



webinar  
*series*

Is Australia still the lucky country ?

Frank Jasper

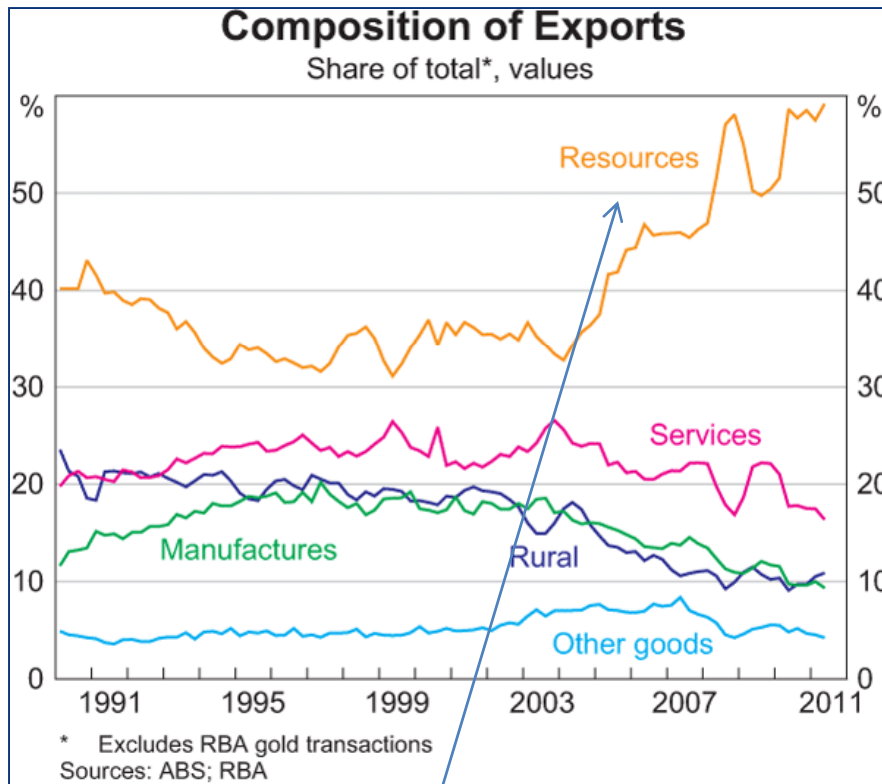
18 October 2011



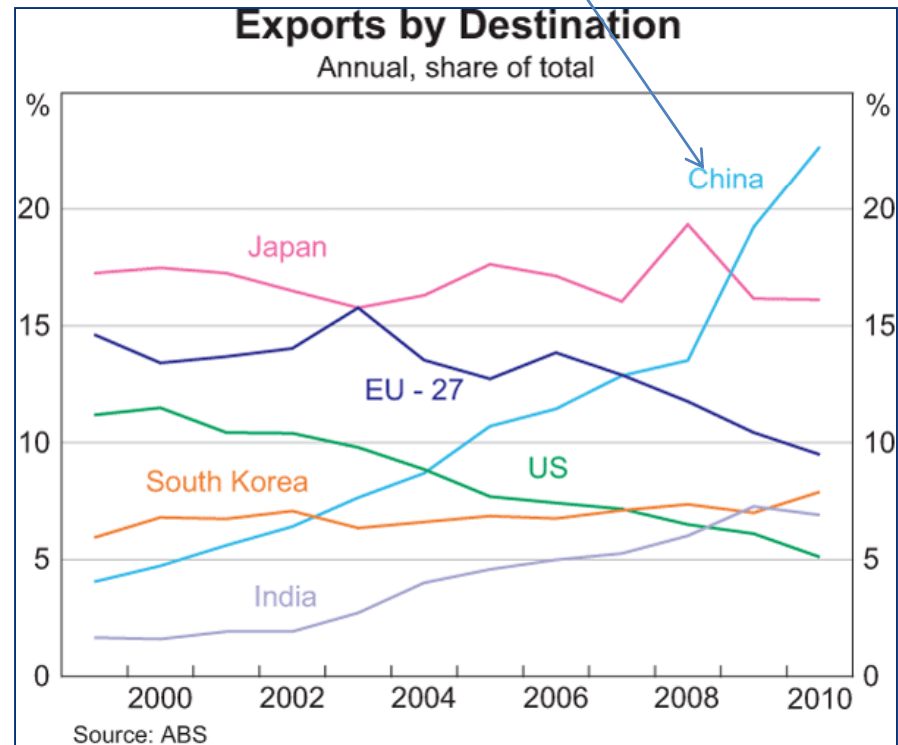
## Agenda

- Australian economic overview
- Broad market valuation
- Our investment strategy
- Recent portfolio changes
- Some quick thoughts

