Switzer Super Report

Monday 28 September 2015

Second time lucky

The US Fed and its chair, Janet Yellen, had a second chance last week to provide a bit of confidence to the market, and I have to say Yellen did OK. Our market is up today and although this volatility is continuing, I'm not afraid. Today, I share with you some of the things I'm doing and buying in these markets.

Also in the *Switzer Super Report*, Paul Rickard takes a look at how, and why, you should be investing outside the top 20, and Roger Montgomery examines whether the Move acquisition will pay off for REA Group.

Our *Super Stock Selectors* like Premier Investments and Select Harvests, while in *Buy, Sell, Hold – what the brokers say*, Myer gets an upgrade.

Sincerely,

Peter Switzer

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

Investing outside the top 20

by Paul Rickard

Key points

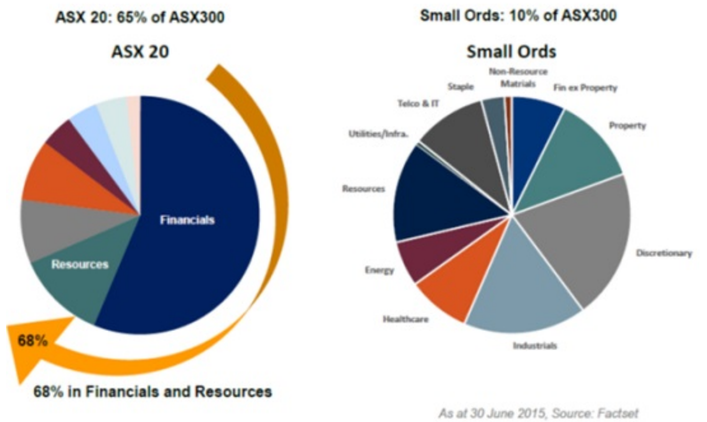
- *Investing in the top 20 stocks has been a pretty good strategy over the last few years. However, in 2015, the top stocks have come under pressure.*
- *One way to diversify outside of the top 20 is through a managed fund like Investors Mutual's Future Leaders Fund. Compared to its benchmark, it has outperformed over most periods.*
- *Other fund managers in this space include Eley Griffiths, K2, Pengana Capital and Perpetual.*

The August reporting season highlighted a key challenge facing our top companies – flat or low top line sales growth. There is only so much "squeezing of the lemon" that can be done on the cost side, and if sales aren't growing, bottom line growth stagnates.

With our top 20 companies, this is even more of a challenge because they are dominated by banks and resource companies. The latter are doing it tough due to falling commodity prices and top line growth is negative, while the banks are struggling to grow earnings per share as they increase their capital ratios.

Investing in the top 20 stocks has been a pretty good strategy over the last few years. In the five years to 31 August, the top 20 index returned 8.81% per annum, compared to 7.91% per annum for the S&P/ASX 300. However, this has turned down in 2015 as the top stocks have come under pressure. For the first eight months of the year, the top 20 lost 3.09% compared to the broader market's loss of 0.67%.

Sector Weightings – Top 20 vs Small Ordinaries (stocks ranked 101 to 300)



The smaller end of the market, represented by the Small Ordinaries Index, which covers stocks ranked 101 to 300 by market capitalization, has a very different sector composition to the top 20 (see chart above) and is much less concentrated. With the lower Australian dollar expected to be of assistance to some companies in the industrial and consumer discretionary sectors, there has arguably never been a better time for investors to consider diversifying outside the top 20.

One way to do this is to through a managed fund, such as Investor Mutuals Future Leaders Fund.

Investors Mutual Future Leaders Fund

The Future Leaders Fund invests in a diversified portfolio of quality companies outside the Top 50 shares listed on the ASX. Investors Mutual is a "bottom up", active manager, and considers companies that are reasonably priced and that have four clear, quality characteristics:

- Competitive advantage
- Recurring earnings
- Capable management
- The ability to grow over time

The Future Leaders Fund invests 80% to 100% in Australian equities (cash is 0% to 20%), and typically holds around 50 securities. The top 10 holdings as at 31 August were as follows:

- Energy Developments
- GWA Group
- Pact Group
- Amalgamated Holdings
- Ansell
- Bank of Queensland
- Steadfast
- AusNet Services
- Amaysim
- Fletcher Building

The performance of the $330 million Future Leaders Fund has been consistently strong. Compared to its benchmark of the S&P 300 excluding the Top 50 stocks and excluding Listed Property Trusts, it has outperformed over most periods as the following chart shows.

