Switzer Super Report
Advice you can trust

Thursday 28 January 2016

Stocks in focus

Market watchers have been waiting all week for the US Federal Reserve's statement following their meeting, and unfortunately they didn't like what they saw. It's a tough market, so in today's *Switzer Super Report*, Tony Featherstone looks at how intellectual property stocks are holding up in the market slump.

Olivia Engel explains why you should be looking at the weighting of sectors in your portfolio. And Tony Negline has 13 steps to spring clean your SMSF.

Sincerely,

Peter Switzer

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Intellectual property stocks on market's mind

by Tony Featherstone

A tendency during market sell offs is to seek stocks that fall hard and look over sold. Investors think they have nabbed a bargain, but their perception of value is anchored by past share prices rather than company fundamentals. Inevitably, they destroy more wealth.

Another, often better, strategy is searching for stocks that hold their ground or even rise during share market corrections. The share-price strength tells you the smart money is reluctant to let go, even though they could take profits and rotate into fallen stocks.

Technical analysts, who favour momentum trading, use share-price charts to buy stocks that are in clear uptrends and sell those in downtrends. It almost seems too simple to buy rising stocks and sell falling ones, but momentum indicators can be effective.

Intellectual property firm IPH hit a new 52-week high as the Australian share market slumped in December and January. It has soared from $4.50 in mid-August to $9.13, making it one of the best performers this year – and a mid-cap of rare quality.

To recap, IPH listed on the ASX in November 2014 through an Initial Public Offering (IPO), raising $165 million at $2.10 a share. Demand was high: IPH spiked to $3.14 on debut and has rallied ever since in a weakening, volatile share market.

Chart 1: IPH

Source: Yahoo!7 Finance, 28 January 2016

IPH wholly owns Spruson & Ferguson, a leading intellectual property (IP) services firm in the Asia Pacific that serves 25 countries. It was the first IP firm to list on the ASX and has been followed by the $51 million IPO of Xenith IP Group in November 2015. Xenith's $2.72 issued shares rallied to $3.45 before easing to $3.11 – another good sign in a weak market.

Chart 2: Xenith IP Group

Source: Yahoo!7 Finance, 28 January 2016

IPH was boosted after indicating at its Annual General Meeting in November that earnings momentum had continued in the first four months of the year. Guidance for first-half underlying earnings in 2015-16 of $32-34 million beat market expectation. A lower Australian dollar (about 85% of the revenue base is in other currencies) and better-than-expected contributions from businesses IPH acquired drove the earnings upgrade.

I rate IPH on five counts. First, the coming consumption boom in Asia, where another two billion consumers are expected to join its middle class by 2030, will drive sharply higher demand for products and services in the region. Western and Eastern companies will need greater IP protection in markets that are not known for protecting or respecting ideas. IPH's growing footprint in Asia means it is superbly leveraged to this powerful, long-term trend.

The second factor is growth in patent and trademark applications in Australia. They have doubled and quadrupled respectively over the past 20 years and sustained growth seems likely as more companies focus on innovation and protecting their discoveries. The Federal Government's recent Innovation Statement highlights a new impetus on innovation in this country and should have long-term benefits for IP service providers.

The third factor is the fragmented market for IP services. IPH is well placed to continue making accretive acquisitions that drive growth. There is a long tail of tiny one- or two-person IP firms that are targets for cashed-up acquirers such as IPH. It has shown a knack for choosing and integrating the right firms in Australia and needs to repeat that success in China/Hong Kong, South East Asia and even Russia.

IPH has the balance-sheet firepower for more acquisitions. It raised $60 million in a November 2015 placement at $7.30 a share – the top end of its offer range. Debt of only $5.3 million at the end of 2014-15 reinforces the strength of IPH's balance sheet.

The fourth factor is the business model. Slater & Gordon shareholders will shudder at the thought of buying high-priced service firms that are growing rapidly overseas through acquisitions. But there are important differences between IPH's business model and other professional firms that aid the conversion of its work into cash.

IPH is often paid when work is commissioned or soon after its completion, not months or even years after legal cases settle, as is the case with law firms that specialise in third-party injury claims. Earnings visibility is higher because the market is not relying on company estimates of the value of work in progress – an issue that has weighed on Slater & Gordon.

The ability to convert work rapidly into cash is an attraction. Exceptional companies have a knack of funding growth fully, or partly, through surplus cash flow and do not have to rely on raising debt or excessive share issues that dilute shareholders.

