Switzer Super Report

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Bonds, US bonds

If Charlie Aitken were a betting man he would have lost a lot of money over the past 12 months. That's because nobody anticipated the drop in US bond yields – that doesn't usually happen when a country has a growing economy like the US does.

Closer to home and Charlie believes that Challenger is a good play on a strong structural theme, due to its basic monopoly in annuities. Also today, we have Tony Featherstone take a forensic look at Coca Cola Amatil – there's a little bit of fizz back in the old giant.

And Olivia Long, one of our first *My SMSF* contributors and one of the best, if you don't mind me saying, is back with an updated version. Her SMSF has grown over the past 18 months and she's taking a slightly different approach to asset allocation.

Sincerely,

Peter

Peter Switzer

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36-40 Queen Street, Woollahra, 2025
T: 1300 SWITZER (1300 794 8937) F: (02) 9327 4366

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US Bonds are back and Challenger an intriguing play

by Charlie Aitken

Key points

- *US 10-year bond yields are not reflective of the US economy. They are more reflective of shockingly low long bond yields elsewhere, which make US yields attractive.*
- *There is a high probability of many years of ultra-low cash rates, and a growing probability the RBA will have to drop the cash rate to 1.50%.*
- *Challenger is a structural growth stock priced as a value stock.*

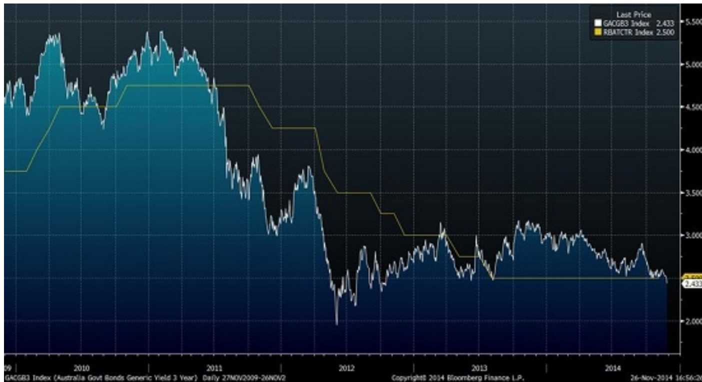
If you told me at the beginning of 2014 that the Dow Jones Industrial Average would be 17,800 and the S&P500 2,070, yet US 10 year bond yields would be 2.23%, you would have won a lot of money off me. Below is an overlay of the S&P500 (in green) and US 10 year bond yield (in green) during 2014. There is no economic textbook that explains this. US economy and US corporate earnings accelerating, record highs for US equities, QE ended, bond yields fall from 3.00% to 2.23%. Go figure.

Bonds, James Bonds

All I can put this down to is US 10-year bond yields are not reflective of the US economy. They are reflective of an asset allocation to US dollar denominated assets and also reflective of shockingly low long bond yields in the rest of the developed world, which make US yields look relatively attractive.

No doubt I'd rather own a US long bond in US dollars over any other long bond in any other currency. Clearly, I'm not alone in thinking that and it's been 100% the right positioning, as has being long US equities in US dollars.

Australian bond yields are falling for different reasons: our GDP growth outlook is being revised down, as our key commodity export prices plumb fresh lows. It makes fundamental sense that the spot prices we see in front of us today for iron ore, oil, coal and gold are leading to negative GDP revisions for Australia and a subsequent fall in short to medium term bond yields. For the first time in nearly 18 months, Australian 3-year bond yields at 2.43% are below the RBA cash rate at 2.50%. The chart below confirms 3-year bond yields have been predictive of moves lower in the RBA cash rate, albeit by periods of three to six months. The question then becomes – is the RBA getting behind the curve?



[Click here to view larger image]

For the sake of the exercise, I have overlayed the AUD/USD cross rate to the chart above. This correlation reminds you that if the 3-year bond market is right in starting to price in lower cash rates in Australia next year then the Aussie/US dollar has another leg down to come.

