Switzer Super Report

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Taxing times

Wall Street rallied last night on speculation that the US Fed is thinking about stimulating the economy again. The rally came even though the European Central Bank kept interest rates unchanged at 1%. I'll have more to say on Europe when I return from Italy next week.

In today's *Switzer Super Report*, we have stock picks from Charlie Aitken and Rudi Filapek-Vandyck, who has written a must-read special feature on finding dividend support. Plus, Ron Bewley puts annuities under the microscope, Andrew Bloore tells you what he thinks of ASIC's plan to make SMSFs sign risk statements, and Jo Heighway prepares you for tax season with tips on how to control income. Enjoy the report!

Sincerely,

Peter Switzer

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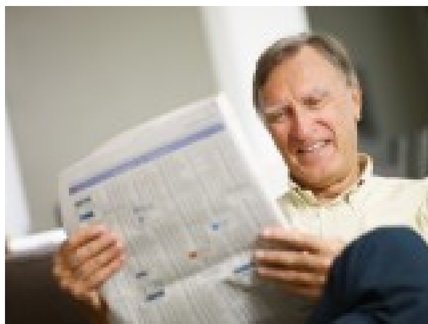

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Two stocks to buy and one bank to sell

by Charlie Aitken

Rumours of the Fed buying Facebook shares drove the mother of all short-covering rallies last night.

OK, I made that up, but the expectation of coordinated central bank action did drive aggressive short-covering in risk assets and profit taking in havens.

You get the feeling the entire fast money/momentum investing community has the same trade on now (short risk, long havens) and it only takes a WSJ article or two on QE3 (a third quantitative easing package) to spark sharp moves.

The market rallies

The Dow closed up 286 points, or 2.4%, at 12,414, the S&P500 gained 29 points, or 2.35%, at 1,315 and the NASDAQ rallied 66 points, or 2.4%, to 2844. The energy (3.2%), financials (3%) and materials (2.8%) sectors led Wall St as commodities and commodity currencies advanced.

The Australian Dollar is up at 99.20 US cents, yet the VIX, or fear index, is down 10% to 22, and the US 10-year bond yield is up sharply at 1.66%.

If the correlation between the AUD and Australian resource stocks holds today, which it will, it will be a violent day of short-covering in first and second-tier Australian resource stocks.

As part of my broader strategy of focusing on the bottom-up in a period of complete top-down pricing influence, I am trying to speak to as many leaders of corporate Australia as I can. The common theme in ALL my discussions is that current trading conditions are nowhere near as dire as share prices (or bond yields) would suggest. They all remind me, “continuous discloser ensures we would tell the market if things had deteriorated.”

Cover the fact

That same theme can be seen in the first quarter gross domestic product (GDP) data, which stunned all of us yesterday. Could it be that the Australian government bond yield curve, Australian Dollar and the Australian equity market are simply too bearish on Australia’s prospects?

I believe that the consensus top-down view of Australia, and what is priced into Australian asset classes, is now out of whack with the direct feedback I get from corporate Australia. It’s that simple and I am starting to wonder whether this is going to be a case of short the rumour, short cover the fact. I suspect it is going to be.

Suncorp (SUN) – Buy

A classic stock-specific large cap example of ‘short the rumour, short cover the fact’, in my opinion, will be Suncorp (SUN), which I mentioned in my note last week. I have seen scare story after scare story doing the rounds on Suncorp, a stock that is in my high conviction buy list. Yesterday, I sat down with Suncorp’s CEO Patrick Snowball and went through ALL the perceived negatives.

This was a very, very useful meeting that cleared the air on numerous issues, but most importantly the Queensland assets in the so-called ‘bad bank’. It seems Suncorp’s share price is totally dominated by bad bank speculation, which is distracting from the strong earnings growth from the general insurance business and good bank. To put this in context, the bad bank has less than $700 million of Gold Coast property assets, while the good bank maintains a strong A+ rating and just got a $1.5 billion covered bond away, a first by any Australian regional bank.

