Switzer Super Report
Advice you can trust

Thursday 24 March 2016

Don't invest in the past

Today, Charlie Aitken picks up on the themes he outlined in his presentation at our recent *Switzer Investing Strategy* days. He challenges us to rethink our home bias and reckons we need to look offshore if we want to invest in the future.

Also in the *Switzer Super Report*, Tony Featherstone looks at a different way to play the yield trade and uncovers some terrific fund options for investors to consider. Our regular superannuation specialist Tony Negline provides some valuable tips in business succession planning and PM Capital's Paul Moore outlines a favourite stock pick.

Sincerely,

Peter Switzer

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7 structural growth themes

by Charlie Aitken

My basic approach to investing is *"Australia for income, international for growth"*. That's why I started a fund that is Australian domiciled, yet attempts to pick the best of Australian dividend growth stocks and the best of global growth stocks and combine them in a single portfolio. We also have the ability to protect our portfolios via index futures, currency overlay, cash and shorting of weak companies. We can do things the average SMSF investor simply can't do at all, or not easily.

Regular readers would also know I believe strongly in the power of observation in the investing process. I believe that the best investment ideas are those you can see with your own eyes in everyday life. The products you, your children and grandchildren use will eventually turn up as equity earnings and dividends.

However, the vast bulk of those products are NOT produced by Australian companies. Australian equities only represent a little over 2% of total world equity market capitalisation, while many sectors are grossly underrepresented or not represented in Australian equities.

The chart above compares MSCI World sector weights to MSCI Australia sector weights. You can see that Australia is massively overrepresented by Financials (54.2%) & Materials (15.4%) and heavily underrepresented in Information Technology & Consumer Discretionary. This makes perfect sense and reinforces that many growth opportunities lie outside Australia, but particularly when it comes to technology and consumer spending.

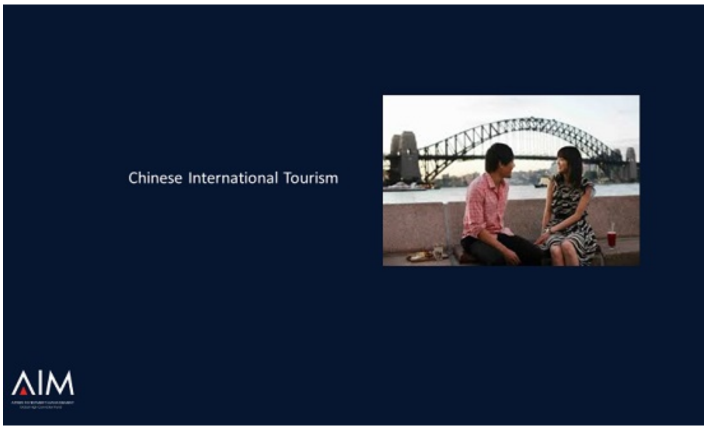
Of course I am not "anti-Australia". I want to own the best Australia has to offer, yet I also want the best of the rest of the world.

In my view, equity markets simply price the "present" on a daily basis. They price in the news of the day, with high frequency traders (HFT) being the marginal price on a daily basis (50% of daily volumes). To me, by definition, that means the medium to long term is clearly where the investment edge lies. If you can look forward and visualise the future and set a portfolio for that future by taking advantage of the short-term noise, then you should be able to generate strong total returns irrespective of overall market conditions/volatility.