Performance to 31 August 2015

	IML Future Leaders	ASX300 Ex 50 Ex LPT	Outperformance
1 month	-2.91%	-4.71%	+1.80%
3 months	-4.31%	-9.59%	+5.28%
1 year	+15.92%	-2.28%	+18.20%
3 Years p.a.	+16.55%	+7.61%	+8.94%
5 Years p.a.	+13.28%	+3.11%	+10.16%
Since Inception p.a.	+11.39%	+7.69%	+3.70%
Inception Date		30-Apr-02	

The manager also says that fund has been more resilient in falling markets, and that the risk of the fund (as measured by the volatility of the returns) is lower (standard deviation of 11.6 for the fund versus benchmark of 16.6). Higher returns at lower risk!

The manager

Investors Mutual Limited (IML) is a specialist Australian equities fund manager, established in 1998 by Anton Tagliaferro. With circa $6 billion under management, IML is a highly-awarded fund manager. It is owned by its key investment staff and the ASX-listed company, Treasury Group Limited (TRG).

Simon Conn manages the Future Leaders Fund.

IML charges a management fee of 0.993% pa (including GST), and is also entitled to a performance fee of 15.375% (including GST) of the performance in excess of the benchmark (S&P/ASX 300 Accumulation Index excluding S&P/ASX 50 and Listed Property Trusts).

Other options

To invest in this part of the market, you can also consider managed funds, Exchange Traded Funds, Listed Investment Companies or potentially doing it yourself. I think the latter is pretty hard for a private investor (just because of the challenge of achieving adequate stock diversification), and see value in getting a professional to do it.

Active or passive? If you want passive management, you can invest through an Exchange Traded Fund (ETF). The iShares S&P/ASX Small Ordinaries ETF (ASX Code ISO) tracks the Small Ordinaries index. Vanguard has the Australian Small Companies Index ETF (ASX Code VSO), which tracks the MSCI Small Companies Index.

Active managers include Investors Mutual, Eley Griffiths, K2, Pengana Capital and Perpetual. There is also a number of listed investment companies that specialize in this part of the market, including Contango Micro Cap (CTN), Mirrabooka Investments (MIR) and WAM Research (WAX).

***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.*

I'm not afraid and this is how I'm investing!

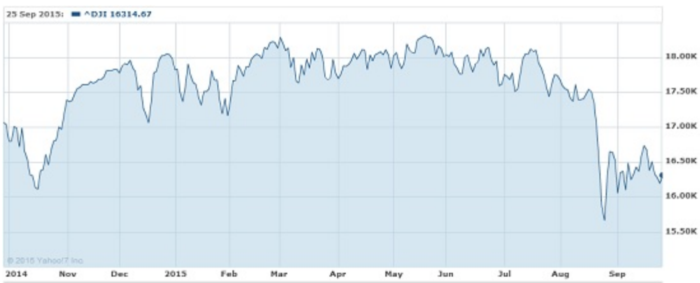
by Peter Switzer

Following the Fed boss Janet Yellen's inept communication after the Federal Open Market Committee (FOMC) meeting last week, which sparked a sell off on global stock markets and even took our S&P/ASX 200 index below the 5000 level on Thursday, the most powerful woman in the world 'unblotted' her copybook.

She now tells us that a rate rise before year's end is "appropriate" and so all that speculation of the Fed knowing something we don't know looks like rubbish. Good on you, Janet!

Negativity rules

Right now, negativity has taken control and that's why the Dow Jones one-year chart looks like this:



***Source**: Yahoo!7Finance, 28 September 2015*

And Wall Street's negativity, interest rate anxiety and China economic reservations gave a bad lead to our market and that's why our one-year S&P/ASX 200 index looks like this:

***Source**: Yahoo!7Finance, 28 September 2015*

Yep, we peaked in May and so did Wall Street and it's been downhill sense with crappy commodity prices, Greece, China's stock market and then China's economy all giving markets good reasons to sell off. And then there has been this infernal wait for the Fed to raise interest rates.

