Switzer Super Report

Issue 293, 5 June 2014

A diet for investors

Investing is all about finding the right opportunity and sometimes you need to go no further than your friends or colleagues. Today Charlie writes about a company – GI Dynamics – that he is convinced is a long-term investment buy after he has seen the effects of its diet device first hand.

It's these kind of companies that you should be buying on market dips, some of which could be coming our way. Chartist Gary Stone reveals that we should expect some ups and downs – great opportunities to add stock – but no long-term correction. Ron Bewley goes through some of his favourites and in *Short 'n' Sweet* we also look at knowing when to sell.

Our *Fundie's Favourite* is Platypus Asset Management's Jelena Stevanovic on Greencross and in *Buy, Sell, Hold – what the brokers say*, Sonic Healthcare and UGL are upgraded.

Sincerely,

Peter Switzer

Inside this Issue

Bet on the Endobarrier and buy GI Dynamics
by Charlie Aitken
02

02 **Bet on the Endobarrier and buy GI Dynamics**
by Charlie Aitken
05 **Buy, Sell, Hold – what the brokers say**
by Staff Reporter
06 **Are Aussie stocks faltering?**
by Gary Stone
08 **Short n' Sweet – Acrux revisited**
by Jelena Stevanovic
1$ **Buy Greencross for a pet payback**
by Jelena Stevanovic
1& **Boom and doom – sit and wait or anticipate**
by Ron Bewley
1(**Index versus active and CBA versus no CBA**
by Questions of the Week

switzersuperreport.com.au

Switzer Super Report is published by Switzer Financial Group Pty Ltd AFSL No. 286 531
36-40 Queen Street, Woollahra, 2025
T: 1300 SWITZER (1300 794 8937) F: (02) 9327 4366

Important information: This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. For this reason, any individual should, before acting, consider the appropriateness of the information, having regard to the individual's objectives, financial situation and needs and, if necessary, seek appropriate professional advice.

Bet on the Endobarrier and buy GI Dynamics

by Charlie Aitken

I recently sat down for dinner with an offshore colleague I have worked with for 20 years and I genuinely had trouble recognising him. The voice, stock ideas and the bad jokes were all the same, but the change in physical appearance was so dramatic I spent the first 30 minutes of dinner in pretty much a stake of shock.

Now the good news is my colleague hadn't become sick, in fact quite the opposite, he had, more than likely, prolonged his life expectancy and was his healthiest ever due to large scale weight loss.

The money angle

All I could think sitting at dinner was how did this happen and how do we make money out of it?

I have written before about the global *"diabesity"* problem and its long-term impost on the hospital/medical system and, in turn, government budgets. Any measure that can reduce the *"diabesity"* problem is worth looking at, in my opinion, but particularly simple and highly effective measures that don't require drastic lifestyle changes from the recipients of the treatment. **Remember, most people didn't get obese via being disciplined.**

We could get into the debate about higher taxes on high sucrose, high carb, highly processed junk food, or tax deductions on exercise equipment and personal training/gym memberships, but I'll leave that for another day. Today I want to focus on a cure rather than the cause, remembering 1:3 Australians are technically obese.

Let's start by looking at a couple of before and after shots of my colleague. These are taken 12 months and 30kgs apart.

Before

After…

You can see why I was shocked, but if I'd never known him *"before"* I would have thought today he was an appropriate weight for his height. He looks fit and healthy.

The obvious question then becomes *"how did he do it"?*

Well, the answer is he had a **GI Dynamics Inc. (GID) EndoBarrier** installed, then removed 12 months later. The EndoBarrier may well look like a condom attached to some fishing hooks, but in reality, this is a high-tech medical device that is extremely effective.

The personal story

I thought the best way to describe this procedure and results was via advocacy from my patient colleague.

"At 105 kilos at 57 years of age, and endless failed attempts at diet and exercise, I was on blood pressure medication and concerning my GP. I was a candidate for any number of diseases not the least of which was Type 2 diabetes. The tipping point was when I couldn't buy a size 19 collar shirt in my size in the USA (the land of lard).

Having seen the Endobarrier in operation in Holland during our diligence on GID, and knowing its rapid effect on reducing glucose and weight levels, I decided to have the procedure done in London in April last year at my own expense.