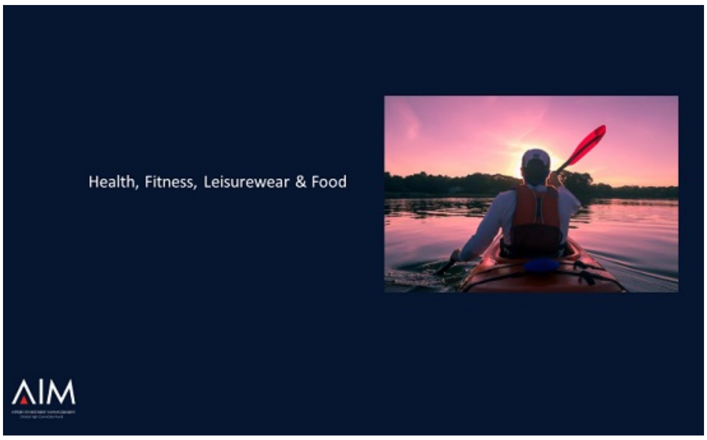
We need to identify structural growth themes and then find the best stock/stocks leverage to those structural growth themes. One thing I do know is it is far easier to grow a company's earnings and dividends with macroeconomic tailwinds rather than headwinds.

Today, I thought I'd run through the seven structural growth themes I believe in and my fund is invested in. I thought it best to run through the high level themes today. Over the weeks and months ahead, I will continue to explore in detail stocks that we believe have leverage to these structural growth themes in the same way I have run a campaign towards beneficiaries of the Chinese international tourism theme over the last month.

By structural growth, I mean growth themes we hope to be talking about (and invested in) over the next three to five years. This is NOT cyclical growth, this is structural growth driven by a structural shift in demand for a given product/service etc. They are also driven by a structural change in consumer behaviour.

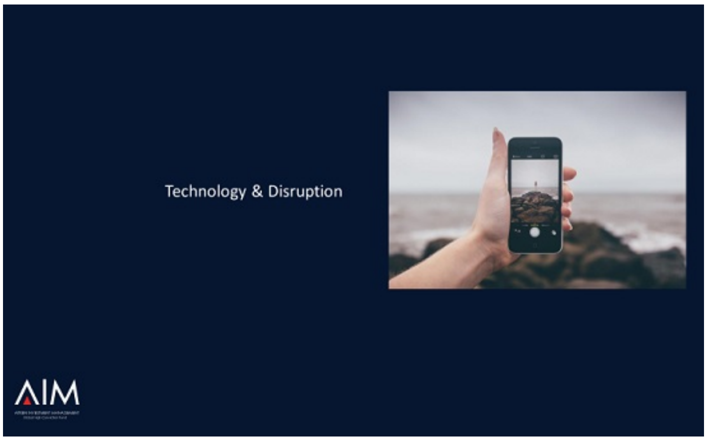


Over 100,000,000 Chinese citizens are forecast to travel internationally by 2020. I believe Sydney Airport (SYD), Star Group (SGR), Crown Resorts (CWN), Treasury Wine Estates (TWE), and Qantas (QAN) are very well positioned in Australia to benefit from the structural rise in Chinese International Tourism. Globally, stocks such as Sands China, Wynn Macau, Disney, Carnival Cruises, Airports of Thailand, Tiffany & Co, and LVMH are also very well positioned. Refer to the recent *Switzer Super Reports.*



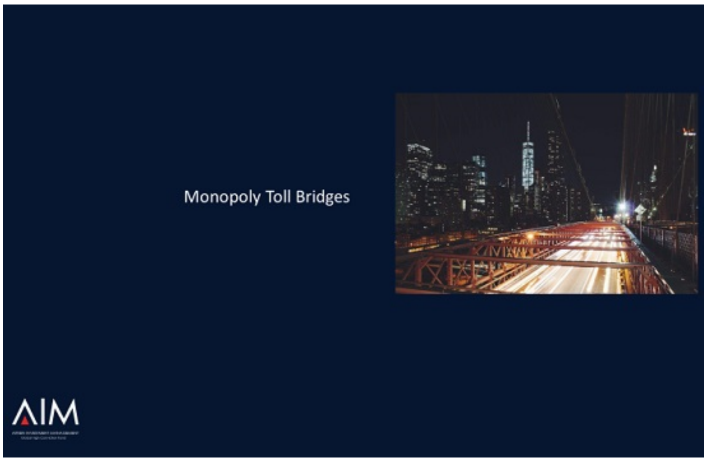
Long Fit, short Fat. The UK introducing a "sugar tax" is another blow to the junk food industry. Indebted governments want a fitter population to take the strain off healthcare budgets. Similarly, the world now wants to know where its food comes from (provenance), which will lead to a price premium being paid for clean and green sourced produce. Australia and New Zealand are superbly positioned to gain from the global food (and drink) market share over the years ahead. What started in vitamins and baby formula will spread to all other forms of agricultural production and food manufacturing value add. Costa Group (CGC) remains my no.1 pick as a fresh food export play and I'll write more about that one specifically in the weeks ahead. Other stocks with clear leverage to this overall "well being" theme include Nike, Lululemon Athletica, Under Armour, Fitbit, Baby Bunting (BBN), Vitaco (VIT), BWX (BWX), Johnson & Johnson and GoPro to name a few.