This was expected to temporarily hurt stock prices being the first rate rise in nearly nine years for the Yanks, but it was tipped that it would then give way to rising stock markets because we'd all see that it was all about a better than expected US economy.

But recently, doubts have not only surfaced about China, but also the US, and both were seemingly related after Janet Yellen worried stock markets two weeks ago.

The Doomsday merchants have been in the ascendency and investor surveys show significant negativity but historically these have been a great contrarian signal!

Against that, we have this Reuters story, which the *Wall Street Journal* headlined as: "Wall Street braces for grim third quarter earnings season." If this report is right, then these sell offs are simply reflecting these anticipated bad reports from top US companies. We have the same lower than expected earnings forecasts out there and it also explains why our market has done so badly.

Reuters says: "Forecasts for third-quarter S&P 500 earnings now call for a 3.9% decline from a year ago, based on Thomson Reuters data, with half of the S&P sectors estimated to post lower profits thanks to falling oil prices, a strong US dollar and weak global demand."

Great growth

That oil play and weak global demand has not helped our stock market and meanwhile our economic growth is around 2.3% but against that, the Yanks latest growth reading for the June quarter was 3.9%, up from a preliminary reading of 3.7%.

This is great growth and if US growth of the September quarter is better than expected and company earnings aren't as bad as tipped, then we could see a stock market turnaround before the year is up.

Let me point out that this 3.9% figure was upgraded twice! The first statistical guess was 2.3% but then it went to 3.7% and then on Friday we learnt it was more like 3.9%! That's a big difference and so it's not crazy to hope for some better than expected economic growth news from those irrepressible Yanks.

While company profits are important, so is economic growth and lately China is being seen as important for US growth, partly because big US companies sell a lot of stuff there. By the end of March this year, Apple had sold more iPhones in China than in the US, flogging 61.2 million against 37.2 million in the equivalent period of the year before. In the quarter before, Apple sold 74.5 million units!

Reuters did make this point: "The S&P 500 is down about 9% from its May 21 closing high, dragged down by concern over the effect of slower Chinese growth on global demand and the uncertain interest rate outlook. The low earnings outlook adds another burden."

Charts experts at Slingshot Trader, John Jagerson and Wayne Hansen, explain the key influences on stocks like this: "What is surprising to many investors is that actual performance is not really a very good indicator for where a stock's price will be following an earnings report. The outlook for future earnings are the key trend driver, which helps to explain why prices change."

That's what we will be watching when US reporting season starts on October 8, with Alcoa jumping out of the boxes. But is there any reason to believe that there could be some better than expected news?

Well, yes there is, with *The Australian* newspaper's Victoria Thieberger reporting the Cleveland Federal Reserve president Loretta Mester, who strongly made the point, with a headline that screamed: "China decline fears 'overblown'."

The China syndrome

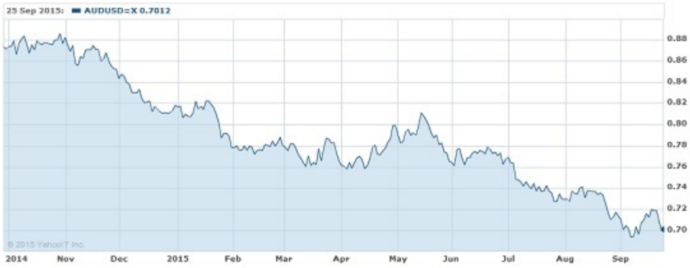
Mester points to what China has already done to stimulate its economy but it's too early to expect instantaneous economic responses, though they could show up in coming months (if we're lucky) or early in 2016.

On China's threat to US economic growth and the American economy's ability to cope with slowly rising interest rates, this is what the professional, economic expert, Mester, says: "I think some of the rhetoric has been overblown about how big a risk that is. It's a risk but not a significant risk at this point."

I really hope she has more insight than the self-interested hedge fund managers, who are often quoted in the media as if they are genuine experts on China!

If China proves to be less of a risk, as Ms Mester says, and our economy starts to react to our biggest positive force that has only recently emerged — our falling Oz dollar — then there's scope for our market to rebound. I hope it starts in the November to December period but I can wait until early 2016 if necessary.