I thought Snowball was excellent and eloquent

yesterday. He showed good passion and answered difficult questions firmly. He also focused on the momentum in the broader business that goes unnoticed by most analysts. I came away from the meeting with even higher conviction on Suncorp, feeling over the next few years as the bad bank runs off that Suncorp will be re-rated to a general insurance plus regional bank multiple. That multiple is 50% higher than the current multiple of 8.8-times in fiscal 2013.

- Last closing price: $8.02 (up from $7.75 in my last note)
- Target (12 months): $9.60 (unchanged)
- Expected capital growth 22.9%
- Expected dividend yield 6.1%
- Total expected return 29.0%

Iluka Resources Ltd (ILU) – Buy

We have raised our rating on Iluka to Buy from Hold. Current prices provide an attractive re-entry point for Iluka, which has fallen by 15% since its production and sales downgrade announced on 8 May. While we are cognisant of the short-term weakness in the zircon market, our stress test scenarios suggest Iluka has been significantly oversold. There are signs of improved economic traction in the US and China, and European customers' stock levels have almost completely been exhausted. Iluka is currently low-grading Jacinth-Ambrosia, in anticipation of an improved second half of this year.

- 12-month target price: $14.41 (previously $14.53)
- Last closing price: $11.88
- Capital growth: 21.4%
- Dividend yield: 7.1%
- Total expected return: 28.5%

Macquarie Group (MQG) – Sell

The inherent operating and market risks within Macquarie has led us to lower its rating to Reduce from Hold. We have lowered 2013 earnings by 12% and subsequent earnings by 6%. Macquarie's current guidance is for an overall net profit contribution improvement on 2012 provided market conditions are not worse than those experienced in 2012. While our forecasts suggest this is possible, the headwinds continue to mount especially for the market facing businesses with top line growth remaining weak. While the bank has de-risked its balance sheet (e.g. largely fixed its funding and capital positions), the bulk of revenues are overseas sourced and will remain volatile for some time to come. Medium-term expectations for the core businesses are as follows:

- Macquarie Funds – AUM growth assumptions lowered by 2-3%;
- Corporate and Asset Finance – 2-3% weaker portfolio growth/NIM pressure;
- Banking and Financial Services – AUM growth assumptions lowered by 2-3%;
- Macquarie Securities – 2013 loss from lower trading income and brokerage;
- Macquarie Capital – Weak listings and deal pipeline.

Given global markets uncertainty and above headwinds, the return on equity (ROE) is expected to remain below the cost of equity until much later. We believe there is better value in the banking space with major banks such as ANZ, NAB and WBC, and even in general insurance, e.g. IAG and SUN with strong earnings growth and yield.

- 12-month target price: $26.10 (previously $27.80)
- Last closing price: $26.22

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Special feature: look for dividend support in stocks

by Rudi Filapek-Vandyck

I appeared on Switzer on the Sky News Business Channel in early March and declared that, if given the choice between buying shares in BHP Billiton (BHP) or in Perth-based IT services provider ASG Group (ASZ), I would categorically choose the latter option, without thinking twice.

That statement caused a bit of turmoil, to put it mildly. Following responses from viewers, many in a negative sense, I was called back one month later to explain myself. To my disappointment, even some of FNArena's subscribers queried whether I had lost my marbles?

Here we are today, less than two months later, and ASG Group shares are up 9.2% since 9 March, the day of said appearance on Switzer TV. And BHP shares? Well, they were trading at $34.71 on the day, fell to $31.46 in between and have now rallied back above $32 to be down 7.8% over the period in question. Overall, Australian equity indices have nearly given up all the gains achieved earlier in the year.

All of a sudden, I assume, my seemingly crazy choice looks a lot less crazy.