[Click here to view larger image]

Great interest rate expectations

As you know I've been changing my positioning around Australian interest rate expectations for the last few weeks due to the speed and scale of the commodity price collapse. There is absolutely zero risk of domestic cash rate rises in the medium-term, a high probability of many years of ultra-low cash rates, and a growing probability the RBA has to drop the cash rate to 1.50% next year to offset fiscal austerity and our falling terms of trade.

The first element of this will be RBA's officials changing their language to entertain the possibility of lower rates under certain macro conditions. This jawboning in itself may be enough to start taking further support away from the Aussie dollar.

Either way, with zero risk of domestic rate rises and medium-term risk of only stable or lower cash rates, what does this mean for domestic investors?

The play

Firstly, it means you need more US dollars and US dollar earnings streams. But I won't play that broken record again.

Secondly, it means the price paid for relatively assured fully franked dividend growth will rise and that is why I have recently upgraded my Telstra price target and upgraded both ANZ and NAB to buy. I have also been pushing my top five "non-bank industrial yield" stocks (Telstra, IAG, AMP, Transurban, Wesfarmers) and interestingly yesterday as bond yields cracked, they all performed very nicely.

Outside of the search for yield in the equity market (and investment property market), it would be then pretty certain that our ageing population will go after the relative certainty of annuities.

Term deposit rates continue to fall and will fall further if cash rates are lowered in 2015. This is a problem for our ageing population, who are going to have to take some form of "risk" to generate the income streams they want to fund their retirement ambitions.

The ASX200 hasn't delivered them capital gains this year and most are grossly under-exposed to offshore assets. Volatility has also increased this year, which is not a retiree's friend.

Challenger

Personally, I can see the drivers of structural growth in demand for annuities and the way to play that in Australia is Challenger (CGF).

CGF has been in my top five "trading buy" list since $6.60 but today I am going to upgrade it to a

fundamental buy as I feel it is cheap and leveraged to a structural growth theme. I also think it's a clear takeover target.

Australia's ageing population is a huge structural theme that the equity market pays a big P/E premium for. From undertakers, through to private hospitals, pathology, nursing homes and even Medibank Private, the ageing population theme seems to attract a 20 times P/E multiple for assured medium-term growth.

However, when I look at Challenger, a clear demographic play on Australia's ageing population, the forward P/E is half of the medical sector exposures to the same theme.

One of the reasons Challenger shares have underperformed since mid this year, is they raised fresh equity capital to accelerate growth. However, there's a lag between the capital being deployed and earnings growth being seen. That sees EPS dilution in FY15 (-3% EPS growth), which is why the share price has stalled. Yet if you look at our forecasts below, that growth capital turns up as +15% EPS growth again in FY16 and the stock is cheap on all investment criteria. It even yields 5.00% fully franked on FY16, noting that 100% franking kicks in FY16. That is an important point.

Earnings Forecast

Year end June 30	2014	2015e	2016e	2017e
Revenue (A$m)	593.3	659.4	738.0	817.5
NPAT (reported) (A$m)	340.6	338.8	391.2	443.5
NPAT (underlying) (A$m)	328.7	338.8	391.2	443.5
EPS underlying fully diluted (cps)	61.9	60.0	68.8	78.0
Fully diluted EPS growth (%)	8%	-3%	15%	13%
Fully diluted PER (x)	11.1	11.4	10.0	8.8
Price/book (x)	1.7	1.5	1.4	1.3
EV/EBITDA (x)	9.0	7.9	6.8	5.9
Price/CF (x)	10.3	11.4	10.0	8.8
Dividend (¢ps)	26.0	29.8	34.3	38.8
Yield %	3.8%	4.4%	5.0%	5.7%
ROE (%)	16.0%	14.2%	14.3%	15.0%
Franking (%)	21%	86%	100%	100%

SOURCE: BELL POTTER SECURITIES ESTIMATES

There are many sceptics on CGF but most are conflicted, as they are a competitor in one way or another. It's hardly like equity fund managers are going to cheer on the growth of annuities.

