



February 2007

IN THIS ISSUE

- Did You Know?
- Growth and Value Investing
- Improve Your Financial Fitness in 2007 With ASIC's New Year's Resolutions

Did You Know?

The latest statistics released by the Australian Prudential Regulation Authority reveal that as at 30th September 2006 the total amount held by Australians in superannuation stood at \$945.6 billion. It is anyone's guess as to when the \$1 trillion barrier will be broken, but with the level of funds flowing into super, coupled with good investment returns, it is not far away.

Source: Peter Kelly – Professional Investment Services

The editors of Timely Tips welcome feedback from readers. If you have any topics you would like to see addressed in future issues, or for that matter any other suggestions or comments, please forward your suggestions to:

TimelyTips@profinvest.com.au



Growth and Value Investing

Fund managers often refer to their investment style in relation to the assets they manage. Growth and value are the two key investment styles fund managers talk about. The growth and value styles are complementary, rather than directly competitive, and their long term returns are relatively similar. So how do they differ?

Growth – catch the momentum

Growth investing concentrates on buying shares in companies that are growing at a rate faster than the economy as a whole.

Growth investing emphasises qualitative criteria, including value judgements about the company, its markets, its management and its ability to extract future earnings growth from the particular industry.

On observing strong earnings growth, a growth investor will decide whether to buy shares based on whether the company's growth is going to continue at its present rate, to increase or to decrease.

The key question for the investment manager is 'at which point will the company's growth flatten out, or fall?' If a company's growth rate slows or reverses, it is no longer attractive to a growth investor.

Growth investors are normally prepared to pay a premium for what they believe to be high quality shares. The potential downside is that if a company goes into sudden decline and the share price falls, the shareholding can lose capital value rapidly.

Value – looking for bargains

Value investing concentrates on buying shares in companies that are fundamentally sound and stable, but whose shares are at a bargain price because the market's confidence in the company is in temporary decline.

Based essentially on quantitative criteria, value investing focuses on asset values, cash flow and discounted future earnings.

On observing a company's earnings growth dropping, a value manager will decide whether to buy shares based on the company's recovery prospects.

The key question for the investment manager is 'will the company's earnings growth recover and if so, when?' If a company's medium term outlook is poor, it is less attractive to a value investor, despite the low price. The key to value investing is to avoid shares that are merely cheap because the company is failing and to look for bargain shares - prices low for temporary and/or irrational reasons.

A potential risk in value investing is that the company may not turn around, in which case the share price may stay static or fall.

The complementary nature of the growth and value styles suggests that the golden rule of investment - diversification - is as important in the context of choosing equity investments styles as it is in choosing asset classes.

Keeping the Balance

The blending of styles makes sense because it can reduce the volatility in equity funds over time - a superior outcome in anyone's language.

Managed funds provide a convenient opportunity to achieve style diversification through blending. Rather than attempt to second-guess the market by switching in and out of styles as they roll with the business cycle, it is prudent to balance your investment between the two.

Source: AXA



getting you from **a** to **b**

Improve Your Financial Fitness in 2007 with ASIC's New Year's Resolutions

ASIC is urging consumers to make a positive start to 2007 by taking small steps to improve their financial position.

'New Year resolutions often revolve around tough decisions to get fit or quit smoking, or plans to take up a hobby or learn a new language,' said ASIC's Executive Director of Consumer Protection, Mr Greg Tanzer.

'Surprisingly though, just a little effort can make a big impact on your financial fitness, so if you're in the mood for self-reflection why not consider some of these simple suggestions?' said Mr Tanzer.

'Add some or all of these resolutions to your list for 2007 and see what progress you can make in a year.'

Five resolutions to get your money matters up to speed in 2007

1. Pay off your credit card debt(s)

'Getting your debts under control is the first step to taking charge of your finances and credit cards are one of the most expensive ways you can borrow money. A debt of only \$1,000 accumulated over Christmas could take you as long as 11 years to pay off and cost about \$860 in interest. Assuming a minimum payment of 2.5 per cent, an annual interest rate of 16 per cent and assuming you stop using the card. ', said Mr Tanzer.

