the INVESTORS voice

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DOES YOUR PORTFOLIO MATCH YOUR PERSONALITY?

AUSTRALIAN INVESTORS ASSOCIATION

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AUSTRALIAN INVESTORS ASSOCIATION

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

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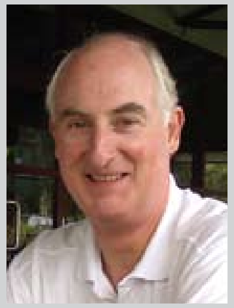
President's Message
By Graeme Bottrill



Dear Members,

I hope that you all returned from your Christmas break, rested and refreshed and ready to take on the new year. The break seems long ago.

I wrote in late November about the fall in equity prices, with the issue for us as investors being, will dividends be sustained? In the three months since I last wrote, the ASX 200 has gone from around 5200 to below 4800 on 12th March. Having seen a 20% fall from the March 2015 high, some commentators wrote that this is technically a bear market.

We have also started to see signs of dividends being cut. The likes of BHP, Rio Tinto, ANZ, Suncorp, Newcrest, Woodside, etc., have either announced dividend cuts, or are rumoured to be about to cut dividends.
Some journalists suggest that the US 'Fed' may have been a little premature in raising rates recently, and I have read a comment that the Reserve bank here in Aust. may go as low as 1.6%. The one positive that I can see is that unemployment has increased only marginally. Let's watch the figures for the next quarter and see how we go.

So in the midst of this uncertainty, the task that we face is to better educate ourselves, build our skills, examine our investment plans and strategies and setup our portfolios to weather any storm. No, in fact, we want to do better than that. We want to avoid the storm and be ahead of the game!

The AIA can help us all here. Our meetings and seminars give us access to a wealth of information. Various experts come and give us the benefit of their knowledge and skills. We are shown a veritable smorgasbord of investment approaches and we may consider each one. You may hear different views, and this is to be expected. Since each speaker has an individual personality, his/her methods will be what suits them.
Our job is to choose which suits our needs, our investment style and our personality.
The AIA is not endorsing a particular strategy and not selling anything.
So let me ask you – have you considered your strategy lately? What might you have missed? Have you considered the likely performance of your holdings in the various asset classes in these current circumstances? Have you factored in the rumoured changes, such as the changes to negative gearing and such like?

This leads me to write about the coming annual conference. We thought hard about what we could offer to best serve our members in this environment. All this volatility and uncertainty is unnerving, and so this year, we have themed the conference around 'strategies'. In these times, there is a strategy that is right for you, and it is imperative that we investors set up our plans to minimise risk and maximise returns.
Education is the priority of the conference. Presenters have been tasked with ensuring attendees come out better informed on how to navigate portfolios through these uncertain times.

The conference brochure is included with this IV and I ask that you all examine the program. I think you will agree that we have an exceptional group of presenters. It does not get any better than Dr. Shane Oliver, Paul Bloxham, Charlie Aitken, Marcus Padley, David Chia, Noel Whittaker, David Bassanese, David Chia and our favourites Roger Montgomery, Colin Nicholson, Rudi Filapek-Vandyck and Alan Hull. Many others also as listed in the program. Come and find your strategy!
The early booking deal takes the pressure off and means that you just pay a small deposit now and the balance later.

I look forward to meeting and talking with you all at the conference.

Kind Regards – Graeme Bottrill

DOES YOUR PORTFOLIO MATCH YOUR PERSONALITY?

PAUL RESNIK

If you have a retirement portfolio, you need to ask yourself two critical questions:

- Will I cope emotionally with the volatility in my portfolio?
- Will my portfolio will allow me to live the life I want?

If your portfolio is inconsistent with your risk tolerance, you're more likely to make emotional investment decisions when markets are volatile. The risk-averse may sell down in a market correction; risk-seekers may buy in during a market boom. Both add transaction costs, generate profits and losses to manage for accounting and tax purposes. They also leave the challenging question of when to re-enter or exit the market. Both are highly likely to diminish long-term portfolio returns. Your life choices will be reduced because there's less or insufficient money available to meet your needs as they fall due.

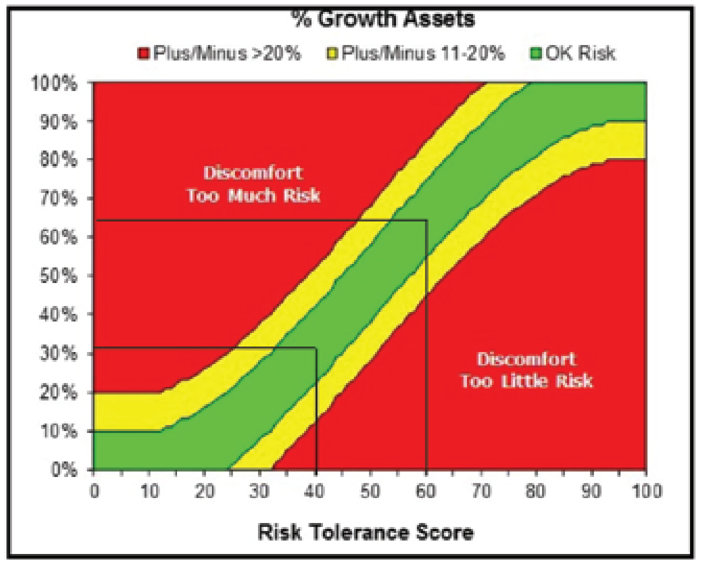
The sad truth is that for many Australian investors, their portfolio may be riskier than they believe. Later I will share some of my concerns about Australian portfolios, particularly those in self-managed superannuation funds (SMSFs).

A RISK-TOLERANCE TEST

But first, you can take your own risk-tolerance test free (normally $55) at: www.riskprofiling.com/aiafreetest. You may be surprised when you compare yourself with the 900,000-plus investors who have completed their test since 1998. At the least, you'll know a little more about your investment personality and the investments that suit your needs. It takes no longer than 15 minutes; your first answer is best so don't overthink.

If you invest as a couple, take tests separately. Compare and discuss any differences. Then you need to agree on a combined risk-tolerance score.

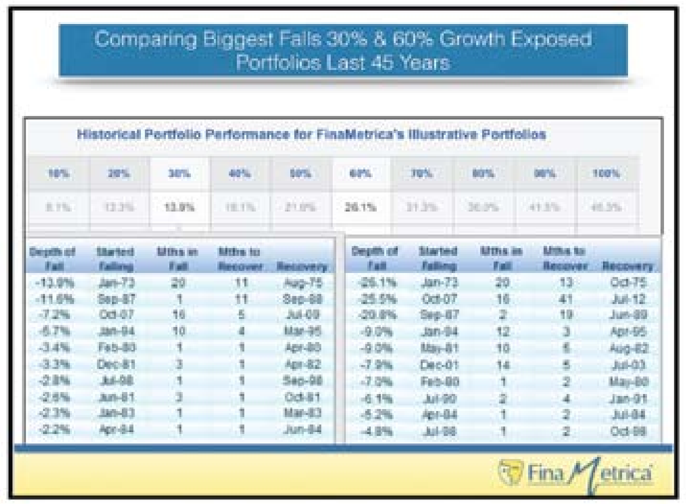
Split your portfolio into percentages of growth (generally shares and property) and defensive assets (generally cash, term deposits and conservative fixed interest). The total should add to 100%. Compare the agreed risk tolerance score of between 0 and 100 against the matching growth-assets percentage in the following matrix.



Example 1: an individual with a risk score of 40 (read from the horizontal axis) is typically comfortable with a +/-30% growth asset portfolio.

Example 2: an individual with a risk score of 60 is typically comfortable with a +/-65% growth asset portfolio.

We can see in the following table how two portfolios responded to market corrections over the last 45 years. Each portfolio has 30% or 60% growth assets. As well as seeing the months that the portfolio dropped and recovered, note the relative depth of the reduction in value in each (often double). While the portfolios always recovered losses and moved beyond the previous high, in several years they dropped and spent several more recovering.