When is the last time you used cash? Can you now operate in daily life without cash? Answer those questions then go and buy some shares in Visa, Mastercard, Paypal and American Express in the US. The cashless society is a major structural change that is great for taxation collection as well as just about every movement of cash will have an electronic record. Not so good for the crooks out there!



Obviously the biggest theme not represented in Australia and one that should be part of all modern, forward-looking portfolios. The vast bulk of the worlds most important and influential technology and disruption stocks are based in the US. Alphabet (Google), Microsoft, Apple, Facebook, Amazon, Tesla, Netflix, Zillow etc. etc. etc. One day Uber will be listed too. A portfolio without a smattering of these names is living in the past.

The major Australian specific structural growth theme I believe in is compulsory superannuation. This is legislated growth with contribution and compounding risks to the UPSIDE. One of the reasons I switched from stockbroking to funds management was to “export Australian superannuation”. We have the fourth largest retirement savings pool in the world, yet our share market only represents 2% of the world. That maths doesn’t work and Australia will be forced to export a far greater proportion of its superannuation pool in the years ahead into global growth opportunities. I particularly like “superannuation services” as an investment where I don’t have the short-term market risks or underperformance/outflow risks of listed fund managers. I like companies with direct access to the SMSF army and companies that play a key role in all the “cogs” of superannuation turning each day. The two we own in Australia are both recently listed in Link (LNK) and Class Super (CL1). I will write on both these stocks again shortly.



To quote Warren Buffett, “a monopoly toll bridge is my dream investment”. Too right Mr Buffett, but particularly in a low growth/low inflation/low bond yield environment. Most “monopoly toll bridges” have mandated toll price rises beyond inflation and long concessions. To my way of thinking, that makes them far better investments than any form of government bond. Similarly, the structural change to “cashless tolling” has meant most of us don’t even know what toll we are paying! Transurban (TCL) is Australia’s true “monopoly toll bridge” commanding a stranglehold on key interconnected toll roads around Sydney, Melbourne and Brisbane. Traffic and tolls are increasing, which will continue to drive earnings and distributions.

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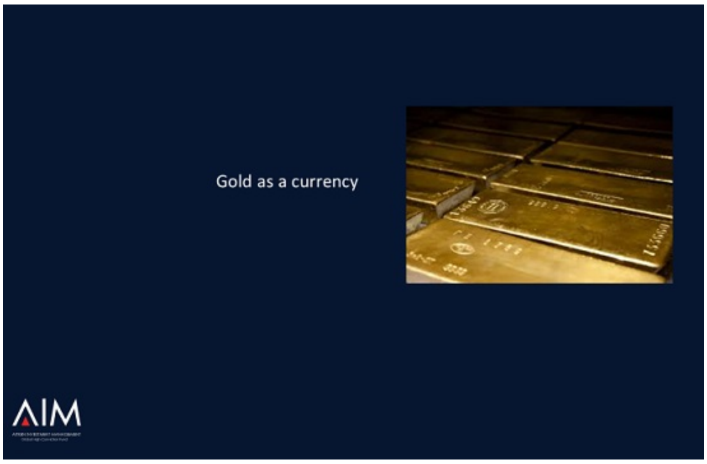

Now don't get me wrong, I am not one of those "end of the world" guys who thinks you should be stockpiling gold, baked beans and ammunition. Far from it, I think you can still find plenty of structural growth in the world if you look for it. However, there should be absolutely no doubt the world is in the midst of an ongoing currency war with all major fiat currencies attempting to be devalued relatively and absolutely by their given central bank.