But this is a structural growth sector. It is currently being aided by cyclical factors such as ultra-low cash rates and increased volatility, but those cyclical factors won't change anytime soon. In fact, they may well become more supportive of flow into annuity products.

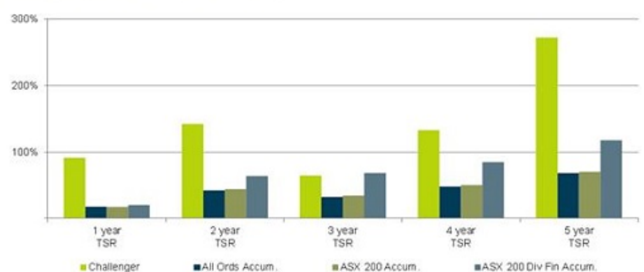
The Challenger AGM passed without incident on October 28, in fact, it was quite upbeat with the Chairman confirming total assets grew by 13% to $50.7 billion in FY14.

To quote directly, *"As you are aware, Challenger's name is synonymous with guaranteed income investments and this year retirees invested $3.4 billion in our annuity products". "*

This included a record $2.8 billion in retail annuities."

Challenger is a structural growth stock priced as a value stock. This pullback in the share price, due to the perception of a growth less year, is a fundamental buying opportunity. As the market starts focusing on FY16 and the prospect of +15% EPS growth and a 5.00% fully franked dividend yield, Challenger will head to fresh record high share prices.

If you're looking for non-bank industrial dividend growth, CGF is now one of my key fundamental ideas.



Go Australia, Charlie

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Is the fizz back in Coca Cola Amatil?

by Tony Featherstone

Key points

- *Management announced a strategic review and expects no more EPS declines after FY14.*
- *The company has a strong foothold in emerging markets but faces the headwind of a health conscious consumer.*
- *A 6.4% grossed-up yield is attractive but there might be better value if it slips below $9.*

Buying exceptional companies at bargain prices is value investing's great challenge. Coca-Cola Amatil has some exceptional traits and, after heavy share-price falls, is approaching value territory. But it's too soon to declare the soft-drink giant a bargain.

After peaking just above $15 in early 2013, Coke has tumbled to $9.30. Lower earnings growth and profit downgrades crunched the former star stock. Tough industry conditions, health-conscious consumers and lacklustre marketing and product innovation have hurt.

At $9.30, Coke is on a forecast Price/Earnings (PE) multiple of 17.7 times FY14 earnings and expected to yield 6.4% grossed up for franking credits, consensus analyst forecasts show. That's enough to interest income investors.

Moreover, management soothed the market with a strategic review in late October, a declaration of no more earnings per share (EPS) declines after FY14, and a US$500 million equity injection into the Indonesia business (CCA Indonesia) from The Coca-Cola Company in the US.

Renewed vigour in marketing and production innovation is also prominent in Coca-Cola Amatil's strategic review and analysts are talking of a bottom in its earnings decline and potentially its share price.

So is it time to buy the soft-drink giant in anticipation of quickening earnings in FY15 and beyond and a market/product-led resurgence in Coke sales and consumer awareness? The answer depends on one's investment perspective and horizon.

A 6.4%-plus grossed-up yield will appeal to income investors, who can tolerate potentially moderate capital growth over the next year or two. The US company's investment in the Indonesian business strengthens Coca-Cola Amatil's balance sheet and gives it more capacity to maintain a dividend payout ratio above 80%, making it among the more reliable dividend payers.

Yield-focused self managed superannuation funds (SMSFs) could be attracted to Coke after the 38% price fall from the peak. Coke's short-term challenges have overshadowed its long-term performance, dominant market position in Australia and growth potential in Indonesia – and its favourable traits for SMSFs.