For me the process could not have been easier, a half hour procedure endoscopically inserted the tube just under my stomach under a light general anaesthetic. Three hours later I was on my way home.

For a week I was on liquids and for another fortnight on mashed foods to allow the anchor to settle.

Weight came off in bursts and by Christmas I was down to 88 kgs, which reduced to 83 kgs by mid-March. Then as the date of the extraction of the Endobarrier neared in early May, the weight began to fall off sharply to the stage I was at 77 kgs.

Extraction was as easy as insertion, involving an endoscopic removal of the tube and I was home two hours after the procedure.

The strangest thing is almost a month after extraction my weight levels have stabilised at the levels last seen in 1980 and I feel the same as when the Endobarrier was inserted. I am off all medications as my blood pressure and glucose levels have been markedly reduced.

For a type 2 diabetic the results are more dramatic, as in most cases those with Endobarrier come off their diabetic medication and stay off it.

The biggest change is my outlook. To lose nearly 30 kgs going into my sixties with minimal lifestyle changes, to reverse an almost inevitable meeting with heart disease or Type 2 diabetes, makes one want to tell people they do not have to risk surgery to get their life back."

The GI Dynamics Inc. (GID) opportunity

If my colleague's example is any guide, which it clearly is, then the Endobarrier device works. There

seems to be no debate on that, but where the debate comes in, is what is the overall global market opportunity for the device, what can the company who manufactures and distribute it make, and what is that company worth?

Let's consider a few variables.

Regulatory approvals for EndoBarrier: CE Mark in Europe, which allows it to be marketed in all countries within the European Economic Area. Approved by TGA in Australia. Approved in Chile and Colombia and also in some Middle Eastern countries such as Israel, Saudi Arabia and UAE.

Countries currently commercially available in: They are commercially available in Germany, UK, Netherlands, Austria, Switzerland, Australia, Chile and Israel. In total, they had 57 centres at the end of March quarter.

Rebates: The company is currently receiving partial reimbursements in Germany, Netherlands and Israel. Also, it is in the earlier stages of the reimbursement process in France, the UK and Australia.

FDA pivotal trial dates: We expect data from the trial by mid-2016 with potential approval from FDA by mid-2017 and launch by the end of 3Q17.

Cash position: After the recent equity placement, the company has US$80 million in cash and has burned US$3 million a month on average over the last 12 months.

At the current share price, GID has a market cap of $232 million. The current enterprise value is $152 million.

To me, the investment case is simple. FDA approval gets you access to the fattest nation on earth, the United States of America.

That is two to three years away but I would be banking on the EndoBarrier getting FDA approval because as you can see above, it works. I just can't see how there will be any debate on that even with a larger subject group.

GID currently doesn't have earnings or a dividend, but it is very well funded, has a product that works and potentially a global market place. Its production costs will come down with scale and its revenues will grow via a combination of geographic regulatory approvals, patient advocacy and more physicians being trained in the implementation/extraction of the device.

If everything goes right, device makers trade on anywhere from 20 times to 35 times earnings and most are acquired by the major medical brand distribution companies once they show true global potential. In the case of GID, Medtronic Inc. and Johnson & Johnson are already on the register with 8.3% and 6.3% of the company respectively. David Einhorn's Greenlight Capital is also on the register with 6%, which interests me.

Medical device companies are truly premium companies due to ™ protection, barriers to entry, ROE, margins and the time, money and regulatory hurdles required to get to that point.

In the 50 to 55c range, I think GID shares should be accumulated and held for the next few years, as effectively a call option on all of the above happening.

Unlike most biotech/early stage medical device companies, GID has a product that clearly works. That in itself is a buy trigger.

Go Australia, Charlie

100% of Charlie Aitken's fees for writing for the Switzer Super Report are donated to The Sydney Children's Hospital Foundation.

***Important:** This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Buy, Sell, Hold – what the brokers say

by Staff Reporter

Brokers, in general, have been in a rather negative mood so far this week with more downgrades than upgrades. Oz Minerals got a double downgrade from Macquarie after a site tour and Qantas and Southern Cross Media were also downgraded.