IPH's ability to become a $1.7 billion company with $5.3 million of debt is testament to its cash-generative abilities.

The final factor is management execution. Professional-services firms that grow quickly by acquisition have a knack of coming undone. Inevitably, they pay too much for acquisitions, take on too much, or underestimate regulatory risks in other countries. The market gushes about them when acquisitions are fuelling growth, and dives for cover when the music stops.

IPH has done everything it said it would and more in its first year as an ASX-listed company. Spruson & Ferguson has 128 years of history and is a recognised leader in its field in the Asia Pacific. This is not a firm that was thrown together for an IPO to raise capital, consolidate several smaller firms, and provide a fast exit for founders or private-equity firms.

But every stock has its price. At $8.94, IPH is on a forecast Price Earnings (PE) multiple of 27 times in 2016-17, based on consensus analyst estimates. That is high for any company, let alone one that only listed in late 2014. IPH is, seemingly, priced for perfection.

Four of six broking firms have buy recommendations and two have holds. A median share-price target that ranges from $7.59 to $9.05 suggests IPH is, at best, fully valued. Macquarie Equities Research has a 12-month price target of $8.62 and a neutral rating on IPH.

Nevertheless, investors who were allocated stock in IPH at listing or bought soon after should hold their shares. After such a stellar rally, IPH is due for a period of share-price consolidation or pullback and that may be occurring as the share price hits resistance around $9.15 – a point if has failed to break through twice, with conviction. But it has good long-term prospects.

Short term, technical analysts will look to whether IPH is forming a double top on its share-price chart – price behaviour that can indicate a stock has reached a top and is losing steam. It would not surprise to see IPH give back some of its recent gains, if market volatility stays high and fund managers take some profits out of IPH and rotate them into other stocks that offer better value.

Either way, prospective investors should put IPH on their watch list. Do not chase it higher at current prices, but watch and wait for better value when buying fatigue eventually catches up with IPH and more attractive prices, possibly closer to $8, are offered. My sense is that the market has got a little ahead of itself with IPH and that it's due for a decent pullback, which in turn will create a buying opportunity.

IPH is one of the better-quality companies to join the ASX in some time. The challenge is buying at a more realistic price during lingering market corrections.

Xenith another option

Big IPO gains inevitably encourage other companies in the same industry to list and capitalise on strong investor sentiment. Think Monash IVF Group and how it initially benefited from Virtus Health's strong showing. Or Shine Corporate coming to market after the early success of Slater & Gordon.

Xenith IP Group is another option for intellectual property exposure. It ranks in the top five firms in market share for patent and trademark applications filed in Australia, and like IPH has a long history. Xenith wholly owns Shelston IP Lawyers.

Capitalised at $102 million, Xenith is a lot smaller than IPH and a lot cheaper. It came to market on a forecast PE multiple of about 19 times and an expected 4.2% dividend yield. Xenith does not offer the same growth prospects as IPH: its focus is mostly on Australia, although a leading position in servicing Chinese companies seeking patent and trademark applications in Australia impresses.

Prospective investors might wait until Xenith releases its first earnings results as a listed company and more is known about its performance and outlook. It is one to watch, but there is no compelling need to buy just yet in a volatile market. As a micro-cap stock, Xenith suits experienced investors.

• *Tony Featherstone is a former managing editor of BRW and Shares magazines. The column does not imply any stock recommendations. Readers should do further research of their own or talk to their adviser before acting on themes in this article. All prices and analysis at January 27, 2016*

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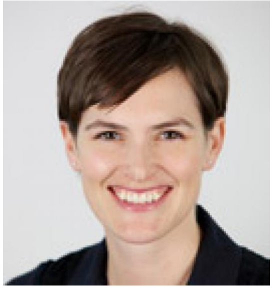

Will your portfolio withstand volatility? Sector weights and hard questions

by Olivia Engel

If the near 6.6% drop in the Aussie market since the start of the year (as at cob on 27 January 2016) hasn't already spurred you into action, now's the time to ask some hard questions. Will your portfolio withstand another year of volatility and potential market shocks? Is it too heavily weighted towards resources and financials?

We all know the past two years have delivered mediocre returns and substantial volatility. The major drivers of this have hardly abated and with an increased focus on, and uncertainty over, US policy rates, we can expect more of the same this year.