Comparing Biggest Falls 30% & 60% Growth Exposed Portfolios Last 45 Years

Historical Portfolio Performance for FinaMetrica's Illustrative Portfolios

10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
8.1%	13.3%	13.9%	18.1%	21.0%	26.1%	31.3%	36.0%	41.5%	46.3%

Depth of Fall	Started Falling	Mths in Fall	Mths to Recover	Recovery
-13.9%	Jan-73	20	11	Aug-75
-11.6%	Sep-87	1	11	Sep-88
-7.2%	Oct-07	16	5	Jul-09
-6.7%	Jan-94	10	4	Mar-95
-3.4%	Feb-80	1	1	Apr-80
-3.3%	Dec-81	3	1	Apr-82
-2.8%	Jul-98	1	1	Sep-98
-2.6%	Jun-81	3	1	Oct-81
-2.3%	Jan-83	1	1	Mar-83
-2.2%	Apr-84	1	1	Jun-84

Depth of Fall	Started Falling	Mths in Fall	Mths to Recover	Recovery
-26.1%	Jan-73	20	13	Oct-75
-25.5%	Oct-07	16	41	Jul-12
-20.8%	Sep-87	2	19	Jun-89
-9.0%	Jan-94	12	3	Apr-95
-9.0%	May-81	10	5	Aug-82
-7.9%	Dec-01	14	5	Jul-03
-7.0%	Feb-80	1	2	May-80
-6.1%	Jul-90	2	4	Jan-91
-5.2%	Apr-84	1	2	Jul-84
-4.8%	Jul-98	1	2	Oct-98

FinaMetrica

SMSFs & RISK

While self-managed super fund (SMSF) members are likely to be slightly more risk-tolerant than most investors, data from the Australian Taxation Office (ATO) nevertheless suggests that they are taking on more risk than that with which they are comfortable and more than they need to take financially.

In particular, SMSFs' holdings of cash and term deposits now represent around 30% of total SMSF assets. Growth assets (shares and property in their various forms) make up the remaining 70%. This is beyond the risk tolerance of most Australian investors.

In my early days in financial services we talked about matching assets to liabilities as they fall due. Typical living expenses of Australians include a substantial and growing exposure to imports. The argument was that it was important to have a similar asset mix in your portfolio to that of your local and international living expenses. Local SMSF assets as measured by the ATO show direct exposure to international markets to be less than 1%. While many Australian businesses do run international operations, historically they haven't been very successful. So while it's an oft-quoted argument that Australian investors actually have a higher international exposure than is first evident, it's not necessarily quality exposure.

PAUL RESNIK

OVEREXPOSURE TO PROPERTY

Exposure to property assets could be as high as 30% of average balances in SMSFs. That is peculiarly high, particularly as most Australians own one, two and sometimes three or more usually residential properties outside their SMSF. This is very strange when a property bubble is thought to exist in many Australian cities. Surely it's time to reduce property exposures.

> “When a property bubble is thought to exist in many Australian cities, surely it's time to reduce property exposures.”

Our research in mid-2015 suggested that a sample SMSF investor, with a $1 million debt-free home and a $1 million share portfolio, could have up to a $2.6 million exposure to residential property.

It would not be unusual for a typical SMSF investor to be involved in one or more of the following: an expected inheritance of a home from a parent or relative; investment in a holiday house or residential unit; a guarantor role on a home loan for one of their children.

How many SMSFs are aware of their real exposure to property, particularly residential housing?

I'm pretty sure that most retirees aren't aware of the concentration of their assets that are leveraged to home and house prices. Even if they were, they would likely argue that the risk-taking has been justified by the investment performance of residential property over the last 20 years.

SPREADING RISK

The critical question now: how to encourage investors to spread their investment risks? Action is clearly needed to reorganise and broaden investment portfolios to cushion against any property downturn and broader Australian recession.

SMSF trustees, advisers and members should also think carefully about their under-exposure to professional investment management of their share portfolios. By global standards it's extraordinarily low. If you are self-investing, what real evidence do you have of your greater expertise than a professional manager?

Overall exposure to growth assets at around 70% is likely to be more than that needed to meet financial goals. Cash-flow forecasting and scenario testing for both portfolio risks and investor spending flexibility would be a good idea. At the least, it would confirm growth-asset exposures and help frame risk and return expectations.

AIA CONFERENCE

At the AIA conference in August, I will be sharing the pattern of responses from members' risk-tolerance tests and how they compare to other Australian investors and those offshore. Please take the opportunity to take your free test. I'm sure you will learn something about yourself and your partner, if you have one. It will also make our time together more engaging at the conference.

Paul Resnik is Co-founder, FinaMetrica

TOP 5 REASONS TO INVEST OVERSEAS

NATHAN BELL

Australians saw little need to invest abroad during the 2000s. Japan was mired in deflation, with one particular Japanese trade labelled the widow-maker. The US market had major setbacks in 2000 and 2009, with the overall market making no ground over a decade.

Back home, a portfolio of big banks, BHP and Rio performed superbly. Why invest abroad when the Australian dollar continued to rise, as China hoovered up our resources and foreign investors took advantage of our higher interest rates?

Despite self-managed super funds (SMSFs) reportedly having less than 2% of their assets invested abroad, more investors are getting interested in the idea for several reasons:

1. The US market has outperformed the Australian market since the GFC.
2. The Australian S&P/ASX 200 Index has returned a lousy 3% per year since 2008 including dividends (yes, I am cherrypicking).
3. The Australian dollar has recently fallen 30% against the US dollar.
4. There are fears that the Australian housing sector may not be able to keep carrying the economy given the fall in commodity prices, just as the Australian car-manufacturing industry is about to be closed down.

Not all about currency

Too much attention is given to currency benefits, however. Australians are truly international citizens. More people are travelling abroad than ever before, and we're buying more from overseas thanks to online shopping.

It makes sense, then, to diversify your currency exposure to preserve your global purchasing power. You might not realise how it affects you unless you're planning a US holiday, but losing 30% of your purchasing power as the Australian dollar falls means it's not just holidays that you'll pay more for.

Although currencies can swing wildly over short periods, currency fluctuations tend to wash out over long time periods. That means long-term investors must worry much more about the individual stocks they buy, rather than making macro calls on currencies and interest rates – your returns will tend to reflect the underlying profits you make from the businesses you buy, rather than anything else.

Better reasons to invest overseas

Fortunately, there are far better reasons to invest overseas than trying to get rich quickly predicting currency moves. Here are the five reasons that I started investing overseas many years ago.

> ***"Without strong credit growth there's not much management can do to increase earnings and dividends, and Australia's property market has done everything it can to boost earnings."***

1. More superior businesses listed abroad

Australia punches above its weight in the healthcare sector, but you'll find far more first-class franchises listed abroad than you will in Australia.

Our market is also very narrow, with industries dominated by just a couple of names. While many Australians are loath to give up their fully franked dividends, it's your total return that counts.

By investing overseas you'll find many more wonderful businesses that can reinvest their profits and compound your returns over decades.

2. Longer growth runways for dominant companies

Australian businesses have a mixed record of expanding overseas. For every success story like ResMed or CSL, there are failures such as Fosters' expansion into wine and Centro's and GPT's misguided property acquisitions in the US and Europe.

Part of the problem is that Australian companies mature very quickly due to our small population.

Woolworths is a great example. Without the ability to rapidly open new stores (how many more supermarkets could we possibly need?) it launched Masters to show investors that it could grow earnings quickly.

By looking abroad you'll find hundreds more companies with business models that can be rolled out around the world.

3. Higher exposure to less cyclical franchises

Between 1992 and 2014, owning the big four banks and the two major iron-ore

producers was an incredible investment. BHP and Rio have suffered recently as China's unprecedented credit boom has lost steam but, as the GFC showed, banking can also be a highly cyclical industry.

Without strong credit growth there's not much management can do to increase earnings and dividends, and Australia's property market has done everything it can to boost earnings. We're yet to find out how this will play out for the Australian banks, but overseas there are hundreds of less cyclical, more reliable businesses with greater control over their destiny than in Australia.

4. More industries to go in & out of favour

The best way to outperform the market is to buy undervalued businesses that are temporarily out of favour. The lower the valuation, the lower your risk and the higher your potential return. The more markets you follow, the easier it is to find an industry or stock that's out of favour.

5. More world-class management & business owners

Assessing management will be a key step in your investment process if you want to partner with an honest and entrepreneurial business builder that treats all shareholders like owners of the business.

While there are some great examples of owner-operators in Australia – such as the Brown brothers at ARB Corporation and Graham Turner at Flight Centre – you'll find many more businesses overseas where management has genuine skin in the game. You will have to get used to seeing much larger pay packets, however.

Conclusion

While investing overseas has never been easier, thanks to the swelling ranks of online brokers, it's important to maintain your standards. If you wouldn't invest in a certain business in Australia, you shouldn't invest in a similar business overseas.

Remember not to take your years of accumulated knowledge in the Australian market for granted. Overseas markets are just as competitive as Australia's, and if you find something that looks too good to be true, then make sure you understand why someone is willing to sell the stock to you at such a discount.

Overseas markets have performed strongly since the GFC, so buying an ETF or an index fund may not produce satisfactory results in the medium term. If you don't want the stress or hassle of actively managing your portfolio, make sure you partner with a trusted fund manager with not only a long track record, but also an investment approach that has survived many market cycles and that you under-stand.

Nathan Bell is Head of Research, Peters MacGregor Capital Management

Is the Curtain Falling on The Property Boom

GARY CONNOLLY

Experts are predicting that in only two years first homebuyers will be getting revenge on their currently cashed-up SMSF and investor competitors as housing prices cool.