# China is becoming the dominant growth engine for Australia...

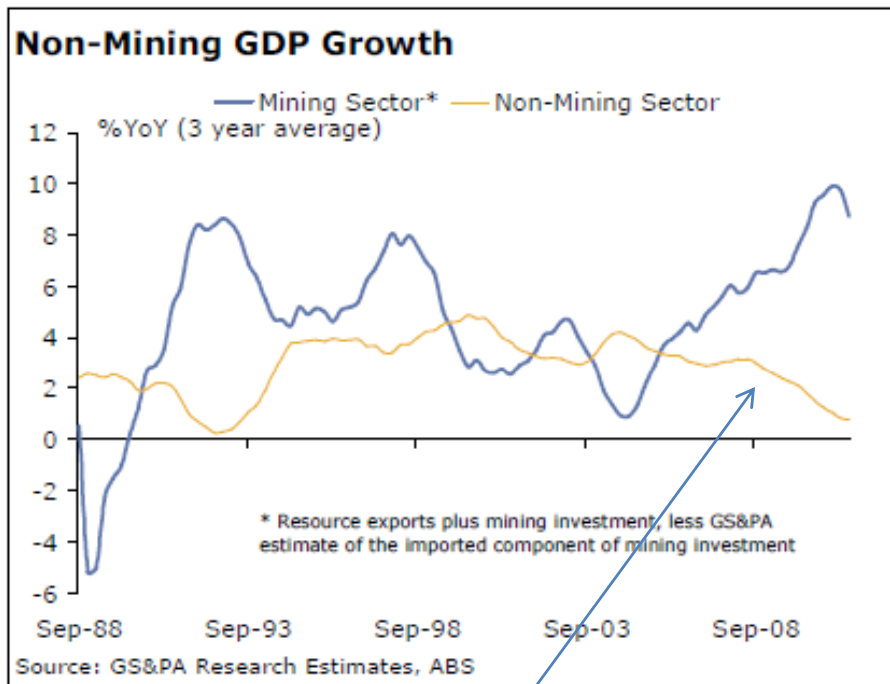


Digging up Australia

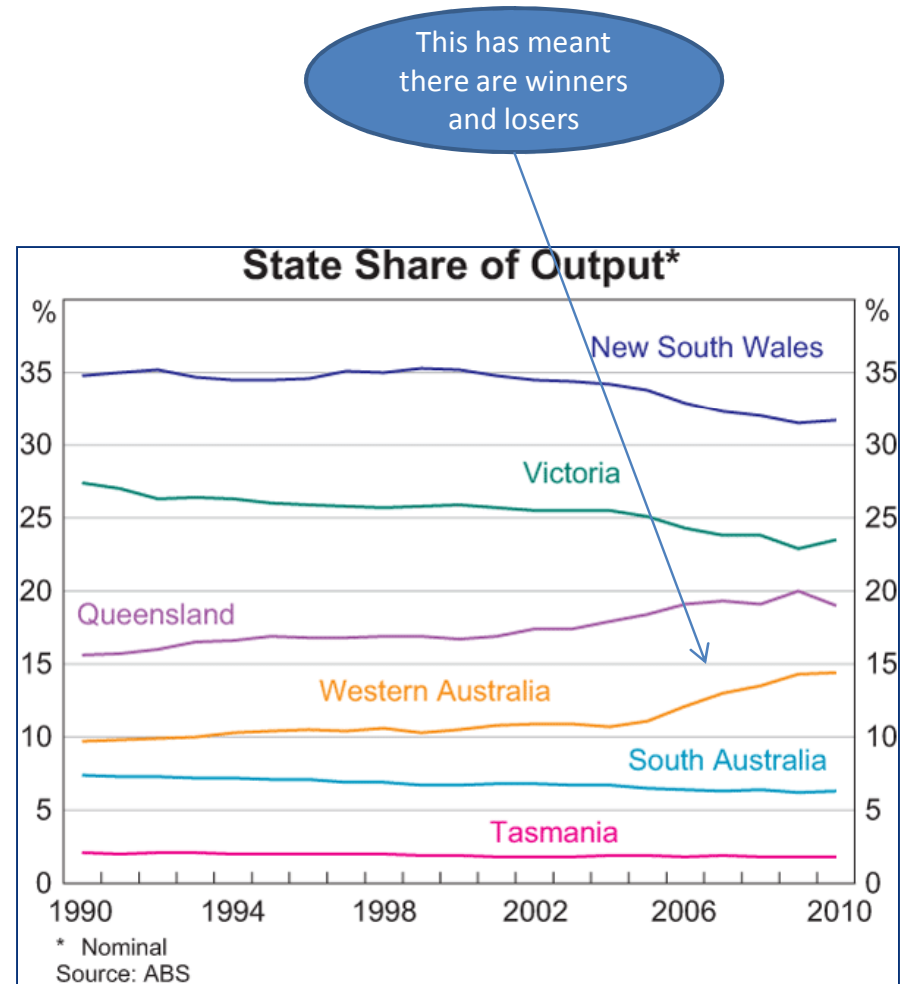


And sending it to China

...but all that is Chinese is not necessarily good...