Time for a proper explanation

When analysts at Goldman Sachs published an in-depth analysis of dividend-oriented share market strategies earlier this month, they emphasised that data analysis from the past fifteen years had proven that investing in high-yielding stocks is not a defensive strategy, even though strategies built around sustainable dividends have significantly outperformed the share market index over the past decade.

I fully concur. Too many investors make the basic mistake in assuming that buying stocks purely for capital appreciation is the higher risk approach (which often leads to disappointment during times when the index moves sideways or lower) and that buying dividend stocks with a high-implied yield is the more defensive strategy. Alas, this misconception has seen many being punished hard after they bought shares in discretionary retailers and traditional media companies last year, as both sectors offered unusually high dividend yields on beaten down share prices.

It is thus easily established that dividends do not equal 'risk free' or 'defensive', but... there is one strategy built around dividends that can seriously reduce investment risks and this is why I selected ASG Group at the time. I had done my homework and was pretty confident in my choice, even though others failed to see my logic.

Dividend support vs ex-growth

The whole premise behind ASG Group versus BHP Billiton is built on the concept of 'dividend support'. BHP pays too little in dividends, so the concept doesn't apply, but when a company such as ASG Group is de-rated because growth has vanished in the face of the multi-speed economy in Australia, its shares tend to find support at a level where future dividends are too high to be ignored. It was my assessment in early March that, having arrived at a share price of circa $0.80, representing an implied forward-looking yield in excess of 8% fully franked, ASG Group shares were in exactly such a position.

The same logic applied earlier to Ardent Leisure (AAD) and to the Big Four banks.

Essentially, what happens is these stocks are being de-rated because the companies or the industry as a whole go 'ex-growth', but the slide in the share price stops where 'dividend support' kicks in. The difference with print media companies and with discretionary retailers is that neither of these

companies ends up battling sharply negative growth.

Ardent Leisure, for example, is anticipated to report negative 4% earnings per share (EPS) growth for the year to June this year, but fiscal 2013 is expected to see a positive growth number, albeit a modest one. Some of the major banks might report negative growth this year or next, but it won't be anything as bad as what shareholders in the likes of David Jones (DJS) and APN News & Media (APN) have endured in recent years.

Most importantly, the banks have enough cash flow and reserves to virtually guarantee that yesteryear's dividend payouts will not be lowered in years ahead (at the very least). The solidity of that promise in combination with the market's perception of the inherent security behind the banks' dividend promise has kept a solid floor under banks' share prices during times when sellers dominate buyers. Straightforward logic tells us thus that risks overall can be minimised by buying into these share prices when dividend support levels are near, even if this means buying when other market participants are selling.

Locate dividend support

More often than not it doesn't take any hocus pocus or higher forms of market intelligence to find out where such dividend support is located. A random price chart for CommBank shares post-2009 clearly shows support is below $48. CommBank shares fell below $49 last week. A similar price chart for ANZ Bank (ANZ) shares shows a more diffuse picture, but I'd say the closer to $20, the stronger dividend support will come to the fore. On Monday, ANZ Bank shares closed at $20.60 and this translates into a forward yield in excess of 7%, fully franked.

The price chart for ASG Group didn't provide any such clues with the share price first running up from $0.40 in 2009 to $1.49 in July last year after which a gradual depreciation left the share price at $0.80 in March this year. With an implied forward-looking dividend yield at 8%, it was my belief that further downside was limited – as long as the dividend payout itself didn't come under threat. Today, I still believe this is the case, but ASG Group shares are now trading around $0.90 (sometimes above) and this means not only has the implied dividend yield now fallen closer to 7%, there's now also more risk that the share price might tumble when risk appetite again leaves the market.

Investors should note local IT stocks in Australia have all been de-rated over the past year and with good reason, as investors correctly anticipated the sector would be facing serious headwinds to growth. Apart from ASG Group, peers including SMS Management and Technology (SMX) and Oakton (OKN) have all seen share prices tumble. I picked ASG Group after my research taught me some 70% of annual revenues are recurring, providing a high degree of certainty underneath dividend payouts.