Strong long-term performer

Coca-Cola Amatil's Return on Equity in FY13 was 29%, according to Morningstar. It has hovered well above 20% for the past decade – an exceptional performance that leaves most ASX-listed companies for dead. A 15% return on capital (equity and debt) in FY13 shows the strength of its franchise.

Coca-Cola Amatil also has a strong foothold in emerging markets, through an Indonesia and Papua New Guinea division that contributes 21% of sales. Few Australian companies have built such a strong franchise in South East Asia or are as well positioned to capitalise on long-term growth in soft-drink consumption as more Asians join the middle class.

Indonesia's population is about 10 times that of Australia and its per-capita gross domestic product is just over a tenth of ours. The US$500 million investment, in return for 29.4% of Coca-Cola Amatil's Indonesian business, dilutes ownership of its highest-potential asset, but gives scope to grow much faster in emerging markets. It's a smart move.

Short term, Coke has plenty of latent brand firepower to reignite sales growth and consumer interest. The market has bemoaned its underinvestment in e-marketing and product launches over the last few years. But the flipside is great potential to bring younger consumers back to an iconic brand.

The successful 2011 *"Share a Coke"* campaign shows the brand still has plenty of goodwill and consumer interest if the campaign is right. And there are good early signs from its *"colouryoursummer"* promotion and heaviest summer marketing campaign in years.

Also, the launch of a Coke Life (a lower-calorie soft drink) in April 2015 has promise, judging by the response to naturally sweetened, lower-calorie soft drinks in offshore markets, which sit between diet and full-flavoured colas.

Many near-term challenges

Even so, Coca-Cola Amatil is a difficult short-term proposition for growth investors on three fronts. First, it is in an unattractive industry. Soft-drink manufacturing in Australia grew at 1.2% annually between 2010 and 2015, according to business forecaster IBISWorld. It expects annual growth to recover to 2.8% over 2015-2020, buoyed by marketing/product innovation. At best, the industry should grow in line with broader economic growth.

Profit margins in soft drinks will be pressured as competition from private labels, imports and new industry entrants intensifies. As with so many other industries, a "longer tail" of beverage options could emerge, meaning greater scope for small, nimble insurgents to take share from incumbents and attract younger customers who like to try new drinks, such as Nudie Soda.

Social trends are another headwind. Health-conscious consumers have less demand for high-sugar products and even chemically sweetened zero-sugar ones. Higher consumption of junk food is not being accompanied by a sharply higher uptake of full-flavoured soft drinks.

Second, Coke has plenty of macro challenges in Indonesia, despite that market's long-term growth prospects. Greater industry competition, raw-material and currency headwinds, and a rising minimum wage in Jakarta could constrain growth a little. Price declines in 2013, which abated in 2014, also show the challenges for Coke in emerging markets.

The third concern is Coke's pulling power with so-called "millenials" (aged 10 to 30). A 2015 recovery hinges on recovering lost ground in this vital market segment through product launches and sexy e-marketing campaigns – a tough ask for any company, let alone an old giant.

That is no trivial matter. Coke's greatest competitive advantages – taste, brand and distribution – seem less relevant. How many young people clamour for a Coke each day for its taste, see its brand as super-cool, or go to the local corner shop or supermarket to buy one?

Like too many large companies, Coke focused mostly on incremental innovation and efficiency gains to arrest an eight-year slide in soft-drink consumption, rather than revitalising its market through bold promotions, product innovation and risk taking.

The result: the iconic brand lost some appeal among young people. The fickle millenials market is an easy crowd to lose and a tough one to win back. Less brand relevance means trickier product launches, lower pricing power and more marketing and product investment.

Value will emerge

Still, only foolish investors write off exceptional companies. Under CEO Alison Watkins, Coca-Cola has strong management, the right strategic plan, and renewed energy. A stronger focus on e-marketing and production innovation, under Watkins, is long overdue.