Events since the start of 2016 characterise our outlook for global markets – lacklustre growth and risks skewed to the downside, likely fuelling bouts of investor uncertainty and volatility.

As investment horizons shorten, people's tolerance for risk generally declines as well, particularly as they approach retirement. Managing volatility is important to investors, who are thinking about their financial needs without regular income, especially when they start to withdraw income from their investments to fund retirement.

Portfolios can suffer significant losses during crisis events and can take longer than expected to recover. For example, an investment portfolio that loses 10% of its value requires an 11.1% return to break even over a one-year period. A portfolio that loses 30% of its value requires a 42.9% return to recover. Losing less by reducing downside risk therefore is a winning strategy, in my opinion.

Many portfolios are constructed largely around benchmarks, such as the S&P/ASX 200 Index, whose market cap is dominated by financial and commodity-related shares. This approach has its benefits, namely that the goal posts for return and risk are limited around benchmark outcomes, but it also leaves investors vulnerable to risks from major movements. The upside is limited relative to the benchmark return, while the downside is similar and can exceed market sell offs.

So how do you manage this volatility and add value to your portfolio over the coming year? My firm belief is that it's worth adopting a truly active mindset and ignoring benchmark weightings.

Financial and commodity-related sectors were a significant drag on risk-adjusted index returns over the past year and I believe they'll continue to add volatility and may depress returns for the year to come.

But while the financial sector faces headwinds, and I believe its weighting in the index is inappropriately high, of greater concern are mining and energy stocks. It's a struggle to see strong drivers of change for the commodity and resource complex and as such, I'm wary about investing in them. While these sectors may spike during sharp risk rallies, I don't believe the current weak earnings outlook and high volatility make for attractive investments.

Yes they may look cheap, but buying into them now requires a belief that economic fundamentals are improving – a belief I don't share. While they may well be nearing the bottom, there's no imminent catalyst for improvement.

I believe that more reliable returns in 2016 will be delivered by high quality companies with stable earnings, cash generation and moderate growth, well beyond the familiar territory of the Twenty Leaders. Some of these stocks can be found in the healthcare, utilities and consumer discretionary sectors. You may have to pay up for this quality, but I believe it's worth taking this risk.

Olivia Engel is head of active quantitative equity, Asia Pacific at State Street Global Advisors

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13 steps to spring clean your SMSF

by Tony Negline

Now that the Christmas and New Year holidays are over, it's time to do some spring cleaning with your SMSF.

Here are some key issues you should consider:

1. Fund trustees: what is your fund's disaster recovery plan?

How well would your fund be run if any of the fund trustees were to die or become mentally or physically incapable of acting as a trustee? Can the fund continue to function, or will there be operational and legal problems?

For example, if your fund has individual trustees and one member dies, the deceased's executor will temporarily become owner, or part-owner, of the fund's assets. If there are problems in running the deceased estate, then this can flow through to create hassles for you and your super fund.

Taking another example, problems can also arise in the event one trustee suffers from mental or physical ill health and a court decides they can't act for themselves. A good way to solve this is to have enduring powers of attorney in place.

2. Corporate trustees: do you have a corporate trustee and its sole function is to act as trustee of your super fund?

If yes, then have you told ASIC so that your annual supervisory fee is reduced? Also, have you considered paying this fee 10 years in advance so you receive an additional discount? Click here for further details. With this mechanism, you also save yourself the hassle of sending money to ASIC each year for a decade.

3. Fund tax and regulatory return: most SMSFs rely on accountants and tax agents to submit their regulatory return.

For funds that weren't created in the 2015 financial year, the whole process, including audited financial accounts and compliance audit, must be submitted to the ATO by 15 May 2016. Are you on track to meet this deadline? For funds created in the 2014/15 financial year, your fund's first return was due last December. If you didn't meet this date, then it's best to take corrective action now.

4. Investments: here are several issues you might like to consider:

a. Has your fund loaned money to you or other members of your super fund or any of your relatives?
b. Has your fund loaned money to your business, even for a short time?
c. Has your fund leased any of its assets to you or your relatives or to any business you own or your relatives own?
d. Does your fund own residential real estate and it's rented to you or your relatives?
e. Does your fund own any real estate that is leased to any entity, even your business, and rent is outstanding? What recovery steps have you taken, if any?
f. Does your fund own any collectibles (art work, old coins or bank notes etc.) that are still at your home?