It goes without saying this strategy equally requires a healthy balance sheet as well as sufficient cash flows.

As it turns out, I didn't even pick the best option available with Technology One (TNE) seriously outperforming since the beginning of the year (up by some 20%). Technology One shares have equally avoided being de-rated post-2009. The reason behind this is easily found in the summary table of FNArena's Stock Analysis: the company's earnings per share have improved by double digits in years past and they are anticipated to do exactly that in years ahead. As a result, Technology One shares are not as cheap as most others in the sector and the implied dividend yield is between 5.5-6%.

What the example of Technology One shows is that picking cheap stocks near solid dividend support won't put a rocket under one's investment returns, unless earnings growth returns at some point. In the case of ASG Group this won't be the case this year and we'll have to wait and see whether FY13 will deliver on the promise. The same logic applies to the banks, where fiscal 2014 might be a safer bet to see growth numbers pick up from low single digits. As long as investors buy cheaply and nothing happens that threatens the payout of dividends, they do have the luxury to sit and wait for growth to return.

Finding the next ASG

In terms of finding the next ASG Group, I have come to the conclusion that **Thorn Group (TGA)** looks like a genuine candidate. The specialist niche lender and provider of consumer credit has equally been

de-rated over the past twelve months and with the share price now between $1.40-$1.50 the Price-Earnings ratio (PE) is only at 7.3-times and the dividend yield at 6.9%. The balance sheet seems in good shape and so are cash flows. Highly regarded management is working towards diversification, away from the Radio Rentals operations that have served the business and its shareholders so well since 2007.

Price deflation for flatscreen TVs and PCs is now hurting growth while new initiatives are still of insufficient size to fully compensate for this, but analysts (and management) are confident that FY14 and beyond look promising, at the very least. Nothing in the share market comes without risks and it is possible that FY13 might well disappoint in terms of (negative) growth. As shown in prior examples, such risks can be mitigated through buying the shares as close to dividend support as possible, while free cash flow projections virtually guarantee there will be no cuts to dividend payouts.

In case the share price shows no net progress in years to come, the yield is projected to rise from 6.9% this year (until March 2013), to 7.2% in fiscal 2014 and to 7.5% in fiscal 2015.

What about BHP?

As far as the proposition of ASG Group versus BHP Billiton is concerned, right now the latter seems like the most promising choice, but only because of the sharp divergence in share price movements since I first raised the question in early March. If, however, growth returns much quicker to ASG Group, I would still prefer to own shares in the IT company.

Earlier analysis has revealed that combining growth with sustainable dividends simply cannot be beaten in the longer run. This is why pre-2007, owning shares in David Jones (DJS) beat investing in Rio Tinto (RIO); the only reason why this is no longer the case is because David Jones has seen growth slip away in rather dramatic form.

It's good to remind all investors looking to play the share market from a yield focus: avoid stocks where growth has left, no matter how high the yield. It is simply not worth the risks.

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Are annuities worth their weight in gold?

by Ron Bewley

At times like this in the share market, many retirees want to duck for cover and take out an annuity to guarantee a future income stream rather that take the volatility swings in the market.

There are many types of annuities. I'm going to focus on one that – in an exchange for a lump sum now – the provider will return a fixed amount each year, adjusted by the consumer price index (CPI) so that inflation cannot erode the income stream. On the death of the holder, the partner (I am assuming that there is one for simplicity), then receives the annuity until his or her death.

Running the numbers

While this might seem to be the way to go, the cost of the annuity must be taken into account. The ASFA Retirement Standard (May 2012) claims that an income of $55,080 per annum is needed for a 'comfortable' living standard for a couple in retirement, assuming that they own their own home.