But the turnaround will take time and plenty of risks remain. There's not enough incentive to rush into Coca-Cola at $9.30, with few significant re-rating catalysts on the horizons. That probably explains why the market had a muted initial reaction to Coke's strategic review, and why the bulk of analysts have hold recommendations.

The December trading update, industry feedback on Coca-Cola's summer campaign, and the full-year earnings announcement in February 2015 will give more clues on the turnaround.

My sense is Coca-Cola will be range bound for some time, before its share price starts building a sustainable recovery. An exciting strategic review is one thing: implementing it in a slowing Australian economy is another.

Wait for Coca-Cola to form a stronger base on its share-price chart and buy when the price is rising. Sacrificing some of the early recovery will be worth it in the long run. If Coca-Cola fails to hold above $9, it could retest price support around $8. By then, this still-exceptional company will look like a bargain.

• Tony Featherstone is a former managing editor of BRW and Shares magazines. All prices and analysis at 26 November 2014

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Buy, Sell, Hold – what the brokers say

by Staff Reporter

There have been more downgrades than upgrades in the first half of the week mostly on earnings revisions. CSR got an upgrade based on its exposure to the Australian residential construction cycle.

In the good books

Morgans has upgraded CSR (CSR) to Add from Hold. Morgans' analysts have revisited their projections and this has led to increased forecasts. Adding to the stock's appeal, the analysts observe CSR offers the most direct exposure to the Australian residential construction cycle, while avoiding exposure to construction materials. The analysts remain concerned about the latter, given levels of activity from the non-residential and engineering construction segments.

Macquarie has upgraded Wesfarmers (WES) to Neutral from Underperform. Macquarie reviews the challenges and opportunities in the wake of Glencore Australia's closure of its coalmines for three weeks in mid December. The broker believes Wesfarmers is well placed for a turn around in the event of an improvement in the coal market and has the ability to raise and deploy capital more efficiently than its peers.

In the not-so-good books

Macquarie downgraded Cardno (CDD) to Underperform from Neutral and UBS downgraded to Neutral from Buy. Cardno has indicated its first half profit will be well below the corresponding first half. Macquarie believes the timing and magnitude of the downgrade will shake confidence. Cardno's first half update included a profit guidance reduction to $27-31 million from a previous $35 million. UBS says several factors contributed to the downgrade but an earnings decline from resources-related work in Australia was the main culprit.

UBS downgraded Panoramic Resources (PAN) to Neutral from Buy. Panoramic has announced it will go ahead with the development of a decline to the ore body at Lanfranchi, providing a new ore source for 16 months. Subsequent development will depend on the prevailing nickel price. It appears the Lanfranchi deposit will not produce nickel at the rate the broker had assumed, thus production forecast cuts follow.

Credit Suisse downgraded Telstra (TLS) to Underperform from Neutral. Credit Suisse observes competitive pressure is mounting for Telstra. The broker reduces mobile revenue forecasts to reflect both lower subscriber growth and revenue per unit. The valuation looks stretched to Credit Suisse and the rating is downgraded to Underperform from Neutral. The dividend yield provides the support in an environment of low interest rates but the broker is wary that, if mobile market share and revenue start to decline, this could be a turning point.

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.

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My SMSF – a balanced approach after big gains

by My SMSF

One of our first respondents to our My SMSF questions was CEO of Xpress Super, Olivia Long. It's 18 months since she answered our questionnaire so we decided to go back to her to find out how much her fund has changed, if at all, and what she's learned in the past year and a half. Read her first article here.

Name: Olivia Long.
Age: 38.
Other members of your SMSF: Myself and husband Mark.
How long have you had your SMSF: 8 years.

Your fund was $275,000 when we first spoke. How big is it now?

My fund is now valued at over $350,000. Despite numerous debates over the dinner table, my husband (who is risk adverse) has kept his insurance in his corporate super fund to keep things simple, but maintains a small balance in our fund.

Your cash allocation has reduced substantially. What have you decided to invest in, and why?