The Fed, BOJ, PBOC, ECB, BOE, RBA and RBNZ are all actively trying to manage their currencies lower, some more effectively than others. Of course, these home-biased currency wars are a zero sum game, but they cause volatility and clearly support the case for gold as a "currency". We hold Regis Resources (RRL) in Australia feeling A$ gold producers are well placed to deliver leverage way beyond any gold price appreciation.

Those are the seven structural themes I believe in and am invested in. They all require monitoring in the months and years ahead but if they do prove to be genuine structural growth, and only time will decide that, then we should be able to generate strong total, absolute and relative returns by being invested in the right stocks for these themes.

Remember, it's a market of stocks not a stock market. Whatever the index is doing, there are always stocks locally and globally driving their sales, profits, margins and dividends higher. Those are the ones we are looking for.

Five attractive income-fund options to consider

by Tony Featherstone

The great growth engines of tomorrow are not well represented on the ASX. This market has limited choice in information-technology, life science and clean-tech stocks. Few Australian consumer-staples stocks are leveraged to the middle-class Asian consumption boom, and investors have to go offshore to buy semi-conductor or advanced-materials stocks.

It's a different story on yield. The high weighting of bank stocks in the S&P/ASX 200 index, and the benefits of franking credits, have made this market a yield paradise compared with most offshore. Income-seekers have little need to buy global stocks for yield.

Taking this theory a step further, investors could take a more passive approach to Australian shares, aiming for slightly better returns than the market and enhanced yield, and an active approach to offshore investing by investing directly in international shares and locally run international equities managed funds.

This approach has limitations and there is plenty of growth left in pockets of this market. But building the portfolio's "core" around lower-risk Australian income investments, and using higher-risk offshore investments as portfolio "satellites" has merit.

One benefit is investors focus on choosing listed or unlisted funds for Australian income, rather than picking stocks. Granted, several of the big bank, infrastructure, listed property and utility stocks have been cracking investments in the past five years. But the "yield trade" looks increasingly crowded and expensive at current prices.

Reducing yield risk through a fund approach makes sense. The trick is choosing funds that enhance diversification without sacrificing yield. Several options exist in the listed-investment company, absolute-return (hedge) fund and exchange-traded fund markets, and through the ASX's new mFund settlement service for managed funds.

Here are five options to consider:

1. Australian Leaders Fund (ALF)

Listed on the ASX, this fund uses a long/short investment strategy to maximise yield and manage exposure to equity-market risk. Its mandate allows it to short sell stocks, capitalise on market volatility, and preserve investor capital.

The $398 million fund has consistently outperformed its benchmark All Ordinaries Accumulation Index since 2009 and yielded 6.7%, fully franked at February 2016. Its five-year annualised total return (including dividends) was almost 14% to February 2016.

The underlying fund is outperforming the market: a net portfolio return of 9.23% for the first half of FY16 compared with 0.45% for the All Ords Accumulation Index. The fund has a good record of paying dividends in all market conditions.

ALF is not cheap. It trades at a 10% premium to its latest pre-tax net tangible assets, meaning investors are paying more for its assets than they're worth on the market. Also, the fund's approach to short-sell stocks and invest in IPOs and small- and mid-cap stocks adds some risk for conservative income investors.

But its performance warrants a small premium and a 6.7% fully franked yield for a basket of stocks, consistent over several years, is worthwhile. Waiting to buy the well-run ALF on any narrowing of the gap between the share price and NTA makes sense.