'Try to work out a budget which allows you to make more than the minimum payment, and stop using your card. You might also like to consider using alternatives to credit such as cash, EFTPOS or debit cards and lay-by,' he said.

2. Keep yourself and your money safe online

'Guard yourself against online scams or identity fraud by protecting your valuable personal and financial information online. Take a few simple precautions, like installing anti-virus and firewall software on your computer and ensuring you never ever reveal your PIN number to anyone, and you will add greatly to your online security,' said Mr Tanzer.

The new Protect Your Financial Identity website protectfinancialid.org.au provides some simple security steps which you can follow to enhance your online security.

3. Cut down on bank fees

'Excessive fees can be a drain on your bank account if you don't keep an eye on them. Make sure you are not paying fees on more than one account unless you really need to and check if a simple change in your habits could reduce the fees you pay. For example, could you withdraw cash while making an EFTPOS transaction rather than visiting the ATM?'

'Take advantage of any spare time over the holidays to compare the different banking products that suit your needs and make sure you're getting the best deal,' said Mr Tanzer.

4. Consolidate your super accounts

'How many super statements did you receive this year? Do you find it hard to keep track of your super accounts or feel as though have lost some of your super over the years? You're not alone, but you can do something to improve the situation.'

'Combining your super accounts may reduce your risk of becoming a lost member, it could save you fees and charges, reduce the risk of paying for unnecessary insurance and help you keep track of your super.'

'Before you consolidate accounts, check whether there are any fees for closing a super account, known as an 'exit fee' or 'termination fee', and whether you will still be able to access adequate insurance cover and its cost,' said Mr Tanzer.

5. Start saving

'The easiest way to save is usually to have the money taken directly out of your pay because you don't miss what you don't see. Use FIDO's budget planner to work out where your money is going and how much you might be able to save. Then put your budget plan into action and start saving up to meet your goals or just for a rainy day.'

You could take years off your home loan with just one an extra payment every year,' said Mr Tanzer.

Download a copy of *Your Money* (www.asic.gov.au and click Fido, then Managing Your Money), ASIC's practical guide to making the most of your money, or contact ASIC's Infoline on 1300 300 630 to request a copy.

Source:ASIC

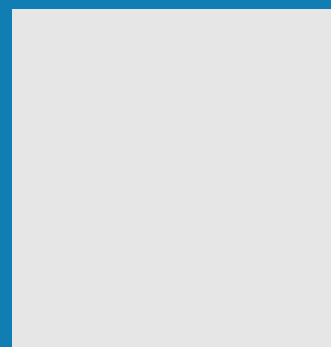
About our services:

The company has offices in all capital cities throughout Australia as well as an extensive regional network. Our highly skilled and trained consultants will assist you in determining the financial strategy that is right for you.

List of services:

- Wealth Accumulation
- Superannuation/Rollovers
- Retirement Planning
- Mortgage Elimination
- Shares and Property
- Fixed Interest and Cash
- Tax Planning
- Finance Services
- Home Mortgages
- Business Planning
- Risk Insurance
- Corporate Superannuation
- Corporate Services

Your local adviser office is located at:



Disclaimer

The information contained in Timely Tips is of a general nature only, does not take into account your particular objectives, financial situation or needs. Accordingly the information should not be used, relied upon or treated as a substitute for specific financial advice. Whilst all care has been taken in the preparation of this material, no warranty is given in respect of the information provided and accordingly neither Professional Investment Services nor its employees or agents shall be liable on any ground whatsoever with respect to decisions or actions taken as a result of you acting upon such information.

Privacy

Your privacy is important to us. If you do not wish to receive information of this kind in the future, please contact your local office located at the back of this document.