	Jul-13	Nov-14
Cash	32%	10%
International equities	38%	30%
Listed securities	30%	60%

I've invested a significant amount in a technology stock, Mobile Embrace (MBE). The principal activities of the company are the business-to-business provision of integrated mobile and digital communications products and services.

EPS growth has been exceptional over the past five years. Return on equity is excellent and forecast to continue improving. I think we are likely to see a considerable increase in the share price over the next two years.

The most exciting addition to my portfolio still has to be Xero Ltd – initially listed on the New Zealand stock exchange and now trading on the ASX.

What's important when you have a stock you truly believe in, is to ride out the market fluctuations and try not to panic if a share price jumps around. Xero is currently trading at $15.54 (it topped the market at close to $43) so rather than panic, I'm going to hang in there for the long haul.

Have you ever thought about investing in property in your SMSF?

Yes, but considering I'm overweight in property investments personally, I've decided to balance this out by focussing on equities within my SMSF.

Are you worried by some of the suggestions coming out that the Murray review may try and put a cap on borrowing in SMSFs?

I'm concerned for clients, not necessarily myself. Some of the best utilisation of the borrowing strategy we've seen, applies to clients acquiring business real property. I'd hate to see this group penalised by any changes to current legislation.

Do you use an advisor or any kind of service provider?

Now that I've seen some significant gains in my portfolio, I'm hedging my aggressive stock selection against a more balanced portfolio, and have decided to outsource some of the decision making to the experts.

I still use a private portfolio manager (O'Kane Investment Services) but now I'm using their Balanced Portfolio, which consists of a range of customer stable stocks, customer variable stocks and cash/income securities (Previously I used their Absolute portfolio).

The objective of these portfolios is a mix of capital growth, income and importantly, capital preservation. The benchmark portfolio has 70% exposure to stocks and 30% cash like securities.

How has your fund performed?

To date, my portfolio is up close to 30% on cost. Below is the performance of the balanced portfolio of O'Kane Investment Services, which I use.

	BALANCED	BENCHMARK	VS BENCHMARK
2013/14	12.60%	13.20%	-0.60%
2012/13	28.70%	17.20%	11.50%
2011/12	2.30%	-2.20%	4.50%
2010/11	9.10%	9.90%	-0.80%
2009/10	31.50%	10.60%	20.90%
2008/09	2.30%	-10.20%	12.50%
2007/08	-14.00%	-6.70%	-7.30%
2006/07	27.10%	21.30%	5.80%
2005/06	16.60%	17.80%	-1.20%
2004/05	13.90%	19.50%	-5.60%
2003/04	24.00%	15.70%	8.30%
Total	154.10%	106.20%	47.90%
Average	14.00%	9.70%	4.40%

Has your thinking changed at all over the last 18 months about your SMSF? Would you ever consider going back into a corporate or large fund?

Absolutely not. I love the control! My fund balance continues to go up and down from time to time, but overall I'm miles ahead of where I would have been had I stayed in another superannuation vehicle.

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Why you should give an F about the FoFA changes

by Tony Negline

Key points

- *The failure of the FoFA reforms means financial advisers will be legally required to act in clients' best interests.*
- *Volume-based payments to advisers on the amount of business they place with a certain product provider are banned.*
- *Fee disclosure statements are required to be sent to clients of financial advisers.*

As you have no doubt heard, the government's changes to the Future of Financial Advice Reforms (FoFA) have been unexpectedly, and dramatically, unwound by the senate.

If you use a financial adviser, what changes can you expect to see?

Best interest duty

The government had attempted to water-down this change put in place by the ALP government. The financial services industry had lobbied hard to remove this controversial "catch-all" provision that says an adviser must take any step that would be reasonably regarded as being in the best interests of the client. But the reforms' failure in the Senate means this requirement will remain.

Further, before providing advice, an adviser must fully investigate a client's circumstances. The government wanted to reduce this requirement, if a client wanted to keep their circumstances private.

I think this will change the type of advice some advisers are prepared to provide.