Australian Leaders Fund

Source: Yahoo!7 Finance

2. Plato Australian Shares Income Fund

Using a specialist income managed fund for blue-chip dividend exposure makes sense for conservative long-term investors. Choosing one that is tailored for zero-tax investors, such as some Self-Managed Superannuation Funds and charitable funds, is even better.

The Plato Australian Shares Income Fund is an interesting option for investors in the pension phase, who can enhance income through franking credits and special dividends. Focusing on one type of investor helps the fund maximise income and capital returns, compared to managed funds that have investors with different taxation needs.

Available through the ASX's mFund settlement service, the Plato fund invests in mostly blue-chip Australian shares with higher fully franked income. The big four banks and Telstra are five of its top 10 holdings.

The fund has had an annualised total return (including franked dividends) of 12% since its inception in September 2011, or about 2% more than its benchmark S&P/ASX 200 Accumulation Index. The annual yield is 8.9% inception (including franking) – an attractive rate of income for SMSFs.

The fund has averaged an excess return of almost 2% over five years over its benchmark and looks a sound way to boost income by a few percentage points. Prospective investors in the fund should consider if it overlaps with stocks, such as the big four banks, that are held directly in their portfolio.

3. Cadence Capital

The listed investment company's unusual investment style combines fundamental and technical (charting) research to time entry and exit points in stocks. The long/short fund invests in large and small stocks and its success relies on active stock picking. Self Managed Super Funds comprise about two thirds of its investor base.

The strategy is working. Cadence Capital had a five-year annualised total return of 15.2% to February 2016, ASX/Morningstar data shows. Its trailing yield of 6.7% in February 2016 was among the highest in the LIC sector and it aims for a fully franked yield of 6-8% each year. Over 10 years, the fund has outperformed its benchmark All Ordinaries Index by 10.7% annually, before fees. The outperformance over three years is about 5%.

The key question with Cadence is valuation. It traded at a 13.4% premium to its NTA at February 2016, placing it alongside WAM Capital and, to a lesser extent, Djerriwarrh Investments, as the market's priciest LICs.

Investors have been prepared to pay more for Cadence than its assets are worth because of its long-term performance and consistent dividend history. It's never a good idea paying a substantial premium for LICs, but Cadence is among the more interesting of them for SMSFs and other long-term investors who are prepared to back funds that have a trading style.

Cadence Capital

Source: Yahoo!7 Finance

4. SPDR MSCI Australian Select High Dividend Yield Fund (SYI)

Exchange-traded products that maximise yield now trade on the ASX and have been one of the fast-growing ETP segments in recent years. Some ETPs use different index methodologies to maximise yield; others incorporate options strategies to boost income.

For example, the BetaShares Australian Top20 Equity Yield Maximiser Fund (YMAX) had a 12-month gross distribution yield of 11.9% at 31 December 2015. It's an eye-catching yield and the strategy has merit in the long run, but the product has underperformed the S&P/ASX 20 by almost 3 percentage points annually over the past three years.

I prefer the more conservative yield-focused ETPs, such as State Street's SYI ETP. It takes a rules-based approach to index construction to tweak the yield and its top-10 holdings include the big-four banks, Telstra, Wesfarmers and Woolworths.

The ETP's trailing dividend yield was 8.83% at February 2016 – slightly higher than similar yield-focused ETPs. Like other ETPs with a focus on top-20 Australian stocks, the total return is down over 12 months (17.6% over 12 months in Feb 2016). That could be an entry point to buy on weakness.

SPDR MSCI Australian Select High Dividend Yield Fund

Source: Yahoo!7 Finance

5. iShares Treasury ETF

Income investors seeking lower-risk yield can consider a growing range of fixed-income ETFs on the ASX. Yields mostly range from 3-4%, not much better than cash returns, but there are exceptions.