Of course we all have our own definitions of 'comfortable' and while I can imagine living off $55,080, it is not the lifestyle I would like with seven days a week with nothing to do except eat, drink, travel, indulge in hobbies and hang out with family. I think it would be much easier to live off that if both were working during the week and often too tired to go out at night!

A major provider sent me a price for an annuity that would pay just over $1,000 per week for a couple that both happened to be 60 – just below the comfortable level. The price was a staggering $1,445,000! You have to pay for removing the risk of living for a very long time, variations in inflation and market conditions. And, at the end, there is nothing left for the kids, even if you die young. The annuity holders that live a long time are subsidised by those that don't make it.

This $1.5 million amount seems a lot higher than the $850,000 amount often quoted. But on reading the fine print, that $850,000 figure assumes that you are earning 7% per annum, inflation is 3% per annum and that you run out of money after 22 years. To get 7% per annum you would probably need something like a balanced fund that takes on some risk (so the last few years would have shortened the fund's life) and inflation could spike up at some time over the next 22 years again eroding the purchasing power of your lump sum. At least if you both die young, the kids can get something.

Here's to a long life

Another industry standard is that a male's life expectation is 84 and a female's is 87. Of course it very much matters how old you are when the question is asked. A 90-year-old has a 100% chance of making it to 85!

I took a US university test this week to see what my life expectation is. I had to answer about 20 questions about my family history and lifestyle. I am 63 this month and, apparently, I have a 50% chance of living beyond my 84th birthday (and a 50% chance of missing it!). I have a 25% chance of not making it to my 77th birthday and a 25% chance of living beyond 91.

If I run out of money after 22 years (having semi-retired at 60), I have a better-than-evens chance of living off the 'uncomfortable' aged pension (if I followed the $850,000 option) and over a 25% chance of living off the pension for nine years (which is 91– 60 –22 = 9) and with the prospect of quite a few more years to come.

In my next few columns, I want to develop

'compromise strategies' that allow for some risk, but give the prospect of being comfortable to the end for much less than $1,445,000 – and my strategies are based on equity market volatility.

Ron Bewley is the director of Woodhall Investment Research.

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SMSFs are not protected against fraud

by Andrew Bloore

In the wake of the $176 million collapse of Trio Capital, a myriad of concerns relating to the protection of superannuation savings – and in particular SMSFs – have been uncovered.

You're not protected

There were more than 6,000 victims of Trio and 5,400 were in Australian Prudential Regulation Authority (APRA) regulated super funds and therefore eligible for compensation. The 285 SMSF investors were not.

A parliamentary report has identified that a large number of SMSF investors were genuinely surprised that SMSFs are not entitled to the same protection from theft and fraud as APRA regulated funds. Warning bells are now ringing to increase awareness for SMSFs that they are not eligible to receive compensation in these circumstances.

Sign on the dotted line

The Australian Securities and Investments Commission (ASIC) has recently called for SMSFs to sign a written agreement whereby they heed warnings around issues of compensation for theft or fraud. Further, a new acknowledgement should be signed every two or three years to ensure Trustees are aware of risks.

Industry bodies have backed ASIC with the Self Managed Super Fund Professionals' Association of Australia (SPAA) and Financial Planning Association of Australia (FPA) both supporting the need for signed acknowledgements by SMSFs. But is this the best way forward, or are we opening up a can of worms for all investment, market, tax and regulatory risks to be separately identified and flagged? What makes one area of SMSF risk more potent than another, and can we assume SMSF trustees are aware of all other risks, specific to SMSFs or otherwise?

Understanding risks

SMSF trustees are currently required to sign a Trustee Declaration stating that by law, amongst other responsibilities, they are to exercise skill, care and diligence in managing the fund and act in the best interests of all the members of the fund. Without knowing real investment risks, it is questionable whether one can exercise these responsibilities, and in particular without understanding the absence of compensation when faced with fraud or theft. It therefore makes sense that the SMSF Trustee Declaration should include a clause requiring an acknowledgement of this lack of protection.