Asset based fees on borrowed amounts

Asset based fees on borrowed funds, if used to acquire financial products, are banned. This applies to all borrowed monies, including lines-of-credit on home loans. However, it only applies to the amount borrowed as long as the borrowed amount and non-borrowed amounts can be separately identified.

Volume based payments

These payments – paid based on the amount of business an adviser has placed with a product provider – are banned as they're automatically assumed to be conflicted remuneration. This ban may not apply if a payment is "promptly passed on to the client" or is retained by an Australian Financial Services Licencee and not passed on to an Authorised Representative.

A ban on conflicted payment won't apply to existing contractual rights entered into before "application date" – which for most licencees was 1 July 2012. There remains a lot of debate about what this means. Some licencees have elected to interpret this provision very liberally.

Fee disclosure statement

These were going to be eliminated in most cases and they will now need to be sent to every client and must contain the following information:

- Details of each fee where arrangement for fee is paid for more than 12 months.
- Amount of each ongoing fee.
- Information about the services the client was entitled to receive during previous year.
- Information about service the client received.
- Information about other prescribed matters (none have been put in place).

Some fees aren't defined as ongoing fees – for example, fees fixed at the time the arrangement was entered into.

Importantly for an adviser, any ongoing fee arrangements will cease if a disclosure statement, or renewal notice obligation, is not complied with.

The statement must be provided before the end of a 30-day period beginning on "disclosure day", which is the anniversary day that an arrangement is entered into.

Renewal notices

These must be provided within the same period of time as a Fee Disclosure Statement and must state that a client may or may not renew, that fees won't be paid to the adviser unless the client renews, and the adviser/client relationship is automatically terminated if clients don't follow-up before the end of the renewal period.

The Palmer United Party (PUP) and Motoring Enthusiast Party (MEP) changes survive for now!

The following regulations were put in place to enable the government's changes to the FoFA rules to pass. Now that these government changes haven't been finalised, these PUP and MEP changes don't seem to be necessary, however they haven't been removed. The following is a brief summary of these changes, which apply from 1 January 2015:

- A Statement of Advice (SoA) must be signed by the adviser and client.
- Additional documentation if a client asks for additional or a variation to existing advice.
- Additional statements within a SoA about the quality of work done by the adviser and products.

There will be no substantial changes between now and 1 July 2015

Technically the original ALP Future of Financial Advise reforms have now been in operation since July 2013, however ASIC has announced that it intends to give financial advisers and their licencees time and space to comply with all these rules.

Don't shed any tears for financial advisers

The government has had to regulate the financial services industry because it has consistently and belligerently refused to regulate itself.

In other words, this mess is really the making of everyone who works in financial services.

Senate completely unpredictable

I think it's possible that before 1 July we might see further changes made to the financial advice laws but unfortunately trying to predict what might happen is a waste of time.

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Capital management and US dollar exposure

by Questions of the Week

Question: My SMSF has 2,318 shares in Wesfarmers and they have a capital management initiative at the moment. What is the best for me to do regarding this?

Answer (By Paul Rickard): You don't need to do anything.

You will receive a payment from Wesfarmers of $1.00 per share on 16 December – comprising a return of capital of $0.75 and a $0.25 franked dividend.

At the same time, there will be a consolidation of shares on a 1:0.9827 basis. Your 2,318 old shares will become 2,278 shares.

Question 2: With the current and pending change to the Aussie dollar – what companies dealing in US dollars do you recommend to invest? I am too heavy in mining and banks and I have read your recommendation – to take on companies having US dollar exposure.

Answer (By Paul Rickard): Several of the companies that have strong US dollar earnings/exposure have already moved in response to a weaker Aussie dollar (or expected weaker Aussie dollar), so I am a little wary of recommending these names at the current levels. That said, at the right price, I would be considering names like:

- CSL, Resmed and Cochlear in healthcare
- Brambles and potentially Boral in the industrials.
- Amcor in materials.
- Possibly Computershare.

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