The iShares Treasury ETF seeks to replicate the price and yield performance of the Bloomberg AusBond Treasury Index, and invests in mostly investment-grade fixed-income securities issued by the Federal Government.

The ETF had a 5.66% historic distribution yield at February 2016, ASX/Morningstar data shows – the highest yield in its product category. The three-year annualised total return was 4.7%.

It's no world beater, but a 5% yield from a diversified portfolio of government bonds, and low management fees, will appeal to conservative investors. The yield is comparable to many blue-chip stocks (before franking) but with a lot less risk.

iShares Treasury ETF

Source: Yahoo!7 Finance

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 financial adviser before acting on themes in this article. All prices and analysis at March 23, 2016.

Buy, Sell, Hold – what the brokers say

by Staff Reporter

In the good books

Caltex (CTX) Upgrade to Outperform from Neutral by Macquarie B/H/S 4/3/0

Macquarie refreshes its views on the company's performance post the 2015 results. Expectations have been trimmed around margins on transport fuels.

While there are risks to 2016 earnings, the broker believes these will ebb, with the benefits from Tabula Rasa and Ampol likely to compensate for the medium-term marketing challenges.

Graincorp (GNC) Upgrade to Outperform by Credit Suisse B/H/S 2/1/1

After recent share price weakness Credit Suisse upgrades the business.

The broker believes the current share price more than adequately reflects downside to domestic storage and logistics volume and there is upside from a return to more normal grain trading and local growing conditions.

TPG Telecom (TPM) Upgrade to Hold from Reduce by Morgans B/H/S 1/3/1

First half results impressed Morgans, with strong growth and earnings from the recently acquired iiNet. Morgans upgrades earnings estimates by 11.5%.

The broker had previously assumed margin pressure under an NBN would be more severe but now expects TPG will pull sufficient costs out of iiNet in the medium term to offset this a little.

In the not-so-good books

Australia & New Zealand Banking Group (ANZ) Downgrade to Neutral from Buy B/H/S 5/2/1

ANZ is re-assessing its Asian strategy. UBS observes, while Asian revenue has grown, the cost bases are too high and growth has been very capital intensive.

The broker expects the bank to reduce its exposure further and, if product spreads do not improve, there is the prospect of a more significant pull back.

A capital release from a pull back in Asia is expected to help maintain the dividend. This is predicated on a soft landing in Asia, the broker highlights.

Ansell (ANN) Downgrade to Neutral from Buy by Citi B/H/S 2/6/0

The share price is up some 15% from recent lows but the global context remains fragile, leading Citi analysts to conclude risks are now more balanced, hence the downgrade.

Given the recent operational issues, a timely operational turn-around is not assured, highlight the analysts.

Dulux Group (DLX) Downgrade to Underperform from Neutral by Credit Suisse B/H/S 1/3/3

Credit Suisse suspects a softer outlook for demand is likely to drive the underperformance in the share price and this may also be the catalyst to unwind the stock's valuation premium.

Short term, the broker believes the greatest risk to the stock is market expectations, which are considered to be unrealistic. The temptation to take profits is too great and Credit Suisse downgrades the stock.

Tabcorp Holdings (TAH) Downgrade to Neutral from Outperform by Credit Suisse B/H/S 2/2/3

Credit Suisse has reviewed the situation relating to the alleged payment to a politically exposed Cambodian consulting firm. The broker suspects the valuation implications are insignificant.

Although there is a longer-term value opportunity for investors, the broker suspect's negative sentiment may surround the stock for some months. Rating is therefore downgraded.

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Professional's Pick – Wells Fargo

by Paul Moore

PM Capital's founder Paul Moore recently celebrated 30 years in the business. As a global investor, he shares with us one of his favourite stocks – a company he has held in his portfolio for 27 years.

How long have you held the stock?

The first time I invested in Wells Fargo was back in 1988, at the peak of the California commercial banking crisis.

What do you like about it?