According to the *Australian Financial Review*, the consensus between property experts CoreLogic RP Data and Domain Group is that markets, particularly Sydney and Melbourne, are set to ease across 2016.

That's a frightening thought for those buying property investments now to fund their retirement in the future.

Investors retreat from Sydney

In 2015, it was difficult to move in Sydney without running into an investor outbidding their first-homebuyer counterpart to snap up a property at auction. But by the tail end of the year, this was already starting to change. ABS *November Key Figures* showed that owner-occupied housing commitments rose 1.7% while investment housing commitments fell 2.9%.

This trend contributed to decreasing house prices over the December quarter. After three years of soaring property prices, average house prices in Sydney dropped by 3% – the largest quarterly drop on record. Apartment prices also fell 2.8% over the December quarter – the first fall since March 2013. Domain Group senior economist Andrew Wilson has gone even further, predicting that median house prices will fall below the million-dollar mark by mid-2016.

The devil is in the detail

In July 2015, ABC News quoted BIS Shrapnel associate director Kim Hawtrey as saying, 'The record-breaking home building boom that we've been seeing, we see it peaking in 2015, and some key markets are set to move into oversupply.'

And that is where the assertion that Australian property is crashing falls over – some markets are showing signs of lower prices and oversupply, but not all.

The sunshine state begins to shine

Property experts remain optimistic about the South East Queensland property market in 2016, citing factors such as a low dollar providing improved attention from overseas, and the gap between house prices in Sydney and Brisbane delivering investors from south of the Tweed.

> *"The consensus between property experts is that markets, particularly Sydney and Melbourne, are set to ease across 2016."*

Overall, the South East Queensland housing market demonstrated stability in 2015, with consistent sales activity recorded over the period. The rate of annual growth has rebounded over the December quarter with the median house price increasing by 1.5% to reach $511,361 – up on the 0.7% recorded over the previous quarter and the highest result for the year.

While the average Sydney house price dropped at the same time that Brisbane prices increased, there is still a large gap between median house prices in the two capitals. In November 2015, CoreLogic RP Data recorded the gap at $431,500. This gap has been pivotal in creating new market energy in South East Queensland.

Australian real estate expert John McGrath believes that as a result of this gap southern investors are now migrating across the Tweed.

'We are now seeing a steady flow of Sydney and Melbourne buyers heading north. Southern investors are chasing capital growth and the higher yields of the major capital cities, while young families are seeking affordability and lifestyle,' he stated.

Chinese investors are also playing a key role in South East Queensland real estate. Having driven the Sydney and Melbourne booms, these investors are now looking for the greater yields offered by the sunshine state. Indeed, Chinese buyer interest in property in South East Queensland jumped in 2015 – soaring as much as 1,120%.

According to Juwai data, in 2015, the Chinese yuan demonstrated a 25% increase in buying power over the Australian dollar, a driving factor in the burgeoning Chinese interest in Australian property. The co-CEO of Juwai.com, Simon Henry, stated, 'Queensland cities have not been the most popular with Chinese buyers over the past five years, but they are growing quickly. The Gold Coast is doing particularly well this year, especially as buyer interest temporarily reached a low point in 2014.'

Construction on the long-awaited $1 billion Jewel hotel and apartment project at Broadbeach by its Chinese owners began in March 2015, and nonstop flights from the Gold Coast to China have now commenced. Both of these factors will also focus Chinese attention on South East Queensland.

Overall, experts remain optimistic about the South East Queensland property market in 2016, stating that once state economic conditions improve and Sydney slows further, the South East Queensland property market will be ready to roar.

Take advantage of the boom

One way to take advantage of the potential in the South East Queensland property market, without dipping too far into your capital, is to participate in a mortgage investment secured by a registered mortgage over a property in the area.

Mortgage investments are typically a shorter-term investment as opposed to directly investing in property, providing investors with greater liquidity and flexibility. Indeed, the AIA recommends a time frame of between one and three years for a mortgage investment, compared to a minimum timeframe of seven years for a property.

Gary Connolly, Trilogy Funds Management

Tactical Versus Strategic Investment in 2016

JODY ELLISS

2016 promises to be a volatile year.

Key events for the Australian market will revolve around the US presidential elections, which tend to drive the US market in an election year. Of the last 10 presidential election years, eight followed a similar pattern with increased volatility in the first two quarters of the year followed by a rise in the third quarter and a dip into the presidential election – followed by a new high for the year (regardless of political outcome). This year has started exactly as expected.

Another 'market tell' is the traditional 'Up in January – up for the year. Down in January – down for the year' adage. This worked for more than 80% of the time in the last 40 years.

Institutions go defensive for the Christmas break on the last Options Thursday in December (17 December in 2015). Going defensive requires the institutions to hold below-average reserves of good stocks and to shed high-risk portfolio items. They then restock at the end of January (traditionally after Australia Day) and we see our market rise. The two levels (17 December and 28 January) supply us with an institutional direction or mindset that tends to permeate the market until after 30 June.

Outlook for 2015–16

The market will be hard-pressed to breach last year's high of 5600 prior to November.

We are expected to go up in February and then down into Easter with significant volatility in March and May this year, but with no expectation of the market advancing very far without the support of the energy and commodities sectors, which will ultimately impact most sectors excluding healthcare.

Volatility to come

Volatility will be the name of the game for the most part of 2016, at least until September when we can expect the market to commence a new trend.

This means that strategic medium- and long-term investment will be painful at best.

Capitalising on volatility

Volatility carries with it its own benefits. For short-term tactical trades the risk remains the same as always, but the ability to prosper from correct direction volatility will be increased. If we said that we could normally predict volatility 60% of the time with a short-term trade (one to 10 days) and our reward-to-risk ratio (RRR) might average out to 1.3 : 1, this is a moderately successful strategy.

With increased volatility we carry the same risk but our rewards tend to get larger, taking the same probability of success but increasing our RRR to 1.8+ : 1, taking this from a moderately successful strategy to the primary breadwinner for 2016.

The best place to capitalise on volatility is in the index itself – the Australian Top 200 Index (XJO). This is tradable with 'guaranteed stops' using index CFDs or index futures. These are simple to use and require no significant understanding of the underlying fundamentals, unlike individual stocks. This makes the index great for hedging or insuring market downturns and capitalising on tactical moves in both the up and down directions.

Jody Elliss is an independent market analyst, active trader, licensed broker and financial planner

The REAL Issues On Our Doorstep

JOHN ABERNETHY

Australian share-market investors could be excused for thinking that the Australian share market deserves a bit role in the recent smash-hit movie *The Big Short*, given its extraordinary volatility over the last six weeks. But is the market indicating some real problems? Or is it simply reflecting offshore events?

The following chart shows an 8% fall in the first two weeks of December, followed by a year-end rally of 10%. Since 1 January, the market has fallen again by nearly 10%.

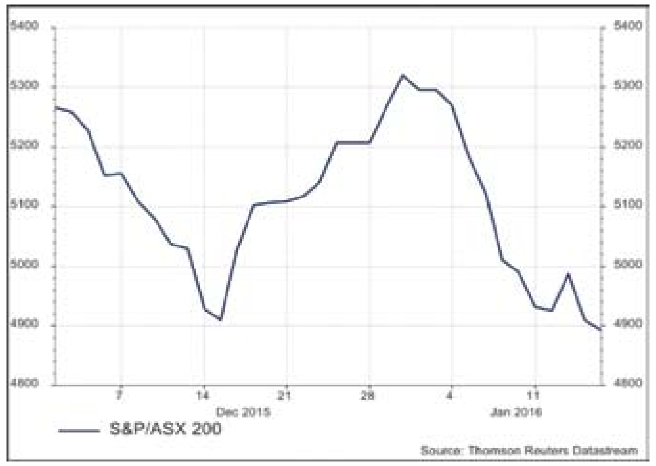


Figure 1. S&P/ASX 200 (December–present) - Thomson Reuters Datastream

The hyperactivity has given rise to much speculation as to what is causing the recent falls. However, the proper question may have been to ask what caused the miraculous end-of-year rally. Could it have been market manipulation or did Santa Claus just come late?

The volatility is shown more graphically in the next chart, which covers the sustained nine-month correction since 31 March 2015. The rally in the index to 5300 at the end of December cut the correction to just 700 points or 11%. However, as at 18 January the price correction moved towards 20%, or nearly 1200 points. Since March the Australian share market has devalued by over $300 billion and a US-domiciled index investor has lost about 35% on the value of their Australian portfolio.