While many SMSF trustees may have been unaware of compensatory restrictions, there are arguably other risks that could have substantial impacts on SMSFs.

All trustees are equally responsible for managing the fund and making sure it complies with the law. This is the case even if one trustee is more actively involved in the day-to-day running of the fund than the others. Numerous cases have shown that even with these warnings highlighted for trustees, many are still caught out when fraud, embezzlement or theft occur from within the fund.

In the case of Shail Superannuation Fund v Commissioner of Taxation, Mr Shail illegally withdrew the majority of the $3.5 million super balance, fled the country and left his estranged wife to deal with the consequences. The ATO penalised the fund with a $3 million fine in tax, penalties and interest due to non-compliance, and as Mrs Shail was the sole remaining trustee, she was liable to pay the bill.

In instances where SMSFs are family SMSFs, where

perhaps a greater degree of trust is implied, each trustee is still responsible to ensure the integrity of the fund regardless of how the contravention occurred. While this responsibility is detailed in 'Self-managed super funds – Key messages for trustees', which is pre-requisite reading before signing the Trustee Declaration, it has failed many trustees in protecting themselves and their fund from theft, leaving a trail of serious repercussions.

How far do we go?

So the question remains: How far do we go to ensure SMSF risks are mitigated, if detailing the warnings is not enough to prevent serious risks?

The acknowledgement of lack of compensation may be insufficient to ensure that SMSFs are better protected going forward, but it may be adequate for the interim. A more effective remedy is pre-emptive prudential attention to these concerns before they erupt, which will prove far more effective in ensuring that Trio doesn't re-occur.

Do you have an opinion? Write to us at superreport@switzer.com.

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Time income payments and save on tax

by Jo Heighway

Super may offer very attractive tax rates, but it's still important to ensure your self-managed super fund (SMSF) is not paying more tax than it needs to. So tax planning for your fund is just as important as the tax planning you do for yourself and your business.

Not all SMSF income is treated the same, and timing is everything.

To kick-start your SMSF tax planning, here is a guide on how the timing of different types of income receipts can have a significant effect on the size of your super fund tax bill.

Interest income

Interest income is taxed only when it is physically received by your super fund. The fact that income is taxed on a cash basis means it is possible to plan when to elect to receive that income. Term deposit maturity dates can be planned in advance, as can interest on loans and mortgages.

Dividend Income

Dividend income is also taxed only when it has been received by the super fund.

Whether the dividend is paid to your fund in cash or you have a dividend reinvestment plan in place, it is the date the dividend is paid or reinvested that determines what year the dividend income is declared in the fund's tax return.

So if a company declares a dividend on 28 June 2012 but only pays it on 5 July 2012, the dividend is not assessable until the 2013 financial year.

Rental Income

Rental receipts are assessed when the rent is received (cash basis).

If your tenant is in the practice of prepaying rent, say six or 12 months in advance, their prepayment may mean the income is taxed in your fund earlier than you expected.

It may be possible to review the terms of written lease arrangements to influence the timing of expected rental receipts. But remember, related party tenants need to be dealt with on arm's-length terms.

Distributions income

Trust distributions on the other hand are assessable when declared, which can be weeks or even months before the distribution is actually paid or reinvested.

It is very common for super funds to have received distributions for only three quarters of the financial year before 30 June, with the fourth quarter not paid until, say, August of the following year. The August receipt is still assessable income in the previous financial year.

Distributions often include valuable tax components such as:

- tax free (never included in taxable income)
- tax deferred (not assessable now but may be taxable at some time in the future)
- capital gains (which may be subject to a one-third discount)

Contributions income

Contributions paid to your super fund are assessable when received (cash basis).

Determining when a contribution is 'received' is not always clear cut, especially if there is a lag between

when the transaction is made and received; for example, dating contributions made by cheque, or contributions made by transferring assets to your super fund rather than cash. In most instances, a contribution will be received as soon as the Trustees have a legal right to the cash or assets contributed.