What initially attracted us to the stock was the quality of its deposit franchise, which afforded it the lowest cost structure/highest net interest margins amongst the regional banks in North America. It was also well renowned for its commercial loan underwriting capabilities. It was a classic but the best business in an industry at the peak of a severe cyclical downturn.

The underlying characteristics of the bank have not changed and it is now recognised as the premium domestic bank in the country.

How is it different to the Australian banks?

On the funding side, its deposits are predominantly non-interest demand deposits and the lowest cost source of funding; latest quarter 0.08%. In contrast, Australian banks rely heavily on higher cost term deposits.

On the loan side, Wells Fargo has greater diversity, especially in relation to commercial and industrial loans. Australian banks are dominated by housing loans creating both single event concentration risk and greater balance sheet leverage.

US banks have been hit by market sentiment recently. How has this impacted Wells Fargo?

Short-term, price action is similar amongst all large domestic banks. Wells Fargo is afforded a higher valuation due to its perceived higher quality and lower risk.

What is your target price on the stock?

In a low interest rate environment, a price earnings ratio of 12.5 times trailing earnings is very conservative. If investors became confident of the economic growth outlook, I suspect a ratio of 15 would be afforded.

At what point would you sell it?

We would look to sell the stock if it approached the upper end of our valuation range of 15 times trailing earnings.

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

After doubling in price from 2011 to 2015, Wells Fargo has pulled back approximately 10% over the last 12 months and is selling on approximately 11.5 times current earnings.

With a 3% dividend yield, single digit earnings growth and a move into the 12.5 to 15 price earnings multiple range that we would expect, our hurdle rate of 10% per annum returns can be met and thus we continue to own the stock.

Wells Fargo (WFC)

Source: Yahoo!7 Finance, 24 March 2016

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Traps for SMSFs in buy/sell agreements

by Tony Negline

Anyone who owns a business will sometimes think about what might happen to the business if they were to die or because they can't work due to medical or physical ill health.

These issues are particularly important when a business has more than one owner.

An important point to note is that I'm not only talking about the death of a business owner or key employee.

Ideally, we will consider this issue from the point of view of a person's inability to work for an extended period of time including permanent disability, temporary disability and medical traumas and similar issues.

By medical traumas, I mean all the normal seemingly life threatening problems that can arise, such as brain tumours, cancer in major organs, major organ failure and so on.

Permanent disability means someone has made an assessment that you will be unable ever to work again, because of mental or physical ill health. Temporary disability is like permanent disability but is of a temporary nature.

When key people can't work, the affairs of the business can go down very quickly, which means something must be done to protect the business if any of these situations were to occur.

Reluctant or incapable new co-owners

When a business owner dies, often their share of the business forms part of their deceased estate. If that share of the business is bequeathed to their close relatives, then problems can arise for the surviving business owners.

They may find their former business colleagues' relatives have neither the skills nor the interest in working in the business and, in some cases, may even make the surviving business owners life a living nightmare by thinking they have business acumen.

In most cases, it is best that ownership of the business changes and the surviving relatives sell their share of the business. The trick for the other business owners is to make sure they're the purchasers.

Dying intestate or estate disputes

An added complexity is how ownership of a business change can be delayed because a co-owner doesn't have a valid Will or a Will that is contested, which takes several years to sort out.

How would you purchase your colleagues share of the business?

A key issue is how would a deceased or incapacitated business owner's share of the business be acquired?

Most people don't have the independent resources to acquire a portion of their business if they were required to do so relatively quickly.

Some will be able to call on parents or others to fund their portion of the purchase price.

Most, however, will have to rely on various forms of life insurance.

Funding the life insurance premiums

A key issue will be how to fund the appropriate insurance.

There are three different types of occupational insurance: any occupation where you are deemed unable to perform any future work; similar occupation where you won't be able to perform work similar to your current occupation and, finally, your own occupation, which means you can't perform your own job.