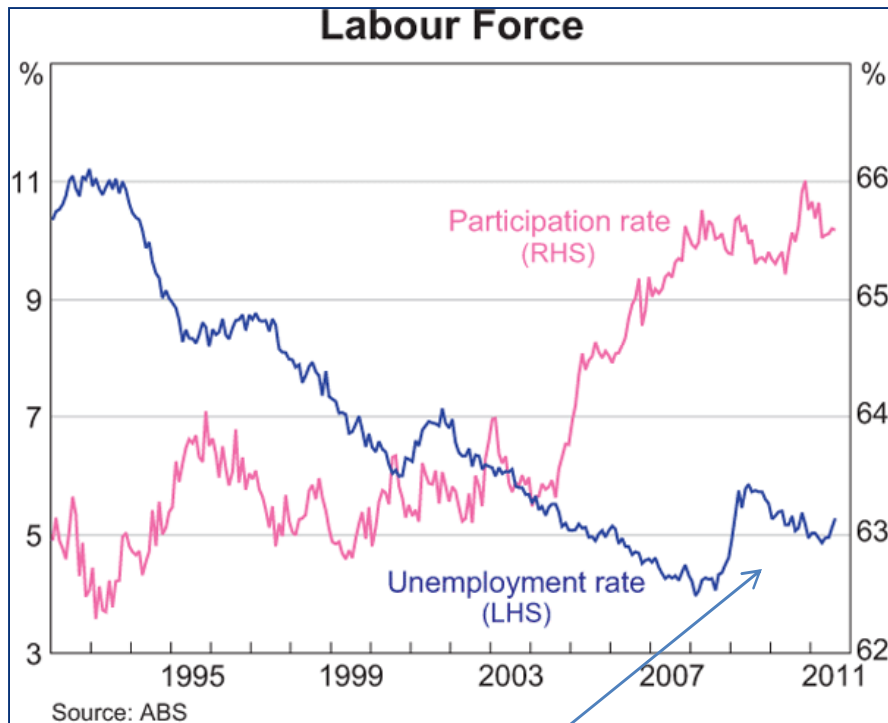


Clear evidence of dutch disease

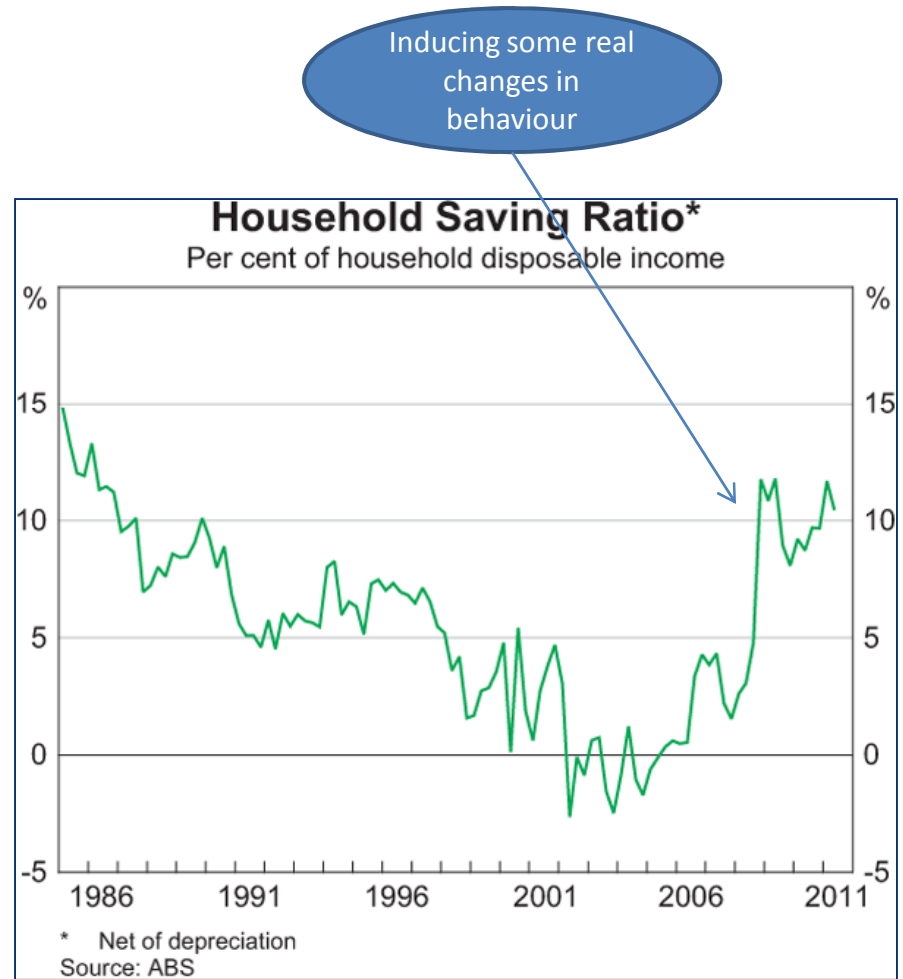


This has meant there are winners and losers

...and has meant pressure on the broader economy.