Figure 2. S&P/ASX 200 (Since 31 March 2015) - Thomson Reuters Datastream

These charts and observations show that the Australian share market has arguably been in a bear market for the last nine months. The fall concurrent with a 15% devaluation of the Australian dollar reflects poorly on the Australian corporate sector. The stimulation from a weakening currency, growing employment, historic low cash rates and substantial inbound tourism growth is simply not transferring itself into higher reported profits. Indeed, if the Australian dollar had not depreciated since March then we can speculate that the share market would have fallen much further.

> "The Australian share market has arguably been in a bear market for the last nine months."

There are further issues that should be considered when reflecting upon the share-market decline:

1. Equity markets are predictive and the declines need to be analysed to see if they are giving investors an insight into the issues that confront the Australian economy. The sustained weakness in bank shares may suggest trouble lies ahead for residential-property markets given the high exposure of Australian banks. The fall in resource stocks shows that the decline in the Australian dollar has not been sufficient to offset commodity price declines.

2. The share market has declined despite the support of historic low bond yields. This suggests that the support to equity prices of lower-risk free rates is being totally offset by lower earnings projections. The market is reflecting sustained lower growth and possibly a deflation or very low inflation cycle.

3. The market decline is in spite of a solid rise in employment that normally suggests that income, consumption and therefore the economy should all be growing solidly. The contradiction seems to be created by slowing income or wages growth that could be symptomatic of growth in low-paid services jobs rather than higher-paid skilled occupations. The transitioning of the Australian economy seems likely to result in lower per capita real wages.

Notably, many commentators have laid the blame for the recent market decline on the economic machinations in China. While the Chinese economy does and will have a significant effect on the Australian economy, it appears to us that it is overused and is a convenient smokescreen for avoiding a proper economic analysis of the difficult outlook for Australia. Indeed this is where the stockmarket, when free of manipulation, does paint a realistic picture of the future.

Therefore the recent correction, in the context of nine solid months of declines, suggests that the economy is in for a tough period in 2016.

John Abernethy is Chief Investment Officer
Clime Asset Management

BOOK REVIEW

"Change - Investing in a Low Growth World"

Author	Rudi Filapek-Vandyck
ASIN	B0196NL3KW
Publisher	FNArena
Publication date	December 2015
RRP	AUD $32.00
Reviewed by	Glenis Phillips, FFin

I found this ebook both extremely informative and extremely frustrating and disjointed. It is a collection of articles seemingly originally written as either blog pages or news articles, rather than a book.

The title-related theme of low or flat worldwide growth refers to the semi-permanent low interest rates that have led to changes in behaviour and market dynamics. Successful equity investors will now have to abandon old investment models and learn how to safely select individual equities in a changed and rapidly changing world.

For those who love detailed macroeconomic argument and explanation, the book's first half discusses a wide variety of topics. Well-researched material covers the Chinese debt, malinvestment and financial instability, as well as its desire to become a global reserve currency. Thoughtful topics such as 'who buys bonds with negative yields' are informative for the economically educated but would probably lead to glazed eyes for the majority of readers searching for investment advice.

Rudi Filapek-Vandyck is the editor of FNArena, an online information service for financial news, data and analysis. He discusses many economists' views with reasons for the common belief that low inflation is likely to persist, as are low wage growth and stagnation of growth.

Trends

Filapek-Vandyck notes demographic trends such as ageing baby boomers seeking less risky higher yielding investments and requiring more healthcare and ageing facilities, and the massive societal changes caused by millennials.

Global megatrends he discusses include the Asian middle-class ascendancy, energy revolution and slower household-debt growth, as well as new technologies shaping the world and disrupting existing market sectors and individual businesses.

One interesting topic is how persistently low interest rates have not only had a massive effect on savers and retirees, but businesses – they spend less, invest less and have been buying back their own shares, often with borrowed money.

The eclectic collection of topics includes finding similarities between the current cycle and the 1920s; the oil glut; and job losses due to new technologies.

Gems of advice

There are certainly some gems of advice for the individual investor hidden in the first half – mainly economic topics.

For example, investing in equities for a dividend yield of 4% to 6% is fine, relative to long-term bond rates, but chosen companies need to be solid, with growth potential and cash flows. Equity valuations can sharply decline if bond rates rise. A great discussion centres on evaluation of persistent dividend-paying companies.

New technologies

A section on new technologies details those likely to have massive future impact in reshaping the world. Ideas for speculative investments now or in the future include artificial intelligence, biometrics, graphene, energy storage and advanced battery technology, 3D printing and next-generation genomics.

The book aims to focus the investor on choosing to invest only in adaptable companies – the message is to only invest in sectors with a future and on a growth trajectory. The cobbled-together nature of this 'book' makes extraction of this message difficult, though – at this point a major essay is introduced, on job losses and the resultant social inequality caused by automation of work processes.

In a nutshell

Overall there is great discussion of major economic and other forces shaping investment decisions in the future. Valuable insights are obtained from investment house thought processes and portfolio recommendations for stock-picking tips.

The 'book', however, reads like a series of interesting but confusingly non-collated newsletters.

Change: Investing in a Low Growth World is free of charge to fnarena.com.au subscribers and approximately $32 from online book retailers.

Being a Banker For Your Adult Children

BRIAN HERD

> ***If you give away more than $10,000 in any one year or an aggregate of $30,000 over five years, anything above those amounts will continue to be counted as an asset, even though you've given it away.***

Our role as parents can be a story that never ends.

When the children are young and dependent, we instinctively perform the role of caring, providing and nurturing.

However, we can continue the provider/parental role when those children are grown up and independent – particularly when they call upon us to do so.

You can have a montage of motivations to help your children throughout their adult lives, particularly financially.

After they have flown the coop In their younger days, you may want to give them a leg up in the property market with a bit of financial assistance.

Even in their middle age or later, having created a career and a family, they can sometimes – quite regularly, from our experience – return, not to live with you, but with their hands out.

In response to this 'begging for alms', there seems to be no limit to the assistance some parents are prepared to give to their adult children – from going guarantor for them to providing an advance on their inheritance, buying something for them, paying their children's school fees or just getting them out of a sticky financial situation.

The road of parental largesse, however, is replete with rocks, precipices and chasms.

These hazards arise in many forms. Here are just a few.

1. Psst! Keeping it informal

We generally prefer to keep things in the family, so many of us simply have a spoken arrangement with our children about the assistance we give. We often keep this arrangement secret from our other children for fear of a backlash.

The trouble with the oral approach is that memories fade over time. It is uncanny how, some years later, two parties to the same arrangement can have a diametrically opposed understanding of what they actually agreed on. It is fodder for a family dispute, which is almost guaranteed when the other children find out about the secret deal.

While we may be culturally averse to 'contracting' with our children, experience tells us that, if you are going to extend some financial assistance to your children, there is no substitute for documenting it – both as a permanent record of what was agreed and to assuage the other children.

2. Loan or gift

It is amazing how many times I ask a parent whether the money they provided to their adult child was a loan or a gift and their response is, 'It depends on who's asking!'.

If your child is in the throes of family-law property proceedings with their ex-spouse (your former son or daughter-in-law), or even if they are about to descend into bankruptcy, a convenient answer might be 'It was a loan' – this makes it a debt owing to you rather than it being a gift that doesn't need to be repaid.

Needless to say, you can get caught out if your answer is more convenient than true, which again speaks loudly for the benefits of a written record – a document.

3. Centrelink

If you're planning to receive some form of pension in your retirement, beware of the rules about gifting.

If you give away more than $10,000 in any one year or an aggregate of $30,000 over five years, anything above those amounts will continue to be counted as an asset, even though you've given it away.

Beware as well that Centrelink can look back up to five years before you become eligible for a pension and apply this rule.

4. Wills

So you've done the usual 'Mum and Dad' will giving everything, ultimately and equally, to all your children. But what is the consequence of all those gifts you've given to them already, in various amounts at varying times, during your life?

Some wills have a clause that requires these gifts to be offset against the child's benefit from your will, which appears to make it very fair and equal. Most wills don't.

If you have lent money to various children, what is to happen to these loans when you have died and if they have not been repaid?

Did you know that there is a legal time limit on recovering loans that are repayable on demand, as are most parents' loans? Generally speaking, it is six years from when you made the loan, not from when you made the demand for repayment.

I wouldn't mind betting there are a few loans out there from a parent to a child that were made more than six years ago.

5. Life's uncertainties

Living longer comes with a downside. You could become dependent and need substantial resources – for example, to fund your aged care.

If a lot of those resources have been funnelled off to your children, you might have to whistle for their return, leaving you in a parlous financial position.

An exhortation

This article is not a meant to make you averse to assisting your children if they need help and you want to give it.

It is an exhortation – if you are going to do it, do it well.

Get some legal and financial advice about the implications.

And, remember, when it comes to your adult children – get it in writing. It's not that hard.

Brian Herd is a Partner at Elder Law Services, CRH Law

The ETF Revolution is Upon Us

DAVID BASSANESE

The economic challenges now facing Australia have coincided with a sea change in its investment markets. Although once slow to take off compared to Europe and the US, exchange-traded funds (ETFs) are now establishing a foothold in the Australian market.

