



Belmores

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20 October 2009

'The Road to Recovery'

Belmores cordially invites you to attend an investment seminar on Tuesday the 10th November, 6pm at the Mulwala Services Club Auditorium to hear our **guest speaker, William Keenan**, a senior equity strategist at Lonsec Limited, the research house used by Belmores. He has 17 years investment experience with senior roles at Lonsec, TOWER Trust and IOOF. William has developed a strong track record in top-down high conviction investing.

William will present an update on the markets, followed by specific comments on the industry allocation and individual stocks within the Lonsec Core Model portfolio of 12 stocks, which has significantly outperformed the Australian Sharemarket, followed by question time.

Chris Howe will chair the evening, with short presentations from Gary Page and Terry Hargreaves to discuss; where our market sits in relation to the long term trend rate of return, what strategies to use going forward, how gearing has worked in the last twelve months, and whether gearing is a viable strategy going forward.

On the back of this invitation you will find the article we published in the Chronicle October 2008 which we will further discuss at the seminar.

We anticipate the presentations will conclude at approximately 7.30 pm to be followed by question time and a light supper. As a valued Belmores client, you are **free to invite guests** to attend with you, who may benefit from this seminar.

If you wish to attend, please contact **Kellie, Lyn or Karyn on (03) 5744 1221 by Friday 30th October** with your total number attending, including guests, to help us cater for this event.

Yours faithfully

BELMORES

Confidential Advice, specific to your needs

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Is it time to borrow to invest into the Share market?

One thing is certain – share markets go up and they go down. At present the Australian share market as measured by the top 200 stocks is down over 25% from its November 2007 high point. So we put the question, “Is it a good time to buy or sell?” This is an easy question to answer if we knew with ‘certainty’ of what the future holds. However, since the future is ‘uncertain’ we have to consider what is ‘certain’; share markets go up and they go down but the long-term trend is up.

Does this help us decide whether now is, ‘a good time to invest’? I believe it does. It has been proven extremely difficult to know when a ‘bear’ market (a period of time when the market declines in value) is about to start and so very few people ever ‘sell’ at market high points. It is also extremely difficult to ‘buy’ at the absolute bottom of a ‘bear’ market. It is therefore often said that your overall time ‘in the market’ is more important than ‘timing’ your entry and exit points. However, at some point in a ‘bear’ market, stocks begin to appear cheap when compared to other investment options. At this point the market is generally priced in much of the future ‘bad news’ as there is nothing but pessimism in the market place.

What do we see now? – Pessimism, even from the most optimistic people. It is normally at this point that ‘bear’ markets reach the bottom. Of course, it is only in hindsight that we can see the market bottom, but we don’t necessarily need to know the exact bottom, to know it is still a good time to ‘buy’. I can hear some people saying, “it’s different this time”. Again, only hindsight will tell us if that is true, but what we do know is that the Australian share market has fallen by more than 17% in the last 8 ‘bear’ markets, spread over the last 38 years and the market has had a consistent upward trend for those 38 years.

The current ‘bear’ markets may indeed be ‘different’ but the same was likely said about the previous 7 ‘bear’ markets. Now here is the real point of this article – every ‘bear’ market is followed by a ‘bull’ market (a period of time in which the market rises in value). This is obviously an over-simplification but it is true. Investing in the share market should only be done by those who have a long-term investment horizon. Even with a long-term investment horizon, you still need to be willing to accept market ups and downs and the risk to your money that this entails.

Borrowing to invest in the share market is not for the faint-hearted but it has been used for many years by wise investors to increase their wealth. The key is to have a defined strategy and to stick with it. You should never invest in anything without looking at the potential downside risks and share market investing is no different. However, for the right person, there may just be a great opportunity around the corner in borrowing to invest in shares.

To consider these issues further we will be holding a free seminar on the 6th October. At this seminar we will look more closely at the concept of borrowing to invest, commonly known as ‘negative gearing’. We will explain the various ways to set up this strategy and especially explain the pitfalls to watch out for. See the advert on this page for further details. This article is only for general information and is not personal advice in any form. If you would like more information, please contact our office on 03 5744 1221 for a free consultation to discuss your personal situation.

**Terry Hargreaves, a Chartered Accountant and Certified Financial Planner is an
Authorised representative of Lonsdale Financial Group Ltd. AFSL 246934.
Terry is a partner at Belmores, Accounting and Financial Planning.**