How will the insurance premiums be paid? Some people opt to use superannuation because they might get a tax concession on the insurance premiums and the proceeds. If paid to dependants of the deceased, the insurance might be paid tax-free.

What, however, will you do if one co-owner can't obtain insurance because they suffer from some medical condition? Medical problems often emerge as we get older – as many of us who are middle aged can attest.

Several people have wanted to use their self managed super funds (SMSFs) in business succession planning. I have more to say about this below.

Agreements are often complex but necessary

It is nearly always essential to have a formal written agreement as to how and when the ownership of a business might change hands.

Often these documents are called buy/sell agreements.

The agreement will cover how the market values the business; what insurances are held; who is responsible for paying the premiums; what happens if the premiums aren't paid and insurance lapses.

The agreement should also cover what happens when a claim is received; how the share of a business is formally completed; and most importantly, how all the various parties are bound to abide by the agreement.

In my view, it is essential to get these agreements professionally drafted. There are many tax traps that can cause a great deal of problems for the unwary and those who lack fine technical detail of the tax rules.

For example, last year, the Australian Taxation Office (ATO) issued guidance about using an SMSF to effect a buy/sell agreement. The parties involved demanded that an SMSF would be used to purchase insurance and that any insurance claim proceeds would be paid to the insured spouse, who would then transfer the ownership of the business to the survivors.

On the face of it, this looks a sensible arrangement. However, the ATO took the view that this agreement demanding the use of the SMSF failed a super law known as the "sole purpose test".

It would seem that in this case the arrangement was poorly structured.

So if you want to use your SMSF, or any super fund, for your buy/sell agreement, it is probably a good idea to get some very good advice.

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Hedging your currency exposure and the Qube offer

by Questions of the Week

Question: Thanks very much to Peter and the team for organising an insightful Strategy Day last week. The presenters and panels really held my attention. One of the many potential strategies I brought away was the commentary around hedging overseas investments against a potential rising Aussie dollar.

My question is: how would one go about achieving a 50% hedging on say a $25,000 investment? I understand the principles behind hedging but I would appreciate some guidance on the practical application.

One option being a direct investment on the New York Stock Exchange (NYSE) with US dollars (equivalent to $25,000 in Australian dollars) and the other option being a $25,000 investment in a US ETF (say IVV) on the ASX. I've heard of forward contracts and FX options but I'm not sure how these, or perhaps other strategies, could be applied to provide the appropriate level of hedging. Can you please share your thoughts?

Answer (Paul Rickard): On $25,000, hedging is going to be pretty difficult. You could look at FX options or FX forwards, however, you are going to run into two problems. These are:

a) notional contract size (too small for most banks to take you seriously); and
b) both are finite term hedges. At expiry, you have to roll them over.

A simpler alternative may be to look at the iShares S&P AUD Hedged ETF (IHVV) – the currency hedged version of the iShares Core S&P 500 ETF (IVV), which tracks the S&P 500.

If you are okay with the US market, and happy with a passive exposure through an ETF, to be 50% hedged:

a) buy $ 12,500 of IVV; and
b) buy $12,500 of IHVV.

Question: I would appreciate your view on the Qube entitlements offer at $2.05. Also, your view on the top up offer that lets you buy the same amount of new shares again at $2.05. The discount is only about 7% but Qube should be a better proposition after this new purchase, in my opinion. Closing date is 1 April, so any comments appreciated.

Answer (Paul Rickard): With Qube trading at around $2.31 and the Canadian Pension Plan Investment Board paying $2.14 for their shares, it is a no brainer to take them up at $2.05.

The question is: what you do then?

My inclination is that they have paid top dollar and that the synergy benefits may be more difficult to achieve. I would probably lighten off. Also, I wouldn't count on getting too many shares under the top up offer, as the entitlement offer will be very heavily supported.

Did you know?

There are many positives to looking offshore for investments. Paul Rickard and I explain how you can gain exposure.