According to the *BetaShares ETF Review*, $21 billion worth of assets was invested in ETFs at the end of 2015. The market has grown by over 40% in the past year alone, and in leaps and bounds since the global financial crisis. To put the current figures in context, less than $2 billion was invested in exchange-traded funds in June 2007.

What is an ETF?

ETFs are investment funds that trade on the Australian Securities Exchange (ASX) just like listed investment companies (LICs) or individual company shares. But ETFs have some unique characteristics that are making them increasingly popular with investors.

Most notably, and unlike LICs, ETFs are open-ended funds (meaning the units on issue rise and fall in line with demand) and as such their market prices usually track their underlying net asset value, or NAV, quite closely. That's not always the case with LICs, which can often trade at substantial discounts or premiums to their NAV.

A second notable feature is that ETFs are typically passively managed, tracking well-known equity, bond, currency or commodity indices, and so are able to charge management fees considerably lower than those of actively managed funds that need to compensate expensive researchers, stock-pickers and analysts.

Active versus passive

In this context, investors are increasingly being made aware that the majority of broad-based actively managed funds have consistently failed to beat passive investment indices in any case, compelling more investors to consider ETFs as core components of their investment portfolio. For example, the following chart shows the percentage of active managers in Australia who outperformed their benchmarks over a number of time periods – the results are fairly grim for most active managers (with the exception of small-cap managers!).

Indeed, as with their counterparts around the world, Aussie investors became dissatisfied with the ability of actively managed (and more expensive) investment managers to protect their wealth during the global financial crisis – which helped drive the exodus towards cheaper alternatives that also enabled investors to retain more control. The banning of product commissions on managed funds within the local financial-planning industry has also levelled the playing field for commission-free ETFs.

Drivers of demand

The growth in self-managed super funds (SMSFs) has also been an important driver of demand for ETFs. For example, ETFs allow SMSF investors to develop their own highly diversified core investment portfolio for a fraction of the cost of traditional funds. There are also many ETFs that enable investors to tactically tilt their portfolio towards certain asset classes or investment themes.

Another driver behind the popularity of ETFs has been the desire for investors to seek offshore exposure – which has been made much easier thanks to international equity ETFs that trade on the ASX – as the steep decline in commodity prices has dragged down the Australian dollar and caused the local equity market to under-perform global peers.

> "*While there has been carnage across the resources sector of the market, low interest rates in Australia and across the globe have helped high-dividend-yielding ETFs to perform particularly well*"

Apart from gaining offshore exposure, the smart money has also responded to the commodity slump by seeking sector-specific equity ETFs that can produce high-dividend income, for example in the banking sector.

While there has been carnage across the resources sector of the market, low interest rates in Australia and across the globe have helped high-dividend-yielding ETFs to perform particularly well.

Many SMSF investors and financial planners are avid users of ETFs. Indeed, according to the latest *BetaShares/Investment Trends ETF Report,* there were around 143,000 ETF investors in late 2014 – a seven-fold increase on the mere 20,000 ETF investors in 2008. Of these, 63,000 – or 43% – were SMSF investors, up from only 10,000 SMSF ETF investors in 2008.

What's more, around 40% of financial planners say they now recommend ETFs to their clients, which is up from only 15% in 2008.

Despite the already strong growth of the ETF market, the future looks bright. After all, ETFs still represent a mere 1% of the more than $2 trillion in Australia's managed fund industry – which remains by far the largest in the world in per capita terms thanks to its extensive publically mandated, though privately run, superannuation system.

Indeed, ETFs still account for only around 1.3% of the $1.5 trillion market capitalisation of the Australian stock exchange – compared with shares of around 3% and 7.5% of the Canadian and United States share-market capitalisation respectively.

The total number of ETF investors, moreover, still accounts for only around 2.5% of the 5.9 million adult Australians estimated by the ASX to own some ASX-traded investments in 2014. And these numbers also imply that almost 90% of the more than half a million SMSFs across the country had not yet invested in ETFs.

As of late 2014, 60% of financial planners were still not yet recommending ETFs to their clients – though the latest survey did suggest a further 20% were planning to start recommending ETFs over 2015.

The ETF revolution has well and truly begun!
David Bassanese is Chief Economist, BetaShares

WILL YOU BE READY
TO POUNCE WHEN THE MARKET REVERSES?

DON ODGERS AND DAVID BARNES

A well-known stock-market idiom goes as follows: 'In a weak market, even the bulls buy the way one would attempt to catch a falling knife – very cautiously.'

Unfortunately human nature decrees that when there is doubt and uncertainty, often the safest option is inaction. One becomes paralysed and without a disciplined system of review, it is easy to overlook value when it offers itself. The result is that often you can miss the market correction (or indeed reversal) and with it the opportunity that comes from an astute buying position.

Technical analysis can offer the disciplined investor (or trader) a system of determining relatively safe entry points by taking out some of the guesswork and subjectivity that is involved, particularly when the market is falling.

How can we recognise the difference between a correction and a breakout? How can we do so early enough to 'walk into the water' safely? It's not rocket science. It's not 'smoke and mirrors'. Technical analysis provides the discipline and objectivity required to make a calculated decision on an emerging change in market sentiment. It can remove paralysing indecision. It can inform the astute investor when to enter positions that, with the appropriate safeguards, will set up either a solid short-term trade or a strong long-term position in a quality stock.

Technical analysis can inform the astute investor when to enter positions that will set up either a solid short-term trade or a strong long-term position in a quality stock.

So, given that we are in a weak market at the moment, how can you know when it is safe to pounce on a bargain?

Let us go through the process step by step.

Step 1. Scan the market

Scan the market to identify opportunities – it's like using Google.

Depending on how serious you are, you may choose to do this on a daily or weekly basis. Most good-quality stand-alone software packages have a market-scanning engine that enables you to identify trend breaks and emerging positive (and negative) momentum. The software package we use, IC Investor, has around 200 inbuilt scans. In this case you can select from an enormous choice of specific technical signals to identify the change in momentum of a stock or index.

You may want the software to advise you:
- when a specific moving average has crossed over
- when a stock moves up from being oversold
- the moment a stock breaks out from a downtrend.

The scanning process can take as little as 30 seconds and will provide you with a list of stocks that meet the criteria you are looking for. The software we use also provides the facility to write your own scans, which can be useful if you have a particular investment strategy in mind.

Step 2. Build a watch list

Build a watch list – and manage it! Each day (or week) when you run your scans, you will get a short list of stocks to review. Scroll through these charts with your software sand zero in on the best opportunities, based on your preset criteria.

Once you find a stock that shows potential, set price levels that will trigger an action. A stoploss being triggered might generate a sell signal. A breakout being triggered may offer you the opportunity to enter at a good price. The software we use allows you to add the stock to a watch list for ongoing surveillance with a single mouse click.

Selecting stocks in this way, and then setting meaningful triggers or alarms, provides the investor or trader with a simple means of detecting a change in sentiment for an individual stock, an index or indeed the entire market. We have used this system over many years to identify significant market corrections as well as trend breaks and buying opportunities for individual stocks.

Step 3. Learn to evaluate

Learn to evaluate a stock or index without letting your emotions get in the way.

Often we allow our emotions to cloud our judgement. The disciplined use of technical analysis is one of the best ways to view each stock or index objectively.

Each time you review a chart, ask yourself these questions:
- Where is the stock today in relation to the trend?
- Where is the stock today in relation to support or resistance? Check short and long term.
- Are there any patterns visible? Look for double tops, triangles, head and shoulders formations etc.
- Is there divergence or convergence apparent on an indicator you trust?

If the stock still rates as a buy then do a trade plan to ensure that there is enough reward to balance the risk.

This simple discipline will remove any emotion from your decision and eliminate the 'gut feel' trades. We use a simple trade-planning tool built into our software to throw up the required ratios.

Step 4. Manage your position

Now that you've bought the stock, manage the position professionally!

The hardest lesson most of us have to learn is the need to activate a stoploss when the market tells us we were wrong in our stock choice or timing.

The simple rule is that a small loss is better than a big loss.

Most of us are averse to taking losses even when the logic and rules say the stock is heading south. We live in hope that things will get better. Sadly, most of the time things don't get better and we find ourselves some weeks or months later with a significant loss that was totally avoidable.

Setting meaningful triggers or alarms can provide a rapid way to review a shortlist of stocks either in your portfolio or on your watch list.

David Barnes and Don Odgers are educators of technical analysis

We conduct personalised hands-on training on the basics of technical analysis over two full days.