In the good books

Sonic Healthcare (SHL) was upgraded to Buy from Hold by Deutsche Bank. The broker is comfortable that any impact on domestic operations from a passage of the government's co-payment proposal, while negative, can be managed. As the share price has fallen 5% relative to the market since the budget, the risk seems to be priced in, and Deutsche Bank also makes positive revisions to earnings forecasts.

Deutsche Bank has upgraded UGL (UGL) to Buy from Hold. Deutsche Bank believes the market is undervaluing UGL on concerns regarding the level of sustainable earnings in engineering. Debt levels are also a concern but the broker thinks debt is past its peak and the company will not have to raise equity to prevent a breach of covenants.

In the not-so-good books

Macquarie downgraded Monadelphous Group (MND) to Underperform from Neutral. Macquarie has reviewed the fundamentals underpinning the stock. The company has had mixed success in the awarding of recent work and the potential for large scale new contracts in resources and oil and gas appears limited. The broker envisages a declining earnings outlook for the next few years.

Macquarie downgraded Oz Minerals (OZL) to Underperform from Outperform. The broker is adjusting forecasts after a site tour. Increases to underground capital expenditure have translated to material cuts to earnings forecasts. Macquarie believes OZ Minerals has the potential to generate its market capitalisation in cash in around five years but how it allocates cash represents the key catalyst for the stock.

CIMB Securities downgraded Qantas to Hold from Add. CIMB notes current conditions remain particularly weak, with excess capacity and softening leisure demand in the second half for domestic airlines. CIMB is downgrading its rating to Hold from Add, with the stock now trading near its $1.39 target and the market pricing in the benefits of an improved capacity outlook. CIMB advises investors to wait for a cheaper entry point or more tangible signs of yield improvement.

Deutsche Bank downgraded Southern Cross Media (SXL) to Hold from Buy. The company has downgraded profit guidance for FY14, expecting it to be down around 10% after forecasting a flat outcome previously. Deutsche Bank is concerned and expects further headwinds in FY15, noting gearing remains high and presents a risk if there were further downgrades to come.

Credit Suisse downgraded Telstra (TLS) to Neutral from Outperform. Optus has announced some aggressive new mobile pricing plans and Credit Suisse expects Telstra to react. The broker trims mobile revenue growth to 2.1% from 3.8%, to reflect this expectation. The stock is trading close to the broker's revised valuation.

The above was compiled from reports on FNArena, which tabulates the views of eight major Australian and international stock brokers: BA-Merrill Lynch, CIMB, Citi, Credit Suisse, Deutsche Bank, JP Morgan, Macquarie and UBS.

Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Are Aussie stocks faltering?

by Gary Stone

In the short term, we may see a pullback on equity markets. However, the big picture is that equities are in a primary and a secular bull market and while these states hold sway, it is best to have exposure to the stock market.

Many commentators have been talking about the equities bull market for some time, yet the majority of private investors are still sitting on the sidelines or only partially committed. So if it's all positive, why am I taking the gloss off the stock market at the moment?

Get your timeframe right

I asked that Dorothy Dixer so that I can emphasize that I am talking about a short term and a shallow pullback, not an end to the equities bull market, which still has quite some time to run in my view. Let's turn to the chart of the All Ordinaries Index below to explore why a short-term pull back may occur.

The first point to make is that the All Ordinaries, and ASX200 for that matter, are both below the high that they reached back at the end of October last year, some seven months ago. This indicates indecision or failure for buyers to display buying conviction to overcome sellers that come into the market at these levels.

The upper blue rectangle shows a resistance zone that the All Ordinaries has unsuccessfully attempted to penetrate on six occasions since late February. The last attempt failed with a fall below the resistance zone yesterday (4 June), the red bar showing this at the rightmost section of the chart.

Source: *Beyond Charts*

What constitutes 'failure' as I have used it in this context? This can be subjective and different chartists might provide different answers. However, over the years I have evolved a simple rule that I use for confirming a price breakout, or the failure thereof, for equities index charts, not necessarily for stocks charts. A failed breakout occurs when the index closes above the breakout zone for greater than five consecutive trading days. Of course, where to place the breakout zone is in itself subjective and can take years of using technical analysis to gain a trained eye.