If you answered yes to any of the above, then your fund has likely breached some of the super laws. It's better to begin taking corrective action now, rather than have your fund's auditor, or even the ATO, find it for themselves.

5. Investments: I don't need to tell you that the share market has been rocky lately. Does your

fund have any assets that it purchased for more than their current market value? If yes, and you still like the investment, then now might be a good time to recycle the investment and buy it back for a lower cost base. Keep in mind the ATO's wash sale penalty rules, which can examine assets sold for a capital loss and the same/similar purchased not long after.

6. Investments: does your fund have a Limited Recourse Borrowing Arrangement (LRBA)? If yes, then has it been set up correctly? Is the loan in the super fund's name? Is the asset in the name of your bare/holding trustee? Is income from the asset and expenses being paid from your fund? Consider having the arrangement independently verified.

7. Fund expenses: does your fund have any expenses that can be paid this year e.g., repairs and maintenance on real estate? Remember that the pre-payment rule that applies to your own personal affairs isn't available to super funds.

8. Pensions: are you on track to pay at least the minimum this year, based on your age and account balance at 1 July 2015? If not, then you still have time to sort this issue out. Remember that special rules apply to the minimum income requirement, if you commenced a pension this financial year. If you're aged under 60, is the correct amount of PAYG tax being withheld from pension payments and remitted to the ATO?

9. Other benefit payments: have these been structured properly and all relevant paper work completed?

10. Death benefits: how will your benefits be paid if you were to die? Will your super fund ground to a halt while challenges are dealt with? Who are your dependants under your trust deed, the super laws and tax laws?

11. Contributions: there are three parts here:

a. Tax – don't forget to maximise your contributions this year. Currently industry rumours suggest the Government will change how super in the accumulation stage is taxed. This might mean either further restrictions on the amount of contributions you can make or, overall, more tax for concessional contributions. My suggestion? Get in while the going is good.
b. If aged at least 65 but under 75, then satisfying work tests before contributions can be made is important. Make sure you understand these rules. It's often better to seek advice.
c. Do you want to use the non-concessional contribution three year in advance rule? If yes, seek advice, as lots of people misunderstand how this rule works.

12. Other fund documentation: make sure you keep fund documentation, e.g. financial accounts, securely and safely and for as long as required.

13. Fraud, embezzlement and theft: these are becoming big problems in the financial sector, especially with the rise and rise of technology. Make sure you protect your financial data and access to your fund's bank account. Arrange that all trustees must authorise all payments from your fund.

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Buy, Sell, Hold – what the brokers say

by Staff Reporter

In the good books

Challenger (CGF) Upgrade to Outperform from Neutral by Macquarie. Challenger's preliminary forecasts for the first half suggest to Macquarie that, while credit risks are elevated, the valuation adequately compensates for this.

The broker upgrades to Outperform from Neutral. Earnings estimates are revised up by 2.8% for FY16 and FY17.

ResMed (RMD Upgrade to Outperform from Neutral by Credit Suisse. Underlying earnings were 6.0% ahead of Credit Suisse's forecast in the December quarter. US mask sales growth has likely been underpinned by the Jaysec and CareTouch acquisitions, the broker believes. Rating is upgraded to Outperform from Neutral, with current valuations considered relatively undemanding.

Pacific Branks (PBG) Upgrade to Overweight from Neutral by JP Morgan. The company is seen executing on its strategy to provide greater exposure to high quality brands, such as Bonds and Sheridan. JP Morgan considers the challenges, such as currency and costs, are better able to be managed.

The stock's multiples are at discounts to small cap Australian retailers, which the broker considers unjustified, given margins and growth are in line or better. Rating is upgraded to Overweight from Neutral.

In the not-so-good books

AP Eagers (APE) Downgrade to Hold from Add by Morgans. The company has guided to pre-tax 2015 profit of $126.4m, up 19%. Goodwill associated with the trucks business has been impaired by $5.5m.

Morgans finds plenty to like about the stock but, following a strong share price re-rating and a premium valuation, pulled back its rating to Hold from Add. Target is raised to $12.88 from $12.54.

There is a significant amount of cash coming in over the next 18 months, which the broker expects will allow the company to consolidate further and achieve its goal of controlling 10% of the domestic automotive market.

Evolution Mining (EVN) Downgrade to Neutral from Buy by UBS. December quarter production was in line but UBS questions whether the company can keep the momentum going in 2016. Management has suggested it could re-visit its dividend policy towards the end of FY16.