SORNEM GLOBAL SNAPSHOT

SORNEM PRIVATE WEALTH

What the globe looks like today and what it is telling us about tomorrow

China

- GDP Growth 6.8% down from 7.3% in 2014
- Interest rates cut from 5.6% to 4.35%
- Retail sales increased 11.1%
- Fixed asset investment increased 10%
- Per capita urban income grew by 8.2%
- Manufacturing sector slowing, 48.2 PMI
- Service sector expanding, 50.2 PMI
- Consumer represents 50% of GDP
- Shanghai Composite Index down 8% for 2015
- IMF predicts 6.3% GDP growth in 2016

Outlook

- Growth expected to remain between 6.5% and 7% meaning negative sentiment is overdone
- Transition to consumption driven economy will continue to proceed successfully
- Renminbi to be weakened to stimulate exports

United Kingdom

- GDP growth improved to 2.2% which is around the long-term, trend but well below 2.9% of 2014
- Close to full employment at 5.1% Inflation turned positive at 0.2% yoy
- Interest rates remain fixed at 0.5% with inflation not of concern
- Manufacturing (51.9) and Services (55.5) PMI's both in expansion territory
- Services sector is key driver of growth as construction has fallen into recession
- IMF predicting 2.2% growth in 2016

Outlook

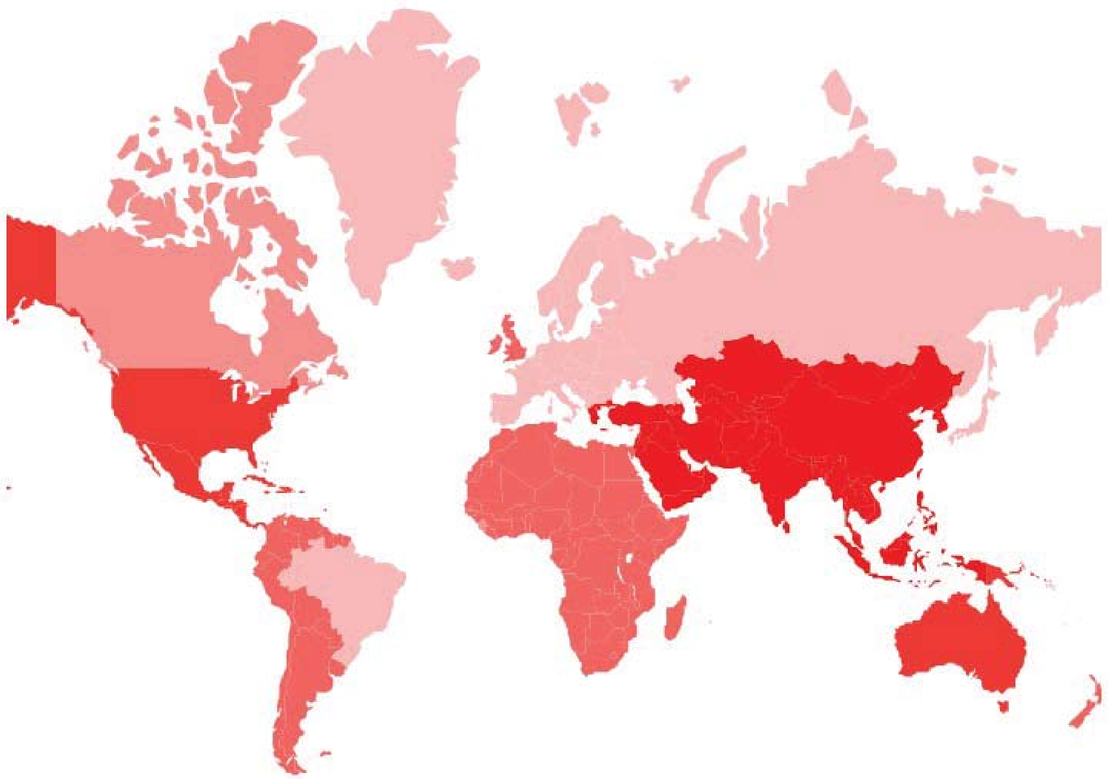
- October referendum on exiting the Eurozone is the biggest risk to growth
- Reliance on services sector will be tested as currency strengthens compared to the Euro

United States

- GDP improving but below trend at 1.8%
- Interest rates increased to 0.50% and signalled a further 1.0% increase in 2016
- Full employment at just 5.0% unemployed
- Less risk of deflation, CPI up 0.7%
- Manufacturing (52.7) and Services (53.7) PMI in expansion territory and driving growth
- US Consumer awakening, retail sales up 2.2% yoy
- IMF predicts GDP growth of 2.6% in 2016

Outlook

- Economy to continue improving but QE4 on the cards should USD strengthen further
- Fed's planned 1% increases likely to be pared back should volatility continue
- Corporate profit margins will begin to mean revert



Cold

Warm

Hot

< 1% GDP Growth

< 1% GDP Growth

> 3%+ GDP Growth

Europe

- GDP growth 1.6% to September 2015
- ECB extended bond buying to March 2017 at a rate of EUR$60B per month
- Cut deposit interest rate to -.30% ~$3TN Government bonds trading on negative yields out to 10 year maturity
- Inflation non-existent at 0.4%
- Unemployment steady at 10.5%
- GDP Highlights in Ireland (7.0% yoy), Spain (3.5%) and Germany (1.7%)
- IMF predicts 1.7% GDP growth in 2016

Outlook

- Periphery will continue to strengthen and benefit from weaker Euro
- Negative interest rates and QE to continue to stimulate lending and investment Risk of financial crises reduced

Australia

- GDP growth remains strong at 2.5% supported by commodity exports
- Unemployment surprised to the upside, 5.8%, but income growth remains negative Property sector supported to growth in 2015 as interest rates remained at all-time lows (2.0%)
- Weakening AUD supported services and export industries, agriculture, tourism, and education
- Retail sales appear to be improving at 4.1%
- IMF predicts growth of 2.9% in 2016

Outlook

- Dutch disease to continue as exports drive GDP but income growth remains negative
- Biggest risk of recession lies in flight of capital and a property sector correction

Japan & India

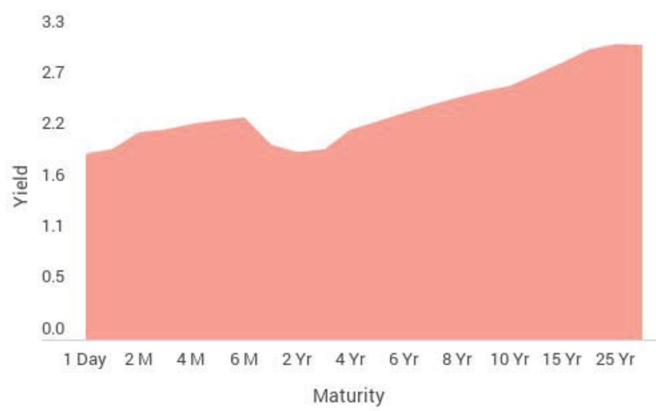
- Japan entered recession in 2015 but improved to 1.6% GDP growth in September
- Risk of deflation remains high with CPI at 0.2% Stimulative policy with Bank of Japan announcing negative interest rates will help to further weaken the Yen
- India the fastest growing economy at 7.4% as services sector (53.6) continues to expand Inflation remains high at 5.61%
- IMF predicts Japanese growth of 1.0% and India at 7.5%

Outlook

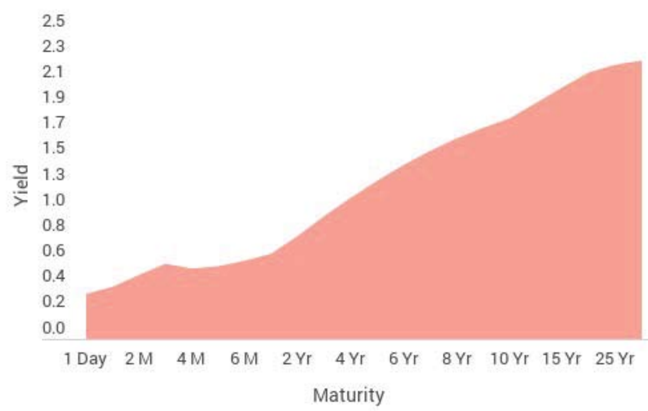
- India will be the long-term growth driver as infrastructure spend ramps up
- Japan to see signs of growth amid extraordinary policy and negative rates

The Yield Curve

Australian Government



United States Government



What is the yield curve telling us today?