This chart, which has ruined many of our overseas holidays, axiomatically is helping our economy grow stronger:



***Source**: Yahoo!7Finance, 28 September 2015*

This time last year, we were in the 90US cents region so we've been given a 22% improvement in our competitive advantage, which will help growth in 2016, so I expect stock market smarties to buy before reality is plain for everyone to see.

My personal plan

What am I doing investment-wise? I am buying BHP in the $22 or so range for the medium term but I bet I make money with it over the next 12 months. Every time the banks get clobbered, I want to be a buyer because I have always liked dividends from reliable dividend payers.

Some experts tip the banks will eventually disappoint on dividends but this has been predicted before, so put "CBA dividend" into your search engine and see how many times it has been reduced since it floated. It does not make a good case for naysayers who want to turn you off buying banks for their dividends.

On big sell-off days when the index cops it, I have bought the SPDR S&P/ASX 200 Fund (STW), which is an ETF that gives me the index. Let's imagine it takes two years to see the S&P/ASX 200 index at 6000. Then I make 20% in two years, plus probably around 4% dividends, even being conservative, plus franking credits, so I could make 15% plus for simply believing in the US, China, Australia and a low Aussie dollar.

By the way, given we nearly hit 6000 this year — 5996.4 to be precise — all we have to see is a lot more positivity, both globally and locally, and we could easily beat 6000 sooner rather than later.

Also, if the RBA decides to cut interest rates, that could be a help too, as fair value calculations for the index are interest rate sensitive but I'm hoping our economy defies the negative economists out there who think we need two or even more cuts.

Finally, I'm prowling the smaller cap stocks to build up my collection of reliable dividend payers away from the bigger dividend companies. I will look at what I've found next week.

By the way, my optimism will be tested this week with a swag of US economic data coming out, including the jobs report and the latest China Purchasing Managers' Index.

And finally…I know I used this on Saturday but it's worth repeating here now — Price Headley of BIGTRENDS.COM, told CNBC that we'll see the Dow at 20,000 by mid 2016! He cites record levels of pessimism (like in 2008 and 2011), which ran ahead of big market take-offs. He argues earnings in October in the US will be better than expected and will drive the market comeback!

If the Dow is at 20,000, we'll be at 6000 plus, so I hope this uber-bull is on the money. And that's why I'm not afraid of buying stocks right now.

Is REA MOVE-ing in the right direction?

by Roger Montgomery

Key Points:

- *News Corporation and REA's takeover offer via a joint venture for US-based online real estate business Move cost US$950 million – which could be considered a fairly high price, given its earnings.*
- *News will be able to shift Move to its platforms to increase traffic, however the US market isn't as straightforward as the Australian market is.*
- *Should the stars align for Move, it could become highly profitable (think hundreds of millions in US dollars), and REA would own a 20% slice of this action. But a lot of luck is still required.*

One question that has persisted for a while with REA Group Limited (REA) is its retained earnings, i.e. for a capital light, debt-free business, where would these excess cash flows be reinvested? As of June 2014, the firm had accrued A$253.8 million of cash on its balance sheet – almost half of its total assets.

Moving opportunities

A US listed firm with a volatile earnings history, online real estate business Move Incorporated was not amongst the first of opportunities for these cash flows that came to mind for most analysts. A summary of its revenue and earnings was taken from its 2014 10K report and presented below.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In thousands, except per share amounts)				
Consolidated Statement of Operations Data:					
Revenue	$ 227,033	$ 199,233	$ 191,724	$ 197,503	$ 212,009
Net income (loss)	574	5,625	7,260	(15,472)	(6,946)

To put its market position into context, Move had been competing as the number three player in a US$14 bilion market against its larger rivals Trulia and Zillow Incorporated (NASDAQ: Z) for many years. We believe it was becoming clear to many that the entity with the largest marketing budget, would have the best chance of success of ultimately winning market dominance. In our view, Move would have likely struggled to win this contest against its larger rivals.

Enter News Corporation (ASX: NWS) and REA's takeover offer via a joint venture. The offer price was US$950 million – which could be considered a fairly high price given its earnings. News would put up 80% of the cash with the remainder financed by REA (via some of that cash noted earlier).