A couple of weeks ago I provided commentary on the S&P500 and noted that it may get to the 1920 – 1925 zone, which is a 138.2 Fibonacci extension zone, before a retracement may occur. The S&P500 is exactly in that zone right now on declining volume and narrowing daily range.

Furthermore, the Dow Jones Industrial Average had an 'inside day' on Tuesday, with sellers ending the day in control, an indication of indecision and

potential change in trend in the short term.

How far the pullback?

The All Ordinaries could fall as far as 5300 – 5315 or halt its decline as shallow as 5400. A fall below 5300 – 5315 could see it fall to the 5180 level but I believe that the latter is a very low probability at this stage.

If support is found at the 5400 level or thereabouts, this would be an indication of strength from which the All Ordinaries can base its next upward thrust.
On the upside, the All Ordinaries really needs to get above 5500 and remain there for at least a week to provide its next platform to rise further.

In summary, given the economic environment of low interest rates and a far from overbought equities market, in my view there is a very low probability of a significant retracement at this stage.

Gary Stone is the Founder and Managing Director of Share Wealth Systems.

***Important:** This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Short n' Sweet – Acrux revisited

by Jelena Stevanovic

One of our regular features in the *Switzer Super Report* is our *Fundie's Favourite*, where we ask a fund manager for the inside scoop on a company that they hold. Professional investors often have opportunities that retail investors can only dream about – how often would you get to meet the CEO of a company you want to invest in, for example?

But professional investors, just like retail investors, can get it wrong some times. Last year Platypus Asset Management portfolio analyst, Jelena Stevanovic, wrote about medical company Acrux. Acrux works on new delivery mechanisms for medicines that enable them to be administrated transdermally through fast drying invisible sprays and liquids. Unfortunately, that investment didn't pan out as planned and they divested it a few months later.

The reasons they outline below provide a useful lesson in knowing when it's time to sell. And Platypus Asset Management isn't an underperforming asset manager by any means, it's prudent strategies like this i.e. knowing when to sell, have contributed to an annual return of 14.3% after fees (to end April), compared to a 10.1% return by the S&P/ASX300 Accumulation Index.

How long did you hold Acrux?

We held Acrux for approximately five months in the early part of 2013. However, we exited our position shortly after that when it became obvious that the market share recovery was short lived and that the topical testosterone replacement therapy market was slowing down. This sell down is in line with Platypus' disciplined strategy to exit a stock, if it isn't delivering its pre-defined return targets.

Acrux (ACR)

What don't you like about ACR?

The convenient mechanism of delivery for topical testosterone treatment Axiron and partnership with proven player Eli Lilly made it a strong investment proposition. However, Axiron struggled to grow its market share beyond 14% and while Eli Lilly managed to outgrow the number two product in the US, the dominant player, Abbott's Androgel defended its leading position and its market share didn't fall below 60%.

Eli Lilly's inability to drive Axiron's market share beyond the initial peak of ~13-14% coincided with a slowdown of the topical testosterone replacement market in the US.

How is ACR better than its competitors?

Unlike a vast majority of emerging healthcare companies listed on the ASX, Acrux is cash flow positive and has three commercialised products. The maximum earnings potential of Axiron, its star product has been significantly downgraded over the past few months; however, the company is not facing an imminent funding risk like most of its peers.

In addition, Acrux's technology enabled the company to develop Axiron, a proven testosterone replacement therapy in a much better delivery mechanism, which is not just confined to Axiron. This platform technology can be used to develop other products

and ACR is already working on two other research initiatives.

What do you like/not like about ACR's management?

Acrux's management has successfully developed and commercialised products and is generating earnings. Unfortunately, the outcome of the Eli Lilly – Axiron commercialisation agreement did not work out as shareholders initially hoped. Axiron was not marketed by Eli Lilly's men's health sales and marketing team from the outset, meaning it didn't receive the attention it needed in the first few months after the launch – the most crucial time for establishing market share.

What is your target price on ACR?

Given that maximum earnings potential of Axiron, ACR's most material product has been substantially downgraded, we believe that ACR will continue to trade around $1/share. Positive announcements, such as a recovery in the market share of Axiron, topical testosterone prescription growth, positive clinical trial outcomes, etc. could be a catalyst for share price outperformance going forward.