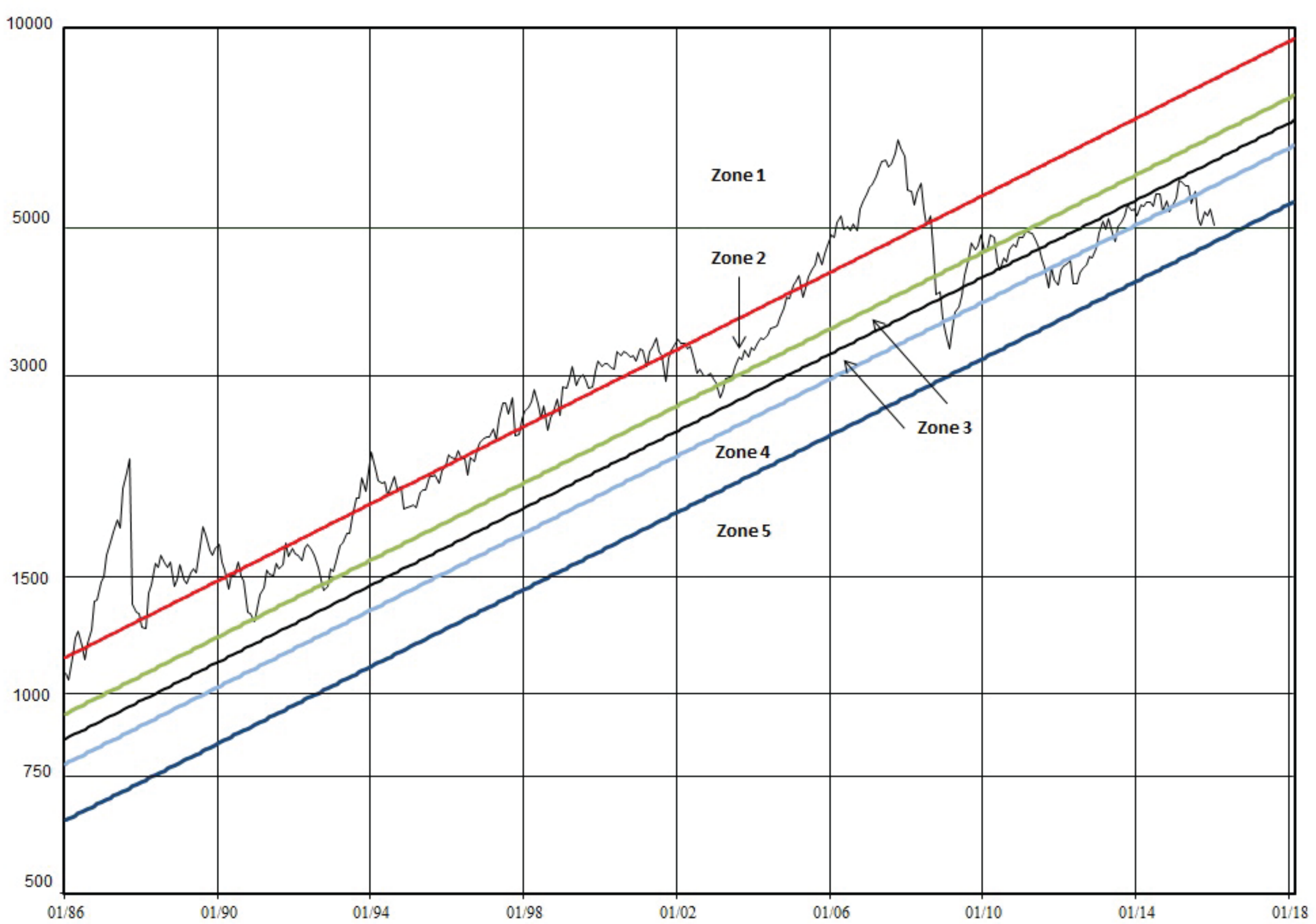
The slope and direction of the yield curve are powerful indicators of both inflation expectations and the outlook for economic growth. Given that every tradeable asset is priced off the so called 'Risk Free' rate we suggest every investor pays attention to this indicator when making any sort of investment decision. In terms of the outlook for Australia, the yield curve continues to illustrate stagnant and likely below trend growth for the economy as the transition away from the mining sector struggles to gain pace.

The small spread between 1 and 10 year bonds, illustrates that long-term investors are not being rewarded for locking in their capital for longer terms and as a result are investing elsewhere. Further, the flatness of the yield curve effectively tells us that investors do not expect interest rates to rise in the future; from which we can deduct that inflation is likely to remain lower than usual. The second takeaway for investors is that the negative slope that can be seen from 1 year to 4 year bonds indicates that investors expect tough economic times ahead in the short term.

Finally, while the chart may seem to have a ‘normal’ or increasing slope up to the 25 year bond, it is in fact not much greater than flat with the spread from 4 months to 25 years a little over 1%. Such flatness in the curve illustrates that investors expect slow growth and are worried about the outlook of the economy.

A view we continue to share as the residential construction sector appears to be slowing faster than expected. The US Treasuries yield curve depicts more of a normal curve which illustrates expectations that the economy will continue to grow and that investors are more confident in the prospects for inflation. Investors in the US are slightly better rewarded for longevity, with the spread reaching almost 2%.

Long Term Trend Line



As an investor, we’re consistently told that when it comes to investing timing does not matter. Whilst history has shown that timing has limited impact on short-term returns, recent experience and research shows that in the medium term returns can most definitely be affected by when an investor enters a market. One of the most respected financial educators in Australia over the last fifty years, Austin Donnelly (founding member of the AIA), believed in the importance of timing. Austin's experience was that markets do exhibit long term trends and they can provide investors with a useful guide in terms of the relative value of the sharemarket. In the chart above, we’ve provided an up-to-date version of Austin's Long Term Trend Line, as detailed in one of his most successful books 'Sensible Share Investing'.

SORNEM GLOBAL SNAPSHOT
continued...

Austin’s theory is that the best results for medium term share investors are generally achieved through knowing just where the market is at any particular time. Austin wrote 46 books over 40 years on financial management and was one of the founders of independent investment advice in Australia. In his book “Sensible Share Investing” originally published in 1995 he outlined the idea that a long term trend line will provide the investor with a general direction of the market. The book teaches investors that the course of share prices is rather like the way in which intoxicated people move from point A to point B; they know where they want to go but drift first to one side then to the other side and so on. To provide investors with the two points, Austin created the long term trend line. The theory of the long term trend line is based on the long term returns at the end of month from December 1960 to December 1990. Over this period, it was illustrated that a return of 6.88% was a reasonable trend given the different economic cycles throughout the period, including times of high inflation, high interest rates, strong GDP growth, and times of low inflation, low rates, and recession.

With the market at 5056 points at the end of January 2016, it sits in Zone 4 or around 19% below the long term trend line of 6,310 points. This illustrates good conditions for entering the market and reasonably low downside risk. In future editions we’ll keep you up-to-date on how the trend line moves.

Austin Donnelly's "Zone" system is his recommendation of how much money to have in the Risk On assets at any one time. For zone 1 he recommends having 10% of the portfolio in Risk On assets, zone 2 30%, zone 3 50%, zone 4 70% and zone 5 90%. Of course, this allocation depends very much on your age and income, financial goals and risk profile. Sornem Private Wealth can assist you with working out your allocation

BEYOND FIRST GLANCE

THE COMPLEXITIES OF INTERNATIONAL INVESTING

ANDREW HALL

Recent debate has focused on global equities as an investment destination, with sophisticated investors and self-managed super fund (SMSF) trustees increasingly seeking yield and value.

Self-directed investors can gain direct access to global equities via their stockbroker or online platforms such as CommSec. However, while this may initially appear to be a smooth and easy way to access the opportunities offered by global equity markets, people wanting to build wealth should look closely at the complexities of investing internationally. It's not as easy as it sounds.

Setting up an international broker account, while not impossible, is not as straightforward as creating a local online account. Access is only one of the issues for a direct investor. A number of added complexities make international investing difficult, time consuming and more challenging than direct Australian share ownership.

Stock selection

One of the key areas of complexity is stock selection. How does an investor narrow down the universe of opportunities? Is it to be done by country, by region, by sector, by industry? Is it to be large, medium, small or micro cap? Should an investor look at second board exchanges such as Hong Kong, and consider emerging markets such as those in South America and Africa?

With Australian equities, it takes time to undertake the research and understand the businesses. Yet a global investor works with a canvas that is much bigger, broader – and riskier.

Research & risk

Sophisticated investors seeking to diversify in global equities must also balance risk and be able to access information in a timely manner, gaining independent and accurate information from offshore. That too, is more difficult. Knowing where to access the information and obtain ideas – while at the same time diversifying your portfolio and spreading the risks across sectors and geographical regions – is a considerable challenge.

"With Australian equities, it takes time to undertake the research and understand the businesses. Yet a global investor works with a canvas that is much bigger, broader – and riskier."

Besides this is the question of currency risk and whether to hedge or not. While many sophisticated investors and SMSF trustees understand risk, they are typically not professional fund managers or foreign exchange traders. Knowing that movements in the Australian dollar can have a significant effect on returns both positively and negatively – and the rapidity in which a currency can turn – adds to the mix.