The timing of contributions income is extremely important – get it wrong and you could find yourself receiving a nasty excess contributions tax assessment. These are the tax rates you need to know:

Contribution type	Tax rate	Excess contribution tax rate
Concessional	15%	31.50%
Non concessional	0%	46.50%

Contributions reserving strategy

A popular strategy, known as contribution reserving, allows for contributions received in June to be placed in a contribution reserve and allocated to a member in the following year. Interestingly, while the contribution for income tax purposes is assessable in the year it is paid into the fund, for contribution cap purposes, it counts in the year in which it is allocated. So it is possible for a contribution received in June to be assessed for contributions tax in 2012, but not be assessed for excess contributions tax until 2013.

It's not always possible to avoid excess contributions tax if you are a high-income earner with multiple employers. Some taxpayers even choose to pay excess contributions tax to benefit from lower tax rates on investment income. But for the majority, excess contributions tax is something we would plan to avoid.

Tips on getting the timing right

• Income received from assets funding a current pension will be tax-free. If you are considering starting a pension on or after 1 July 2013, delaying income receipts until the 2013 financial year can save 15% tax on that income.

• If you have carried forward tax or capital losses in your SMSF, make sure you use those tax losses against contributions and investment income before starting a pension as the tax benefits may be lost once a pension starts.

• If you receive any income by cheque, it's important to bank cheques promptly. Income received by cheque is considered paid, so delaying the banking won't change the tax position of your super fund.

• Review your investment holdings and be sure you have claimed all income your super fund is entitled to. I often see super funds missing out on dividend or interest income because the Trustees haven't provided payment instructions.

• The timing of contributions has never been more important now that excess contributions tax can apply if you exceed your caps. Before making large contributions, it's important to seek professional advice to get the timing and amount right for your personal circumstances.

• Ensure you have notified all banks and share registries of your super fund's Australian Business Number (ABN) or tax file number (TFN). If you don't, you could be paying withholding tax on super fund income at 46.5%.

• Give your personal TFN to your super fund so your fund doesn't tax your contributions any more than 15%.

• Make sure you don't bank super fund income into a personal or business bank account.

• If you are approached to redirect super fund income to a charity, or to provide, say, rent-free use of a super fund property in support of a charity, be aware this is not allowed.

• If your super fund leases a commercial property to your business, ensure rent is physically paid to the super fund at market rates and preferably monthly in advance.

• It is common practice for all income of an SMSF to be accounted for in the super fund's financials on an accruals basis. This ensures you have a very accurate measure of the actual return on your super fund's investments, but doesn't impact on the timing of reporting income for tax purposes.

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Lance Alert! Telstra (TLS) - Take More Profits

by Lance Lai
This is an update to my Telstra note of 15 May 2012. If you're trading this stock short-term, you should have roughly 60% left.

- The entry for this stock was on 19 April, at $3.31.
- The rejection of the stock on Tuesday at $3.70 indicates that it is time to take profits, and exit the trade.
- The stock closed at $3.65 on Tuesday.

On the open, one ought to sell half, namely 30% and the other half 30% at $3.67 or better if you can. Either way, in this environment, if you can take a nice profit, you should not be too greedy. This trade is now closed for a profit of approximately 10% averaged in six weeks.

The other holdings not closed based on prior articles are:

- 12 March 2012: Spark Infrastructure (SKI) $1.365, buy. Now $1.50. Up 10%. Continue to hold.
- 19 March 2012: Envestra (ENV) $0.771, buy. Now $0.79. Up 2.5%. Continue to hold.

I continue to be comfortable holding these 'Steady as She Goes Stocks'.

Don't miss this!

Rudi Filapek-Vandyck on Super TV talking about why the market is cheap, as well as the outlook for mining and energy stocks.