



Finding the investment edge:

How to build a successful share portfolio

With Andrew English and George Karakatsanis – 15 May 2010



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Who are we? Helping Investors since 1937...

Our First Class Service include:

- Wealth Creation - Equities, Warrants, Options, Floats
- Financial Planning (Holistic wealth management)
- Self Managed Super Funds (SMSFs)
- Superannuation & Retirement specialists
- Wealth protection and business succession (Life insurance, Trauma, Income Protection, Key Person)
- Queensland owned and operated since 1937
- 55 offices around Australia – over 400 advisers

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Finding the Investment Edge

Who?	Andrew and George have many years investment experience
What?	Holistic service: shares, wealth advice and protection
Why?	Control, Cost, world's best practice
When?	Now! Over time markets recover
How?	We take care of everything

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What to expect today...

- Show you how to rollover your super to buy shares
- Managed funds
- Wraps vs SMSF
- Borrowing in super
- “Stockmarket Wardrobe”
- Questions

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Why go to a stockbroker anyway?

- Offers a bespoke service, tailored to your personal situation
- Experience, knowledge, investment research
- Being proactive rather than reactive
- Cost savings
- CONTROL

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Share ownership....

How would you feel if you owned

- BHP?
- ANZ?
- Wesfarmers?

- You can, here is how it's done:

- Inside Super or outside ?

- You can establish a share portfolio with your Super!

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Smart Investing...

Asset	Type	Year	\$ Invested	Income	\$Income
CASH	CBA Deposit	1990	\$110,000	17.50%	\$19,250
		2010	\$110,000	6.00%	\$6,600
PROPERTY	Brisbane	1990	\$110,000	5.00%	\$5,500
		2010	\$450,000	3.70%	\$16,650
SHARES	CBA Shares	1990	\$110,000	10.57%	\$11,627
		2010	\$1,160,000	7.14%	\$82,857
	NAB Shares	1990	\$110,000	13.00%	\$14,300
		2010	\$521,000	7.57%	\$42,840

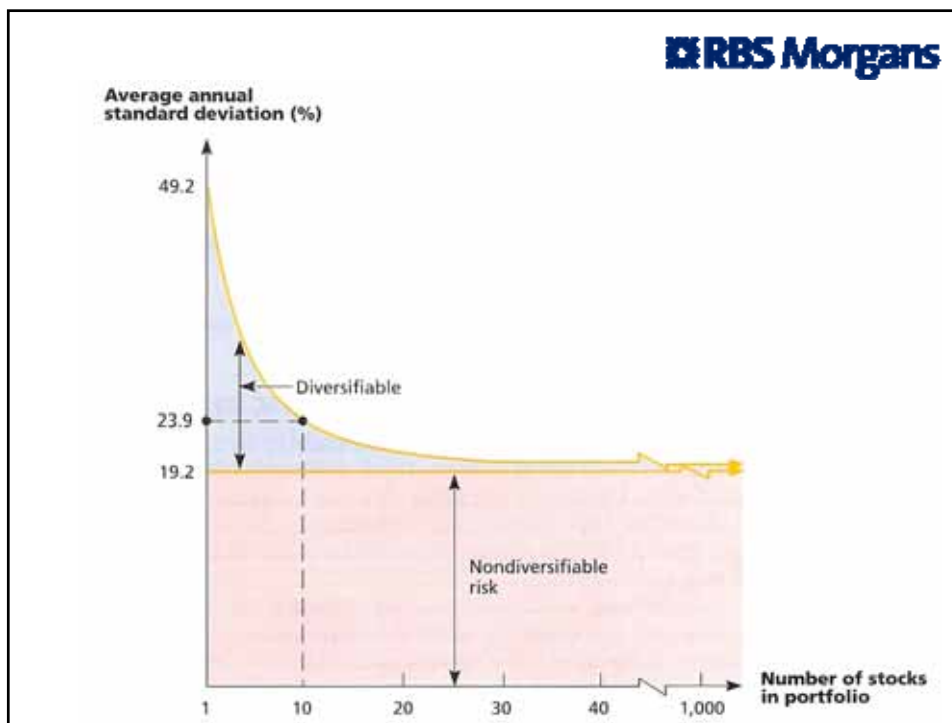
Cash is only a very short term investment!

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Managed Funds – What you didn't know

- Often TOO diversified – many funds underperform
- Many funds struggle to better the benchmark return because of this
- Expensive fee structures
- Most people don't know what investments are held
- You have no 'control'

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Scenario 1 – Managed Funds

Paula has \$100,000 in an industry fund.

She can be charged fees of up to 3% per annum (MER)

This equates to \$3,000 per year not including unit price spread
(which varies) plus any upfront costs....

Over 20 years...that's almost \$100,000 extra your paying!