Earlier in the year the Swiss took the world by surprise and revalued the Swiss franc by 20%. As the market saw, there can be unexpected impacts – both positive and negative – even for those who do have the skills. Managing the currency is complex; without hedging, a rising Australian dollar erodes the gains that are made if offshore share prices rise. For reasons like these investors will remain unhedged in most cases, thus taking on the roller-coaster ride of the dollar.

Tax implications

Then there are tax implications. Owning direct shares in foreign tax jurisdictions inevitably creates tax issues with tax payable overseas in the jurisdictions where the global equity holdings reside. A good understanding of withholding tax arrangements is needed. In addition, there have been well-reported examples of complexities with tax arising from Australian companies relocating offshore, and the added tax consequences for investors.

Local Australian fund structures bring the benefits of tax simplicity. But for those investors who buy shares directly in the USA, tax on income from the US is deducted and withheld at a rate of 30%. For an Australian resident to claim an offset for the tax requires a W-8BEN form to be completed to reduce the withholding tax to 15%. This is a form available from the US Department of Inland Revenue, certifying that, as an investor in US equities, you're not also a US resident.

Exchange quoted managed funds

Given this landscape, some investors seeking global equities exposure have looked at an exchange quoted managed fund as an alternative. They might weigh this up against listed investment companies (LICs) – a gathering of offshore equities in a company structure and with a defined number of shares on issue – versus the market tradeable exchange quoted managed fund, which is open-ended.

In the case of the exchange quoted managed fund, the fund outsources management to an expert focused 24/7 on international opportunities. For investors, the benefits include avoiding the tax issues by investing in a locally domiciled fund, with the management of the currency call likewise outsourced to experienced management. Investors can elect to reinvest their distributions while the quoted price of the fund tracks the underlying performance of the funds portfolio.

What's more, there is a high level of transparency around the fund's investments and net asset value as well as liquidity to ensure that units can be bought or sold on the ASX at a price that is very close to the underlying net asset value.

Like LICs, investors in the exchange quoted managed fund can buy units in an ASX-quoted fund through any broker, and will receive a CHESS holding statement. This is one route for investors who are seeking to increase their global equities exposure and also looking for streamlined access that is both understandable and tradeable.

Andrew Hall is Head of Distribution, K2 Asset Management

Calendar of Events

Please Note:
As AIA events are confirmed, details are posted to the AIA website **www.investors.asn.au**
Please note topic is subject to change.

DATE	DAY	TIME	EVENT	VENUE
NSW / ACT				
04-Mar-16	Friday	9.00am	One Day Seminar	SMC Conference and Function Centre, 66 Goulburn Street, Sydney
09-Mar-16	Wednesday	7.30pm	North Shore Information Meeting	The Chatswood Club, 11 Help Street, Chatswood
14-Mar-16	Monday	7.30pm	Canberra Discussion Group	Ginninderra Labor Club
11-Apr-16	Monday	7.30pm	Canberra Discussion Group	Ginninderra Labor Club
13-Apr-16	Wednesday	7.30pm	North Shore Information Meeting	The Chatswood Club, 11 Help Street, Chatswood
20-Apr-16	Wednesday	7.00pm	Hills District Discussion Group	B Davis & Assoc Suite 7, Old Northern Road Baulkham Hills
09-May-16	Monday	7.30pm	Canberra Discussion Group	Ginninderra Labor Club
11-May-16	Wednesday	7.30pm	North Shore Information Meeting	The Chatswood Club, 11 Help Street, Chatswood
08-Jun-16	Wednesday	7.30pm	North Shore Information Meeting	The Chatswood Club, 11 Help Street, Chatswood
13-Jun-16	Monday	7.30pm	Canberra Discussion Group	Ginninderra Labor Club
15-Jun-16	Wednesday	7.00pm	Hills District Discussion Group	B Davis & Assoc Suite 7, Old Northern Road, Baulkham Hills
VIC				
01-Mar-16	Tuesday	6.45pm	Geelong Discussion Group	St George Workers Club, Geelong West
22-Mar-16	Tuesday	7.00pm	Greensborough Discussion Group	Diamond Valley Library, Greensborough
30-Mar-16	Wednesday	7.00pm	Kew Discussion Group	Phyllis Hore Room Kew Library
31-Mar-16	Thursday	4.00pm	Melbourne Bayside Discussion Group	Private address, please contact Kevin Macdonald for details E: km.macdonald@bigpond.com
06-Apr-16	Wednesday	7.30pm	Blackburn Discussion Group	Naturalist Club of Victoria, 1 Gardenia Street, Blackburn
12-Apr-16	Tuesday	6.30pm	Melbourne Information Meeting	Telstra Conference Centre, Room 1, Level 1, 242 Exhibition Street, Melbourne
26-Apr-16	Tuesday	7.00pm	Greensborough Discussion Group	Diamond Valley Library, Greensborough
01-May-16	Tuesday	6.45pm	Geelong Discussion Group	St George Workers Club, Geelong West
03-May-16	Wednesday	7.00pm	Kew Discussion Group	Phyllis Hore Room Kew Library
26-May-16	Thursday	4.00pm	Melbourne Bayside Discussion Group	Private address, please contact Kevin Macdonald for details E: km.macdonald@bigpond.com
31-May-16	Tuesday	7.00pm	Greensborough Discussion Group	Diamond Valley Library, Greensborough
01-Jun-15	Wednesday	7.30pm	Blackburn Discussion Group	Naturalist Club of Victoria, 1 Gardenia Street, Blackburn
14-Jun-16	Tuesday	6.30pm	Melbourne Information Meeting	Telstra Conference Centre, Room 1, Level 1, 242 Exhibition St, Melbourne
QLD				
02-Mar-16	Wednesday	1.00pm	Brisbane Information Meeting	BT 260 Queen Street, Brisbane
15-Mar-16	Tuesday	7.00pm	Brisbane Managed Investments DG	Carindale Library in Carindale Shopping Centre
16-Mar-16	Wednesday	6.30pm	Sunshine Coast Discussion Group	The Old Post Office, Buderim
21-Mar-16	Monday	7.00pm	Chermside Equities Discussion Group	Chermside Library, Hamilton Road, Chermside
06-Apr-16	Wednesday	1.30pm	Brisbane Information Meeting	Wesley House, 140 Ann Street, Brisbane
18-Apr-16	Monday	7.00pm	Chermside Equities Discussion Group	Chermside Library, Hamilton Road, Chermside
18-Apr-16	Monday	9.30am	Gold Coast Information Meeting	Helensvale Community Centre, 31 Discovery Drive, Helensvale
19-Apr-16	Tuesday	7.00pm	Brisbane Managed Investments DG	Carindale Library in Carindale Shopping Centre
20-Apr-16	Wednesday	6.30pm	Sunshine Coast Discussion Group	The Old Post Office, Buderim
04-May-16	Wednesday	1.30pm	Brisbane Information Meeting	Wesley House, 140 Ann Street, Brisbane
16-May-16	Monday	7.00pm	Chermside Equities Discussion Group	Chermside Library, Hamilton Road, Chermside
17-May-16	Tuesday	7.00pm	Brisbane Managed Investments DG	Carindale Library in Carindale Shopping Centre
18-May-16	Wednesday	6.30pm	Sunshine Coast Discussion Group	The Old Post Office, Buderim
01-Jun-16	Wednesday	1.30pm	Brisbane Information Meeting	Wesley House, 140 Ann Street, Brisbane
SA				
08-Mar-16	Tuesday	7.00pm	Adelaide Information Meeting	Fullarton Park Community Centre, 411 Fullarton Road, Fullarton
12-Apr-16	Tuesday	7.00pm	Adelaide Information Meeting	Fullarton Park Community Centre, 411 Fullarton Road, Fullarton
10-May-16	Tuesday	7.00pm	Adelaide Information Meeting	Fullarton Park Community Centre, 411 Fullarton Road, Fullarton
14-Jun-16	Tuesday	7.00pm	Adelaide Information Meeting	Fullarton Park Community Centre, 411 Fullarton Road, Fullarton
WA				
01-Mar-16	Tuesday	7.30pm	Perth Information Meeting	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs
15-Mar-16	Tuesday	7.30pm	Perth Equities Discussion Group	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs
05-Apr-16	Tuesday	7.30pm	Perth Information Meeting	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs
19-Apr-16	Tuesday	7.30pm	Perth Equities Discussion Group	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs
03-May-16	Tuesday	7.30pm	Perth Information Meeting	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs
17-May-16	Tuesday	7.30pm	Perth Equities Discussion Group	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs
07-Jun-16	Tuesday	7.30pm	Perth Information Meeting	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs
21-Jun-16	Tuesday	7.30pm	Perth Equities Discussion Group	Wembley Downs Tennis Club, Cnr Morden & Ednah Street, Wembley Downs

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