blass Weinkeller Room)	Charles Brown: Using TA
15-Oct-13	Adelaide - AIA AGM	8.15 - 9.00pm	German Club, 223 Flinders St, Adelaide (Wolf Blass Weinkeller Room)	AIA AGM
16-Oct-13	Gold Coast Information Meeting	9.30 - 11.30am	Robina Community Centre, Robina Town Centre Drive, Robina	Felicity Cooper: RBS Morgans Market update and round up of the reporting season
18-Oct-13	Sydney One Day Seminar	9.00 - 4.30pm	SMC Conference and Function Centre, 66 Goulburn St, Sydney	Life Cycle Investing for SMSF
<b>NOVEMBER</b>				
05-Nov-13	Perth Information Meeting	7.00 - 9.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah St, Wembley Downs	Susan Fielding: Estate Planning
06-Nov-13	Brisbane Information Meeting	6.30 - 8.30pm	Broncos Leagues Club, Fulcher Rd, Red Hill	TBA
12-Nov-13	Adelaide Information Meeting	7.00 - 9.00pm	German Club, 223 Flinders St, Adelaide (Wolf Blass Weinkeller Room)	A debate between Zac Zacharia and Peter Kouzios "Shares versus Property"
13-Nov-13	North Shore Information Meeting	7.00 - 9.30pm	The Chatswood Club, 11 Help St, Chatswood	Mark Waddington: The investment research industry - How do analysts formulate their opinions?
16-Nov-13	Brisbane One Day Seminar	9.00 - 4.30pm	Broncos Leagues Club, Fulcher Rd, Red Hill	Everything about SMSF
<b>DECEMBER</b>				
03-Dec-13	Perth Information Meeting	6.00 - 8.00pm	Wembley Downs Tennis Club, Cnr Morden & Ednah St, Wembley Downs	John Abernethy: A full year world "top down" overview to local market. Christmas BBQ will follow
03-Dec-13	Melbourne Information Meeting	7.00 - 9.00pm	Telstra Conference Centre, R1, L1, 242 Exhibition St, Melbourne	TBA
04-Dec-13	Brisbane Information Meeting	1.00 - 3.45pm	Broncos Leagues Club, Fulcher Rd, Red Hill	TBA
11-Dec-13	Gold Coast Information Meeting	9.30 - 11.30am	Robina Community Centre, Robina Town Centre Drive, Robina	TBA
11-Dec-13	North Shore Information Meeting	7.00 - 9.30pm	The Chatswood Club, 11 Help St, Chatswood	Christmas Special: Member stories



## Sydney One Day Seminar - 18th October 2013

**Investing for Life: Meeting your investment goals in an uncertain future**

Time 9.00am - 4.30pm

Venue SMC Conference & Function Centre  
66 Goulburn Street, Sydney 2000

## Brisbane One Day Seminar - 16th November 2013

**Everything you need to know about Self Managed Superannuation**

Time 9.00am - 4.30pm

Venue Broncos Leagues Club, Red Hill

For more information visit [www.investors.asn.au](http://www.investors.asn.au)



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