At what point did you sell it?

We exited our position in July 2013 once we saw evidence that Axiron's market share recovery was short lived, and that the topical testosterone market continued to decline, slipping into negative growth territory.

Where do you see the value?

Acrux's platform technology along with company's intellectual property, such as Axiron underarm patent could potentially provide value, as the company may be able to develop new products.

Is there anything else you would like to say about Acrux?

Acrux demonstrated to Platypus, once again, how important it is to execute well on every step of pharmaceutical product development, including commercialisation and marketing. Acrux's management successfully executed on product development and secured global regulatory approvals. The company also entered into a commercialisation agreement with a global partner known for success in men's health. However, the fact that Axiron did not sit in Eli Lilly's men's health division, among other issues, prevented Axiron from achieving market share anywhere near the number one player.

***Important:** This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Buy Greencross for a pet payback

by Jelena Stevanovic

How long have you held Greencross Limited (GXL)?

Platypus initiated a position in Greencross in February 2014.

What do you like about it?

Greencross has a leading position in pet food and pet accessories retailing as well as in rolling up veterinary practices. They have a track record of delivering impressive earnings growth, and while they are a clear market leader, they only account for a 5% market share. The market remains very fragmented in an estimated $7 billion addressable market.

Greencross (GXL)

Greencross has carried out a successful acquisition strategy of roughly 15 vet practices per year, carefully selected from a pool of circa 40 to 50 each year, based on desirable criteria. Acquisitions are generally made at four times EBIT and Greencross implement best practice, resulting in acquisitions that are EPS accretive within 12 months.

The retail business is also targeting around 15 new locations per year via both acquisition and new store openings. Although both business segments are high growth, the retail business offers Greencross more opportunity to accelerate an already rapid growth strategy.

In addition, the recent merger between the vet business and pet retail store provides a number of significant advantages, most notably the cross selling opportunity through co-location of facilities. Having both businesses in one location has proved a successful strategy in comparable companies in the US and UK. The early signs indicate that Greencross will have the same success.

How is it better than its competitors?

There is no listed competitor in the veterinarian space. The largest non-listed operator has less than 15 practices compared to Greencross' 105 plus. Competitors are actually acquisition targets for Greencross.

Petstock is the biggest retail competitor, with 96 stores and eight vet practices. Greencross's much larger vet footprint is a clear advantage to them, with more scope for cross selling and co-location. Supermarkets are also competitors of Greencross retail. Greencross's advantage is the superior range and depth of products over what supermarkets offer. Greencross is able to offer premium products that suppliers don't distribute in supermarkets.

What do you like about its management?

The management team includes three co-founders, who retain a significant investment in the company. They are highly experienced and have proven to be successful in the core strategies in which they have been executing. They appear committed to pursuing high and reliable earnings opportunities.

At what point would you sell it?

We view this company as a long-term investment opportunity with several years of strong growth. Management has indicated a goal of 20% market

share, at which time the growth may dissipate.

How much has it added (subtracted) to your overall portfolio over the last 12 months?

Greencross has added 0.2% to performance relative to the ASX 300 since we made our first investment.

Is it a liquid stock?

The liquidity has improved dramatically over the last six months, but it is still relatively illiquid, trading roughly 250,000 shares per day or $2 million turnover per day.

Where do you see the value?

The value in Greencross will come from the company's ability to leverage the large customer base of Greencross vet and Greencross retail. At the moment only 6% of the retail customers use Greencross Vets and only 20% of vet customers shop at Petbarn. Cross sell initiatives are currently being implemented and should start to drive revenue in the near term.

Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Switzer Super Report
Investment advice for the smart SMSF

Boom and doom – sit and wait or anticipate

by Ron Bewley

The old maxim about 'it is time in the market and not timing the market' that matters, is true for a buy-and-hold strategy over many, many years. However, investors who rebalance their portfolios every year, or more frequently, need to consider timing a bit more.

If the average capital gain over the course of the years for the ASX 200 is about 5%, it is easy to lose some, or all, of those potential gains by buying when the market is only a fraction overpriced.

Clearly, it is better to buy in the dips – but nobody wants to 'catch a falling knife' – that is buying a stock when it gets cheaper only to find it gets a lot cheaper after you buy it!