UBS would not be surprised if the largest shareholder, La Mancha with 31%, was interested in more dividends but believes investment in exploration still offers the greatest opportunity for share price outperformance.

Rating is downgraded to Neutral from Buy on share price performance. While the stock looks fully valued, it remains one of the broker's key picks in the gold sector.

Fantastic Holdings (FAN) Downgrade to Neutral from Outperform by Macquarie. The first half trading update is ahead of Macquarie's expectations. Sales momentum has continued. Still, Macquarie is unable to maintain an Outperform rating, given uncertainty created by the resignations of both the CEO and CFO.

The rating is downgraded to Neutral. The broker expects the stock to trade at a discount to valuation, until new appointments are made and confidence in the new team is established.

Lovisa Holdings (LOV) Downgrade to Hold from Add by Morgans. The first half trading update and FY16 guidance suggests the pressure on gross margins is greater than Morgans expected. The early performance of the first UK store has been in line with expectations.

Management expects FY16 earnings in the range of $23.5-25.5m versus Morgans' previous estimate of $28.3m. The broker downgrades to Hold from Add in light of the recent strong performance in the share price.

Medibank Private (MPL) (MPL) Downgrade to Hold from Buy by Deutsche Bank. The company has upgraded its operating profit guidance by 27%, assisted by lower hospital utilisation and reserve releases. Still, Deutsche Bank believes hospital contracting and policy changes are delivering sustainable benefits.

The broker believes further efficiency gains will be recycled into growth and, while this should still support solid earnings growth, with total returns on a 12-month basis of only 5.0% and increased regulatory risk, the rating is downgraded to Hold from Buy.

Medibank Private (MPL) Downgrade to Neutral from Outperform by Macquarie. The company has upgraded FY16 operating profit guidance to $470m from $370m. Management has also re-submitted its 2016 premium rate change application.

Following the positive announcement on profit margins, Macquarie envisages the balance of risk is now more neutral. Risks come from the number of reviews being undertaken in the sector.

Orocobre (ORE) Downgrade to Hold from Buy by Deutsche Bank. Orocobre has raised $85m via an institutional placement to cover final commissioning of Olaroz. Deutsche Bank considers the raising of so much capital was opportunistic but prudent, given market concerns around cash flow.

With the cash position resolved, the share price performance is now expected to align better with the operating performance at Olaroz and industry pricing conditions.

OZ Minerals (OZL) Downgrade to Hold from Add by Morgans. Morgans is impressed by the cash flow accumulation at a cycle low and contends the company is well positioned to buy rather than build its next leg of growth.

Hence, the market is likely to be unenthused by the company confirming plans to continue pre-developing Carrapateena. The broker suspects the market will continue to discount growth until either M&A is executed or Carrapateena is further de-risked.

St Barbara (SBM) Downgrade to Hold from Buy by Deutsche Bank. Deutsche Bank observes the December quarter has rounded out a strong half. The broker considers production and cost guidance is conservative and now assumes a higher output and lower costs relative to updated FY16 guidance.

Rating is downgraded to Hold from Buy on valuation, although Deutsche Bank acknowledges a possible 30-40,000 ozs in upside over 12-18 months from improved mining practices.

St Barbara (SBM) Downgrade to Neutral from No Rating by Macquarie. St Barbara's December quarter production was in line with prior disclosures. The company has upgraded its production guidance and Macquarie expects it to achieve the top end of forecast ranges.

As the company appears to be expecting an improved grade at Gwalia, Macquarie welcomes the potential for significant cash flow. After an astonishing run, the stock is now considered fully valued so Macquarie downgrades to Neutral from Outperform.

Trade Me Group (TME) Downgrade to Neutral from Outperform by Macquarie. The broker believes Trade Me is nearing a point of earnings acceleration as cost growth is set to moderate in 2017 and the signs look positive for revenue growth. But the market has overcooked the share price against the broker's valuation.

Trade Me offers diverse and thus defensive exposures, hence the broker is happy to pull its rating back to Neutral rather than Underperform.

WorleyParsons (WOR) Downgrade to Sell from Hold by Deutsche Bank. The continued deterioration in commodity prices suggests to Deutsche Bank that there will be no reprieve for the engineering & contracting sector. 2016 is expected to produce significant headwinds, with a weak Australian dollar negatively impacting some balance sheets.