Most managed funds underperform the benchmark after costs

Do you know HOW your money is invested?

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So let's consider the alternatives...



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Superannuation Wrap (Super Wrap)

Super \$25,000 to \$300,000 – A wrap account is suitable for people:

- Who want more control
- Who want to know what investments they hold
- Who wish to SAVE a lot of money (admin fee is only 0.7% pa)
- The Wrap provider acts as trustee
- You get easy and regular reports

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Super Wrap (Paula - \$100,000)

Company	# Shares	\$ Value	Income
BHP Billiton	515	\$20,000	\$1,030
ANZ Bank	875	\$20,000	\$1,675
Wesfarmers	700	\$20,000	\$1,400
Tabcorp	3050	\$20,000	\$2,570
Spark Infrastructure	17000	\$20,000	\$1,649
		\$100,000	\$8,324

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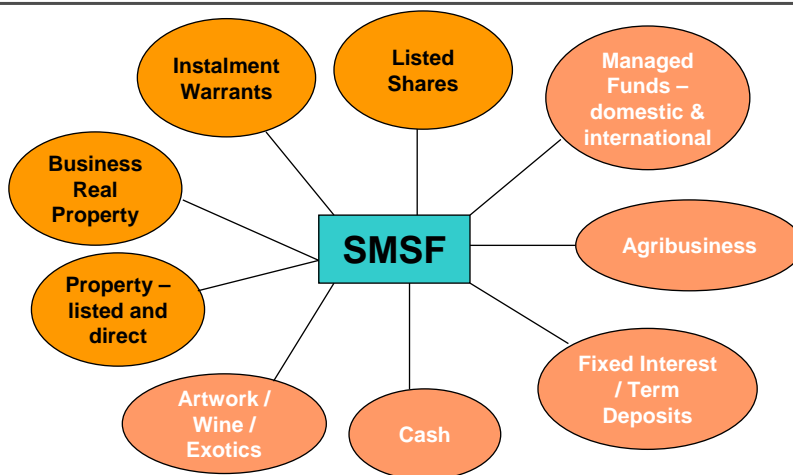
Self Managed Super Funds (SMSFs)

Super >\$300,000 – SMSF can be justified for people who:

- Have larger funds to invest in direct shares, property, cash
- Want to access to borrowing in Super
- Who want more control
- Who want to know what investments they hold
- Who wish to SAVE money (compared to traditional Managed Fund style Super Funds)

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Types of investments allowed in SMSFs



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Summary (Super Wrap & SMSFs)

- Both of these give you greater **CHOICE**
- **SAVE** you money on fees
- You have **CONTROL**
- You can see how your investments are performing
- Flexibility over buying and selling assets
- You can make the decisions on what to buy and sell

Note – Please talk to an expert before making any decisions...

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Investing 101

We look for when we invest:

- ***Strong balance sheets***
- ***Strong Management***
- ***Dominant Market Share***
- ***Earnings Stability with good ROE***
- ***Low Risk***
- ***Value***

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Strategy

Chloe 23 years old

- Workforce for 3 years
- Just bought first property
- Rolled super to purchase shares/ warrants
- Establishing portfolio

Samantha 43 years old

- Children at secondary school
- Rolled super to purchase shares/ warrants for growth
- Opened accounts for her children
- Borrowed against the house to invest

Judy 64 years young

- Retired
- Priority - capital preservation and income
- Uses conservative options strategy to generate income (above and beyond dividends)
- Looking at purchasing a property through her Self Managed Super Fund

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Top 8 Companies

The must-have wardrobe essentials

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8. Statement shoes



Christian Louboutin Décolleté 100 jazz pumps



Roberto Cavalli Spider-web suede sandals

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8. BHP Billiton Limited

- Largest diversified miner in the world
- History dates back to 1860
- Global Resource Powerhouse
- Balance Sheet – Net Cash
- NPAT A\$25.8 billion (2011F)
- Dividend \$1.40 ff (2011F)
- Over 29% ROE
- Market Cap A\$140 billion - Price Target \$57.00 +
- Worth 31 times the value since 1985



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8. BHP - Statement shoes



- Making a distinctive statement
- Looks good
- Big share – says “I AM HERE”
- Walks the straight line
- Standing for too long on concrete can make your feet sore!