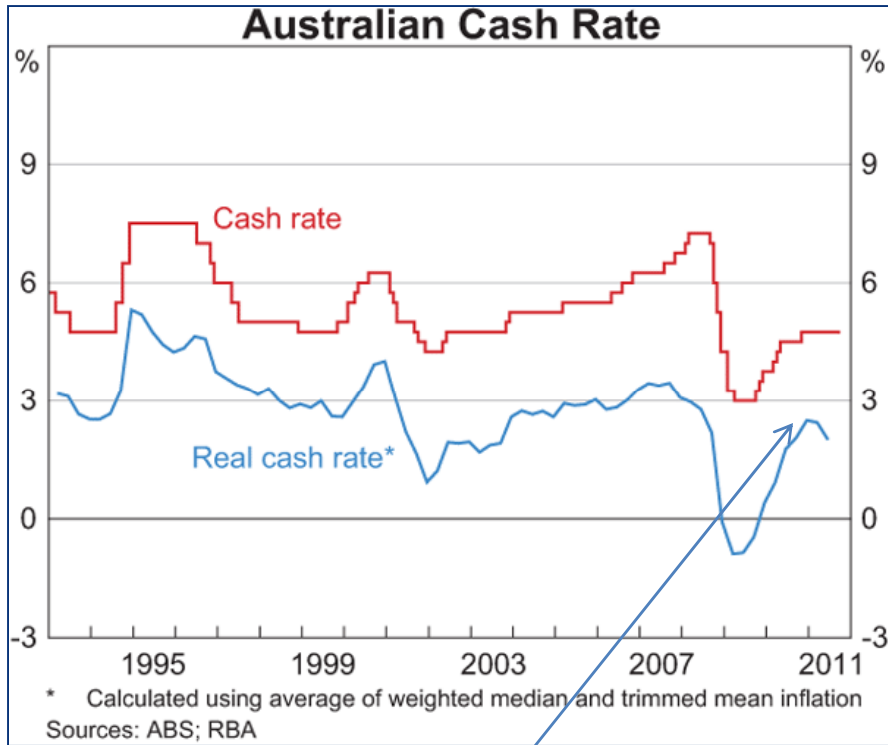


Unemployment rising

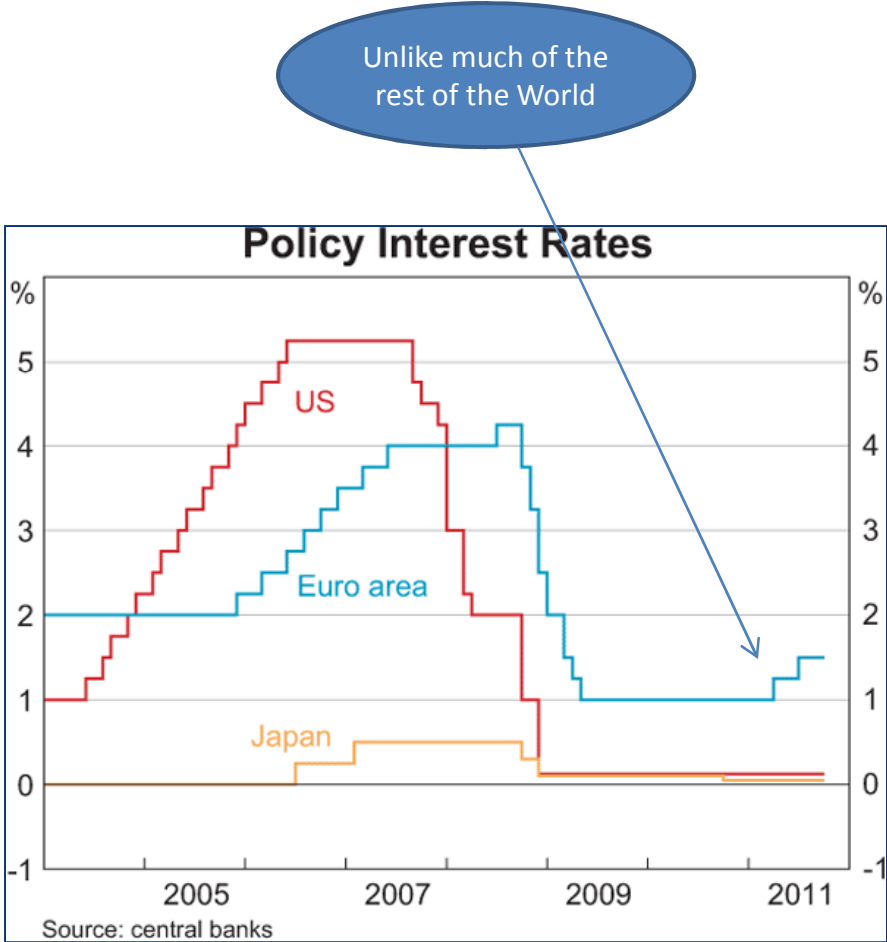