To shed light on this problem, I like to think of volatility – or the existence of periods of dips and overpricing – in three parts:

1. the market effect;
2. the sector effect;
3. the company-specific effect.

Taking profits

The simplest strategy is perhaps the profit taking one. Many stocks on the ASX have experienced massive returns in recent times. Two great examples are Ramsey Health Care (RHC, the international hospital/medical group) and Magellan Financial GP (MFG, a prominent funds manager that floated in mid 2012). Ramsey was about $10 at the start of 2009 and peaked at just under $50 earlier this year. MFG floated at just over $2 in 2012 and peaked at just over $14 earlier this year.

While these stocks are the stuff of dreams, they may have ended in tears for some – and still may do so! Selling smaller parcels of the stock on the way up – and even after say a 10% fall once a big gain has been made, guarantees at some point you must make a profit. If you sell to cash, that is a great risk-averse strategy for a super fund. The danger of investing the proceeds in another stock, is that the new acquisition might turn out to be a 'dog' and squander the hard-earned profits.

How about investing the profits in the index via an exchange traded fund (ETF) like, say S&P/ASX 200 SPDR (STW)? The index offers diversification benefits – and it never falls by anywhere as much as bad stocks. Perhaps at rebalancing time, the STW allocation can be redistributed. In some way, this strategy instils a discipline that cannot turn into a rash decision to find a new stock in mid-flight. Of course, it might be even better to first go to cash and wait for the index to look cheap – as I do with my exuberance measure – before buying the index.

The losers

The harder problem to deal with is when one of your stocks starts to lose – and the index is not going with it. One example from my set of stocks is Cochlear (COH), which had a product recall a year or two ago. It peaked at above $80 but, because the stock fell so sharply on the news, I judged it was too late to sell and argued to myself the market had over-reacted, as it so often does.

Indeed I bought some more at about $55 as I believed (and still do) that it is a great company and one day would recover. In fact, this week it got approval to sell its improved product in Europe. More importantly, the middle class in China is growing at a very rapid rate and should benefit from that growth.

I am overweight in Cochlear and so will sell some if (when?) it gets back above $80 as I have at two very different times in the past. One could ask why I don't

go to cash and wait for the 'run up' to start before getting back in. Many stocks such as this are quite volatile and I find that I have a psychological barrier to buying a stock well into its rally – in case it suddenly ends.

That is precisely the reason I never bought into Ramsay, even though I looked at it. With Cochlear, nearly all of my buys have been in the $50s (it is currently around $60) but I sold some in the $80s and got a nice dividend (currently over 4%) along the way it has been a good investment for me.

And the other healthcare stocks? So many of them have risen so far in the last year or so it looks a long way down from there. More generally, not catching the proverbial knife can partially be mitigated by buying after the falls have seemingly ended.

Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Index versus active and CBA versus no CBA

by Questions of the Week

Question: Which is better – index funds or managed funds over the long term?

Answer (By Paul Rickard): Long term – the data says that if you are considering a fund investing in major stocks, go index.

Active funds typically underperform, due to the higher management fees.

If you are considering a fund providing exposure to a sector or smaller companies, I would consider an active manager, rather than an index fund.

There is a strong case that where the information is less transparent/less analysed, the market is inefficient. Active managers here can add value.

I would mitigate the "manager risk" by splitting my investment over two or three managers.

Question 2: Over the years, my wife and I bought CBA shares when it was first floated and gradually built up a portfolio with a Dividend Reinvestment Plan (DRP). We currently have about 1400 shares and our average buy price is around $45.00. We recently transferred all of them to our SMSF in pension phase. I recently read an article elsewhere, to sell CBA shares when the market value is high to protect the capital. If I sell them now, where can I invest?

Answer 2 (By Paul Rickard): While interest rates remain on hold and the prospect of any interest rate increase seems so far off, I am not a seller of CBA. It pays to stick with the strength – and there is no doubt that CBA is the best-run bank in Australia. I don't see too many alternatives.

I always invest on an asset class/sector basis (i.e. through a portfolio of stocks) so I really can't answer your question without understanding what other stocks you own and your overall exposure to shares.

Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*