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7. Essential Bootcut Jeans



Citizens of Humanity “Amber”

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7. ANZ Banking Group

- Top Big 4 Australian Bank
- Market Cap A\$58 billion
- NPAT A\$ 4.7 billion FY2010
- Dividend A\$ 1.14 cents (fully franked) FY2010
- ROE 15% FY2010 / EPS Growth of 32% Forecast
- ANZ fundamentally is much cheaper than CBA & Westpac
- ANZ businesses are undervalued
- Access to Asian expansion and growth in over 14 Asian countries
- Projected Yield 7.14% gross income return FY2010



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7. ANZ Bank - Essential Bootcut Jeans



- Daily Necessity
- Very comfortable
- Old friends
- Soft but hard wearing
- Reliable



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6. Essential Arm Candy



Chanel Classic Caviar Flap (left)
Mulberry "Bayswater" (right)

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6. Spark Infrastructure Group

- Investments in Utility Assets & Infrastructure
- Strong balance sheet
- Solid cash flows
- Market Cap A\$1.2 billion
- NPAT A\$ 74 million FY2010
- ROE 11% FY2010
- Potential for SKI to be taken private (Major shareholder backing and very attractive assets)
- SKI assets are undervalued (large discount to NTA)
- Projected Yield 8.1% gross income return FY2010



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6. Spark - Essential Arm Candy



- Practical & a necessity
- Buy a classic – have it forever
- Quality - well put-together
- Defensive – outlives short-term trends

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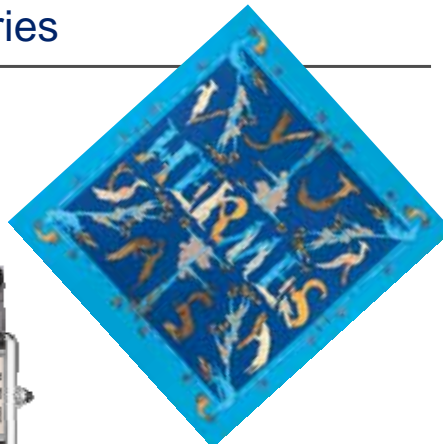
5. Essential accessories



Paspaley Pearls



Cartier Tank Louis in 18K solid white gold



Vintage HERMES Alphabet III, 1990

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5. Sonic Healthcare

- Blue Chip diversified healthcare company
- Strong balance sheet
- Defensive Assets
- Assets overseas & Australia
- Market Cap A\$ 5 billion
- NPAT A\$ 344 million FY2010
- ROE 10% FY2010
- Ongoing synergies from German Lab business
- Projected Yield over 5.5% gross income return FY2010



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5. Sonic Healthcare - Essential accessories



- Going with the trend
- Quality pays
- Future values expected to rise



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4. Indispensable Ballet Flats



Ferragamo "Viara"

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4. United Group Ltd

- Broad based infrastructure services company
- Services Government & Blue-chip companies
- 4 Operating Businesses – Infrastructure, Rail, Resources and Services
- Market Cap A\$ 2.4 billion
- NPAT A\$ 151 million (2010F)
- Dividend 64 cents (ff)
- ROE 11% FY2010 / EPS Growth of 20% Forecast
- Strong balance sheet & geared for growth



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4. United Group - Indispensable Ballet Flats

- Always “clean” looking
- Comfortable
- Quality
- Make that statement - can be dressed up and down
- Always needed



UGL

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3. Diane Von Furstenburg wrap dress



DVF – Hampton Wrap

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3. Sedgman Limited

- Small Cap Mining Services Company
- Solid Cash Flows & no debt
- Exposure to growing Coal demand
- Market Cap A\$ 300 million
- NPAT A\$ 27 million (2010F)
- Dividend 6.5 cents (ff)
- ROE 23% FY2010
- Large work on hand >\$5.5 billion



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3. Sedgman - Diane Von Furstenburg wrap dress

- Comfortable
- Seasonal trend follower
- Smart looking - can be dressed up and down
- Classic
- Quality



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2. Classic White Shirt



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2. Tabcorp Limited

- Blue Chip Gaming Company
- Solid cash flows
- Major assets – Casino's
- Market Cap A\$ 4 billion
- NPAT A\$ 476 million (2010F)
- Dividend 56 cents (ff)
- ROE 11% FY2010
- Cheap relative to assets owned
- Growth from Star City Casino redevelopment



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2. Tabcorp - Classic White Shirt

- Reliable
- Pure Defensive Qualities
- Consistent performer
- Looks good if worn properly
- Clean, though easily soiled



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1. LBD



***Little
Black
Dress***



Philosophy Di Alberta Ferretti (right)

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1. Wesfarmers – the must have LBD

- Blue Chip Diversified Conglomerate
- Top rated CEO
- Over \$2 billion in Cash Flow generated
- Growth in Coal and turnaround of Coles
- Market Cap A\$ 28 billion
- NPAT A\$ 1.7 billion (2010F)
- Dividend \$1.25 cents (ff)
- ROE 8% FY2010 / EPS Growth of 36% Forecast
- Strong balance sheet (only 15% debt to equity)



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1. Wesfarmers - LBD

- Indispensible
- Staple
- Must-have
- Simple
- Quality



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