Now you may ask, will Move ever earn enough to generate an acceptable return on its acquisition price? The first thing to take note of is that the purchase price is likely lower than it would first seem, Move's earnings history left it with many millions of accumulated tax losses which can be offset against future taxable income. This detail is buried in News' 2014 10-K filing in the US and is recorded on its balance sheet as a deferred tax asset (on page 106 of the report). The exact value of this asset will be subject to future review but it does make the price a little more palatable.

Next, we note NWS's strategy to improve the company's prospects. In a nutshell, News plans to advertise Move across its vast media portfolio and hence drive traffic to the website. This represents a great deal of marketing worth millions (for free) hence providing it with one competitive advantage over its rivals.

There's likely a lot more going on behind the scenes, but the overall strategy is fairly straightforward; by increasing website views/viewing time, this will theoretically generate more leads for participating agents and hence create a justifiable case for why advertising on the Move website is worth paying for.

In fact, it's exactly what occurred in the Australian market as REA grew into the behemoth it is today.

US peculiarities

However, the US market isn't as straightforward as the Australian market is. Australia is largely a vendor paid market, i.e. one where the home seller will typically pay for advertising on top of the agent's commission, whilst in the US, the agent generally pays for all advertising. It's true that agents in the US earn approximately 6% on each housing transaction, as opposed to the standard 2% in Australia, however the differences in median housing prices (circa A$600,000 in Australia, U$200,000 in the US) largely cancel this out and hence cap marketing budgets. In the Australian case, the budget is more flexible since the homeowner is about to become flushed with cash from the sale of their property.

Hence before we see any 'premiere'-like ads popping up on Move for the prices we're used to in Australia, US agents will need a significant amount of convincing about the potential returns on their more scarce marketing dollars.

Luckily, it's known that many US agents are already spending significant sums of advertising dollars online via email marketing and their own websites (Google search terms), therefore an industry wide transition to portals such as Zillow and Move is unlikely to prove a huge leap, as long as any spending generates an acceptable number of leads.

The high level of marketing spend required to generate customer awareness creates a large barrier to entry. As such, provided no other incumbents can match Move and Zillow on the value of marketing spend, it seems likely that they'll be able to consolidate the remainder of the market, win significantly more eyeballs over time and concentrate online lead generation in their hands.

This will mean little, however, if new market entrants pop up that are willing to fork out these marketing dollars and, through competition, begin to erode any abnormally high levels of profitability (should they ever be reached).

As such, the Move and Zillow will need to become the beneficiaries of habitual use amongst the population of US homebuyers. Habit is a good protector of market share and profits, meaning that should the stars align on all these variables for Move, it would likely become highly profitable (think hundreds of millions in US dollars), and REA would own a 20% slice of this action.

However, habit is also notoriously difficult to cultivate and attention from property browsers is rather fickle. It sounds like a pinch of luck may be required here.

REA Group (REA)

***Source**: Yahoo!7Finance, 28 September 2015*

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Buy, Sell, Hold – what the brokers say

by Rudi Filapek-Vandyck

The Australian share market remains in the grip of ongoing downgrades to global growth estimates and forecasts for commodities prices. Last week Credit Suisse and Macquarie updated their projections and both brokers dominate the tables for changes made to individual stock ratings, valuations and price targets, and earnings growth estimates. Amidst these headlines-grabbing de-ratings, stocks such as Federation Centres, Iluka Resources, and Myer Holdings, offer positive offset.

In the good books

FEDERATION CENTRES (FDC) was upgraded to Neutral from Underweight by JP Morgan Buy/Hold/Sell: 2/3/1 JP Morgan expects the company to experience a delayed benefit from the Novion merger over FY17-18. Once this is incorporated into forecasts, and dilutionary asset sales are cycled, the company should be strongly positioned.

ILUKA RESOURCES LIMITED (ILU) was upgraded to Outperform from Neutral by Credit Suisse Buy/Hold/Sell: 5/1/1 Credit Suisse commodity analysts recently released their quarterly update on commodities, which included more downwards revised price forecasts for most. It's not all bad news only though, with the analysts stating short term, they are a little more positive on iron ore and thermal coals as a supply response is evident, while base metals are seen as behind the curve. Amidst the carnage throughout the sector in terms of impact on profit forecasts, Iluka has received an upgrade.