Inducing some real changes in behaviour

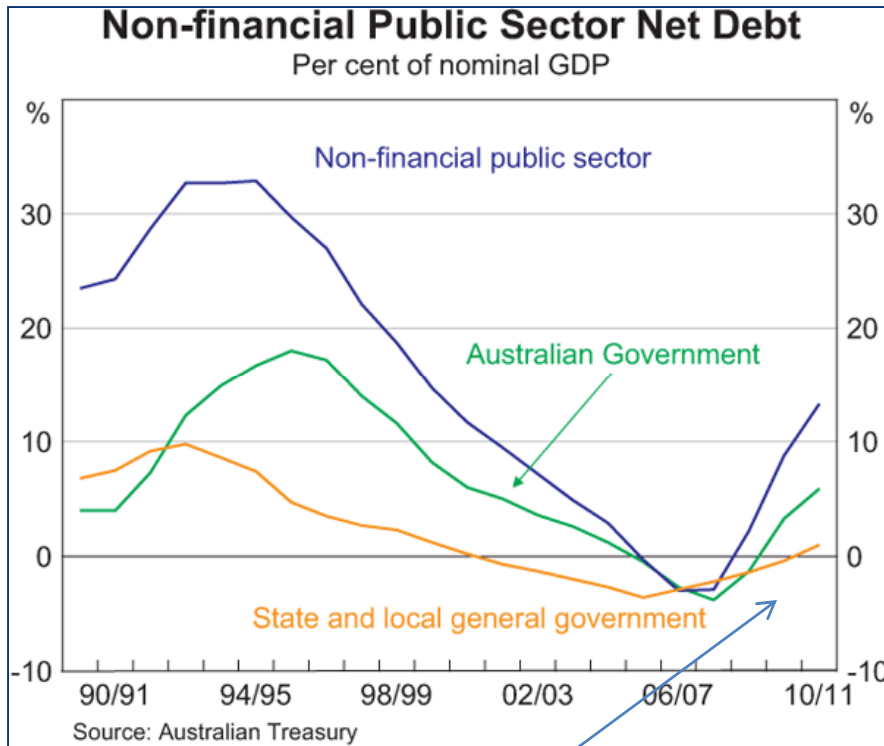
# There are policy options ...