The broker envisages potential for M&A, given low asset prices. WorleyParsons faces a challenging year with potential for project delays and contract cancellations. Deutsche Bank envisages further share price weakness and downgrades to Sell from Hold.

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Professional’s Pick – Beacon Lighting Group (BLX)

by Jason Orthman

What do you like about the stock?

Beacon is an anomaly in retail as there is limited competition in the retail lighting category from sophisticated operators.

BLX is a category killer, with high brand awareness and excellent sites. The business operates over 96 stores, while most specialists operate only a few stores each.

How long have you held the stock?

We have held the stock for about 18 months.

How is it better than its competitors?

The business has a vertically integrated model so it can better control its supply chain and pricing.

BLX continues to introduce innovative products and drive fashion elements in the category.

Where do you see the value?

Although there are concerns with its vulnerability to the housing cycle, we believe the business still provides us with a longer-term opportunity.

BLX has a significant number of internal growth drivers, including increasing its presence in the trade channel, leveraging general consumer trend towards premium products, further product expansion and a steady rollout of its big box stores.

What do you like about its management?

The business is family controlled, by the Robinson family, with long serving executives. We rate management highly. We also take comfort in the fact that the family have not sold any stock pre or post listing.

What is your target price on the stock?

We expect mid-teens annual return over the next five years, driven by double digit earnings growth.

At what point would you sell it?

In the absence of an excessive re-rating or unforeseen issues in its business model, we hope to hold this name over the next decade.

Its weight in the portfolio will oscillate, with the relative price movements of all stocks in the portfolio.

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

There has been a positive contribution to alpha in the portfolio, with the stock appreciating over 65% over the past 12 months.

Is it a liquid stock?

The stock has relatively limited liquidity, which is common for small cap stocks, particularly where stock holdings are typically concentrated.

Hyperion has a 5% shareholding, alongside the Robinson family with 55%.

Beacon Lighting Group (BLX)

Source: Yahoo!7 Finance, 28 January 2016

Jason Orthman is a portfolio manager for Hyperion.

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Model portfolio and bear market concerns

by Questions of the Week

Question: Hi, in the recent growth portfolio article in the Switzer newsletter Paul Rickard states that, "as a growth-oriented portfolio, our investment timeframe is in the three to five year range….our aim is to deliver slightly above market performance over that timeframe." He also says that the portfolio has beaten the index over the last three years by net 2.85%.

Does this 2.85% take into consideration that each year he starts the portfolio afresh, without reference to selling the existing previous year's stock for either a profit or loss when rebalancing? That is, each year is a new discrete portfolio that, at the end of the year, disappears into the ether. If it was assumed that the portfolio continued from year to year with rebalancing, what would the total net profit/loss be against the index?

Answer (by Paul Rickard): The model portfolio calculations do not take into account any transaction or bid offer costs – it is assumed that holdings are purchased/disposed at the closing price at the end of the month. For example, when re-balancing at the end of the year, holdings are disposed of at the closing price at 31 December – and new holdings are acquired at the closing price on 31 December.

Obviously, if transaction costs were taken into account, the return would be marginally lower. The converse to this is that transactions are kept to the absolute minimum, they only occur on the last working day of the month, and then at the closing price, and the portfolio does not get the benefit of corporate actions.

Question: I've been following two technical analysts for several years after the crash of 08/09, which killed my portfolio. Both are saying that the US is in a bear market. Analyst 1 says SPX headed to 1400 to 1575 during 2016. Analyst 2 says SPX headed to about 1100 during 2016/17. Hong Kong stocks have fallen below the value of their net assets for the first time since 1998. Singapore has been smashed. Whilst most brokers retain a positive bias, just like what occurred in 2008! If it looks like a duck, swims like a duck, and quacks like a duck, then …

I'm afraid we are on the slope of hope and are about to get badly burnt for a second time within eight years. So my question is: What do we do with our portfolio, if this is another bad bear market?

Answer (by Paul Rickard): I don't agree with the assessment, however, let's assume your analysts are correct and it is the start of a bad bear market. You largely have three choices:

1. Sell your stocks and move back into cash.
2. Change your portfolio into more defensive stocks – for example, switch into less volatile annuity-style stocks, such as infrastructure, utilities, perhaps stocks like Medibank (while beta is not a perfect measure, change the beta of your portfolio to well below 1).
3. Take out protection. Buy index put options or specific stock puts, potentially an ETF like the BEAR ETF from Betashares.