MYER HOLDINGS LIMITED (MYR) was upgraded to Buy from Neutral by Citi Buy/Hold/Sell: 2/2/3 The broker expects Myer's sales trends to accelerate because the level of discounting at David Jones over the last six months is unsustainable. Citi believes Myer's best asset is its low rents in high quality shopping centres in Australia. Citi also believes the share price has been depressed by the overhang from the rights issue and this is now factored in.

NEWCREST MINING LIMITED (NCM) was upgraded to Outperform from Neutral by Macquarie (Buy/Hold/Sell: 3/1/4) and NORTHERN STAR RESOURCES LTD (NST) was upgraded to Outperform from Neutral by Macquarie (Buy/Hold/Sell: 1/1/0) following a cut in A$ forecasts by 8-10% by Macquarie. Most gold stocks under coverage enjoy solid earnings forecasts as a result.

Upgrades

Order	Company	New Rating	Old Rating	Broker
1	Federation Centres	Neutral	Sell	JP Morgan
2	Goodman Group	Neutral	Sell	Credit Suisse
3	Iluka Resources	Buy	Neutral	Credit Suisse
4	Industria REIT	Neutral	Sell	Macquarie
5	Myer Holdings	Buy	Neutral	Citi
6	Newcrest Mining	Buy	Neutral	Macquarie
7	Northern Star Resources	Buy	Neutral	Macquarie
8	OZ Minerals	Buy	Neutral	Credit Suisse
9	Premier Investments	Neutral	Sell	Citi
10	TPG Telecom	Neutral	Sell	JP Morgan

In the not-so-good books

ARRIUM LIMITED (ARI) was downgraded to Underperform from Neutral by Macquarie Buy/Hold/Sell: 0/5/2 Macquarie has materially reduced steel price forecasts due to weaker demand. Some offset to earnings downgrades is provided by a cut in the broker's A$ forecast of 8-10%.

BRICKWORKS LIMITED (BKW) was downgraded to Neutral from Outperform by Macquarie and to Hold from Add by Morgans Buy/Hold/Sell: 1/3/0 Brickworks' result was operationally solid and slightly better than Macquarie's forecast. Price growth in building products, particularly bricks, is likely to be the growth driver going forward. But given the stock is now trading within 10% of the broker's target the rating is downgraded.

FORTESCUE METALS GROUP LTD (FMG) was downgraded to Neutral from Outperform (Buy/Hold/Sell: 2/4/2) and INDEPENDENCE GROUP NL (IGO) was downgraded to Neutral from Outperform by Credit Suisse Buy/Hold/Sell: 5/2/0 following Credit Suisse's quarterly update on commodities which included more downwards revised price forecasts for most.

Downgrades				
Order	Company	New Rating	Old Rating	Broker
1	Arrium	Sell	Neutral	Macquarie
2	Brickworks	Neutral	Buy	Morgans
3	Brickworks	Neutral	Buy	Macquarie
4	Evolution Mining	Neutral	Buy	Credit Suisse
5	Fortescue Metals Group	Neutral	Buy	Credit Suisse
6	Independence Group NL	Neutral	Buy	Credit Suisse
7	Oceanagold Corp	Neutral	Buy	Credit Suisse
8	Panoramic Resources	Neutral	Buy	Macquarie
9	The PAS Group	Neutral	Buy	Morgan Stanley
10	Tiger Resources	Neutral	Buy	Macquarie
11	TPG Telecom	Neutral	Buy	Macquarie

PANORAMIC RESOURCES LIMITED (PAN) was downgraded to Neutral from Outperform by Macquarie Buy/Hold/Sell: 0/3/0 Macquarie has updated its base metal prices forecasts amidst weaker global demand, cutting nickel by 20-30% and copper by 6-12%. All cuts are offset to some extent by an 8-10% cut to the broker's A$ forecast. The cuts translate into significant earnings reductions among the miners.