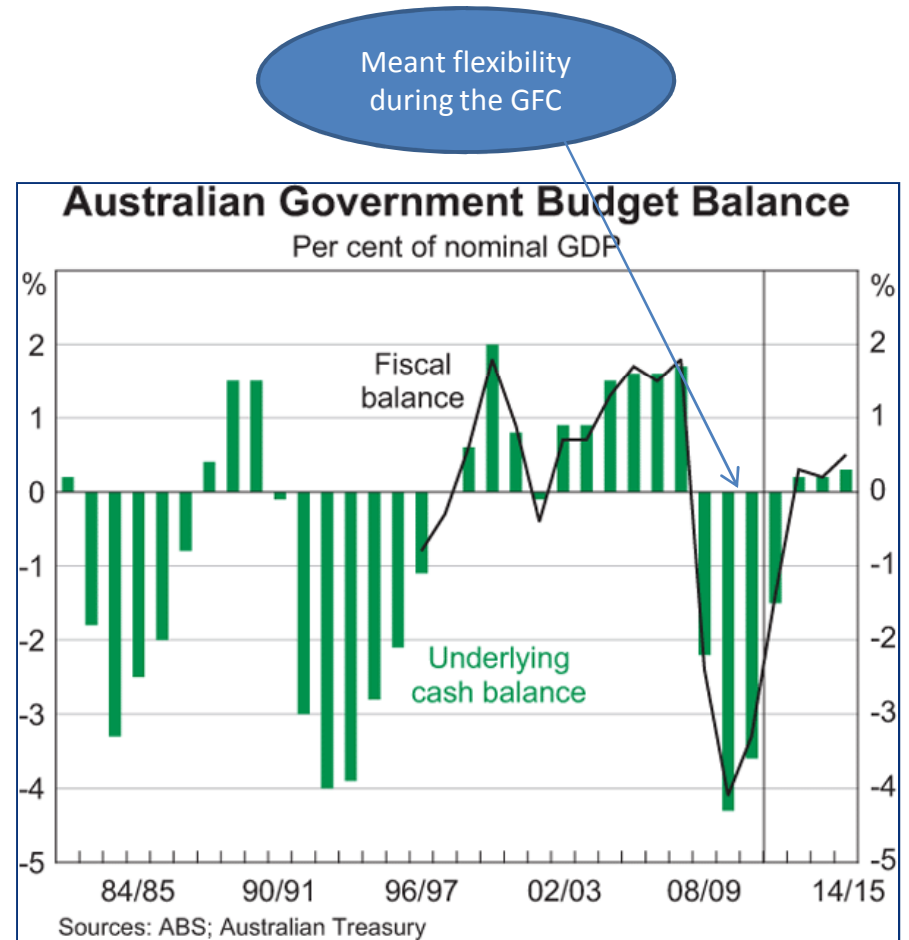
Australia has room to cut interest rates



... including fiscal easing as government is in good shape.