Earnings Forecasts

Positive Change Covered by > 2 Brokers						
Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	A2M	The a2 Milk Company	3.00	0.59	411.26%	3
2	TPM	TPG Telecom	39.95	30.25	32.07%	6
3	ILU	Iluka Resources	29.68	24.93	19.03%	7
4	GRR	Grange Resources	2.17	2.00	8.35%	3
5	IPH	IPH	28.30	26.30	7.60%	3
6	BKW	Brickworks	86.83	80.78	7.49%	4
7	WHC	Whitehaven Coal	5.83	5.46	6.63%	8
8	EVN	Evolution Mining	15.53	15.01	3.44%	6
9	NCM	Newcrest Mining	66.75	64.93	2.81%	8
10	CTX	Caltex Australia	207.26	203.57	1.81%	7
Negative Change Covered by > 2 Brokers						
Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	PRU	Perseus Mining	0.00	-0.20	-99.50%	6
2	KAR	Karoon Gas Australia	-5.90	-12.02	-50.92%	6
3	AWE	AWE	-2.25	-3.54	-36.33%	7
4	IGO	Independence Group NL	25.37	39.63	-35.97%	7
5	WSA	Western Areas NL	25.42	36.10	-29.59%	7
6	OZL	OZ Minerals	30.11	34.60	-12.97%	8
7	RRL	Regis Resources	14.62	16.78	-12.85%	8
8	S32	South32	7.23	8.24	-12.30%	7
9	SXY	Senex Energy	0.87	0.99	-11.63%	7
10	SYD	Sydney Airport Holdings	10.69	12.01	-11.05%	8

FNArena 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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Super Stock Selectors – CBA, Premier Investments and Select Harvests

by Penny Pryor

Retail and food appear to be a theme this week, with Elio D'Amato naming Premier Investments as his like, and Michael McCarthy listing Select Harvests. Premier Investments released a strong annual report in September. "We believe future growth drivers will be fuelled by further expansion of the Smiggle and Peter Alexander brands in both domestic and international markets, along with continued reinvestment into local brands and cost synergies," D'Amato says.

I have to add, if the number of Smiggle stores popping up in shopping centres is anything to go by, then Premier Investments is on to a good thing.

Michael McCarthy says he likes Select Harvests because it is already receiving substantial share price support from a falling Australian dollar, rising almond prices and growing demand as consumers shift away from peanuts. "However, analysts are forecasting just a 12% profit increase this year, and around $11.50 the P/E is around 12 x, – cheap to those who see good growth potential," he says.

Raymond Chan likes Commonwealth Bank, which keeps on delivering with its dividends, as Peter writes in his story today. And Evan Lucas is not a big fan of Seven Group Holdings, following the disappointing news from Caterpillar around potential job contracts. "With China's manufacturing and economy slowing, mining services are going to feeling increasing heat and with two major Chinese releases this week, Seven Group Holdings is likely to see downside pressure if numbers underwhelm," he says. Seven's WesTrac Group is the sole authorised Caterpillar dealer in Western Australia, New South Wales and the Australian Capital Territory.

Expert	What stock I like	What stock I don't like
Raymond Chan, managing partner, Morgans	Commonwealth Bank of Australia (CBA)	Fortescue Metals Group (FMG)
Elio D'Amato, CEO Lincoln Indicators	Premier Investments Limited (PMV)	Myer Holdings Limited (MYR)
James Dunn, financial journalist and commentator	Primary Health Care (PRY), Tatts Group (TTS), GBST Holdings (GBT), CSR (CSR), and Mortgage Choice (MOC).	
Tony Featherstone, financial journalist	Five specialist A-REITs – National Storage REIT (NSR), Asia Pacific Data Centre Group (AJD), Arena REIT (ARF), Galileo Japan Trust (GJT), and US Masters Residential Property Fund (URF).	
Evan Lucas, IG Markets analyst	TPG Telecom (TPM)	Seven Group Holdings (SVW)
Michael McCarthy, Chief Market Strategist, CMC Markets	Select Harvests (SHV)	Santos (STO)
Paul Rickard, cofounder of the *Switzer Super Report*	Ramsay, CSL, and Resmed.	

Our Super Stock Selectors is a survey of prominent analysts, brokers and fund managers. Each week we ask them to name a stock they like, and one they don't like. We purposely ask for 'likes' and 'dislikes' instead of recommendations, so it provides an idea of what the market is looking at, rather than firm buys or sells.
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.*

Don't miss this

In this Super Session, Paul Rickard and I talk about a great super strategy, which is a "no-brainer" for many people over 55.

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