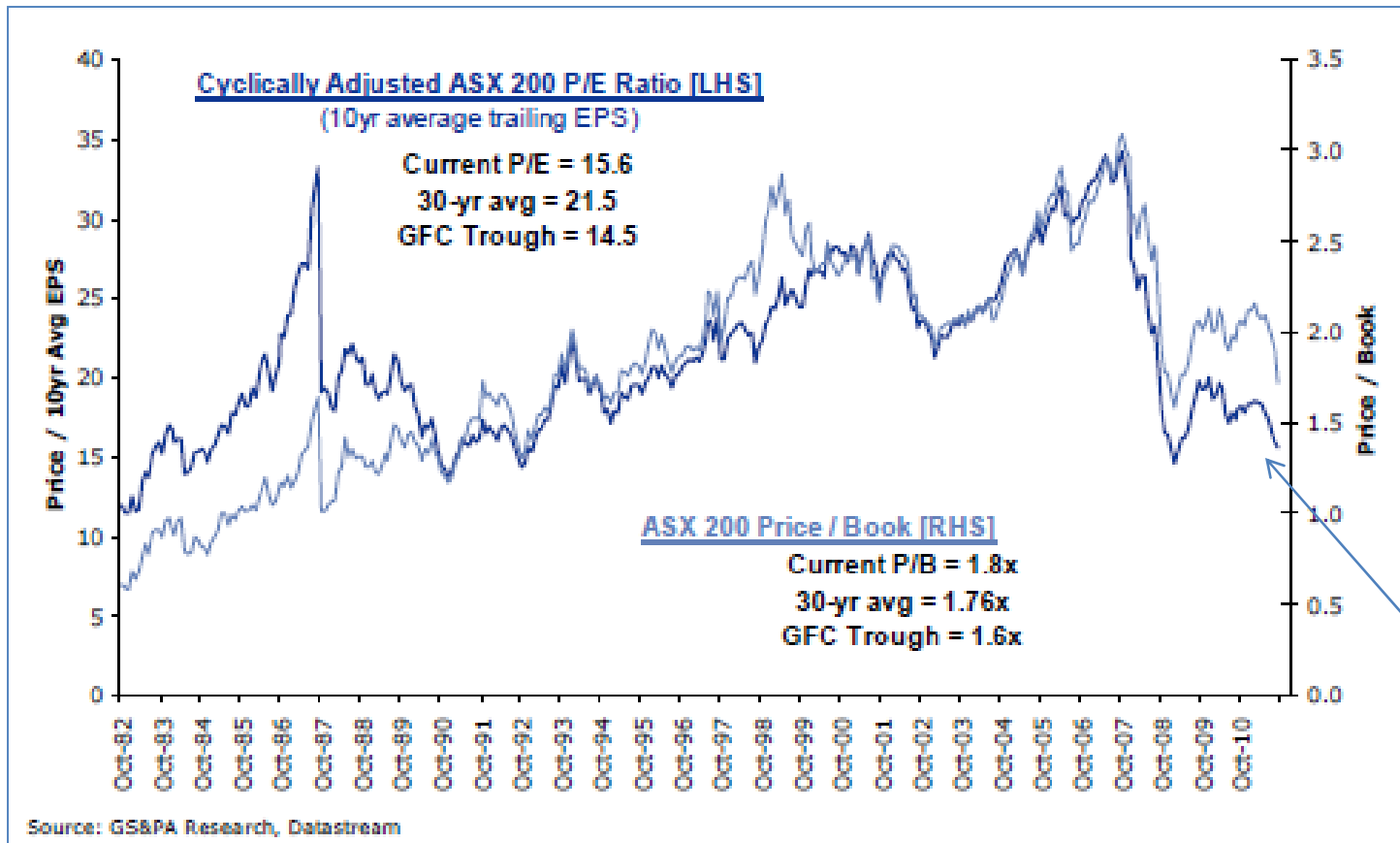


Low levels of public sector debt



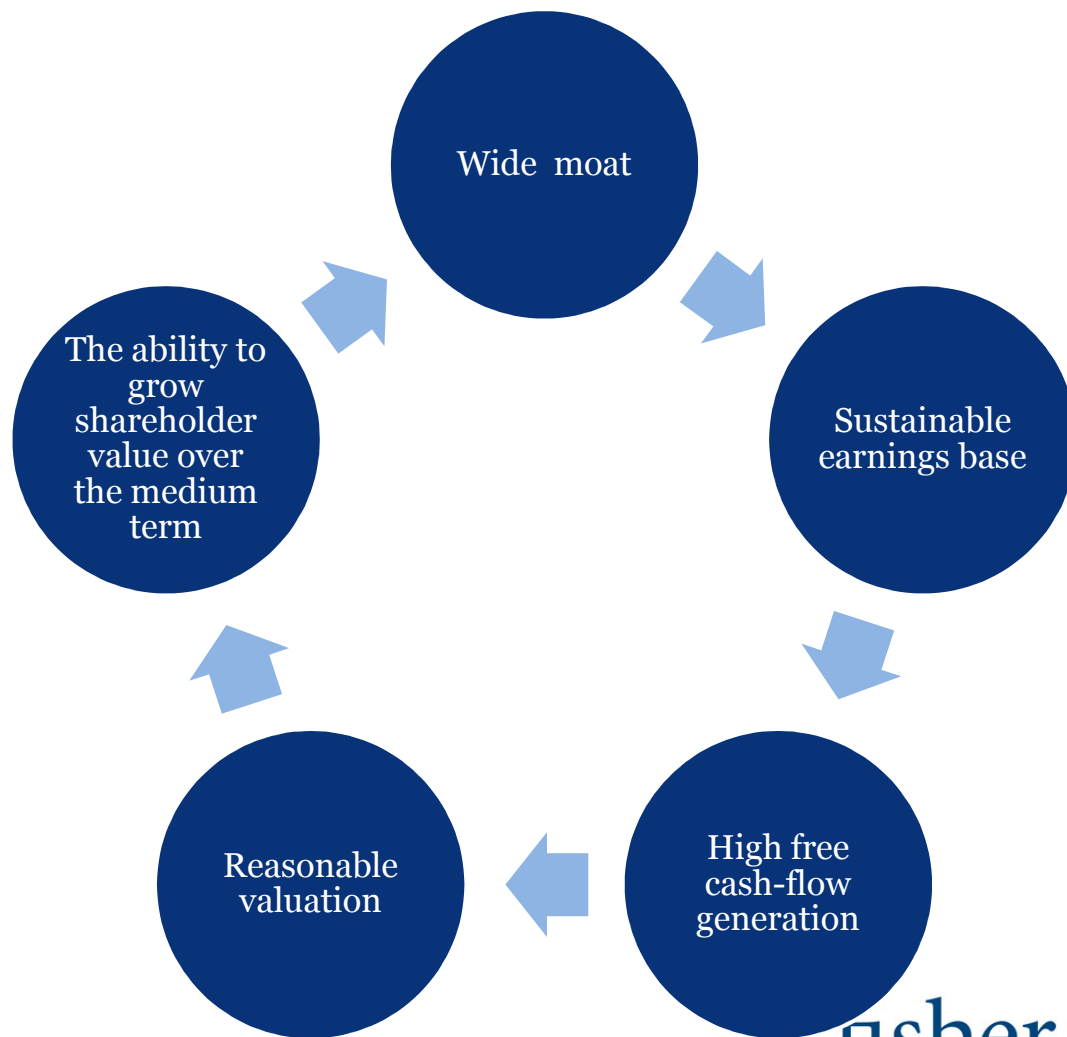


With global turmoil equities now look very cheap...



Pricing almost back to GFC levels

## So what is our strategy?



## Portfolio metrics are attractive

Attribute	Measure
Wide Moat	Portfolio ROIC Average = 18.4%
Sustainable earnings base	Historic Earnings growth, low gearing
High cash generation	FCF Yield = 6.2%
Reasonable valuation	Average PE Ratio = 10.0
Ability to Grow	Forecast 3 year earnings growth = 19.1%



## Recent Portfolio changes

- Reduced cash position
- Exited two positions – using price moves to boost portfolio quality
- Takeover activity in CSG
- Built new position in an old favourite “The Reject Shop”

**THE REJECT SHOP**



## Some broad conclusions

- Generally speaking the Australian economy is in sound shape ...
- ... but there are challenges
- Diversification from a country perspective remains important in building your portfolio
- Our strategy right now is to focus on low risk wide moat businesses

"While the pace of near-term growth is unlikely to be as strong as earlier expected, due both to local and global factors, .... there remains good reasons to expect solid growth over the medium term."

Glenn Stevens, Governor - Reserve Bank of Australia



## Disclaimer

The information given during this presentation is class advice and is not to be taken as 'personalised financial advice'

A disclosure statement is available upon request