AUSTRALIAN EXPATRIATE SERVICES
PROFESSIONAL FINANCIAL ADVICE BY AUSTRALIANS FOR AUSTRALIANS

neo Financial Solutions

www.australiaexpat.com.au | March - April 2018

The Australian

Australian Expat Investment & Taxation News

A new bi-monthly issue of **The Australian** from **Imperium Capital**.

This document will be made available on our website australiaexpat.com.au/imperium-capital.biz

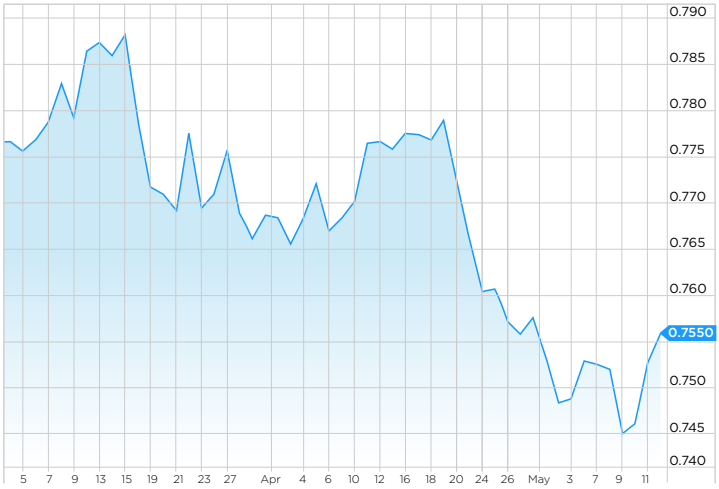
Table of Contents

Our Australian Partners

IMPERIUM CAPITAL

Currency View

0.7550 +0.0009 (+0.12%) As of May 14 2018



14 May 2018

The Australian dollar began the week edging marginally higher as softness across U.S Non-Farm Payroll wage growth and broader employment gains momentarily deflected the U.S Dollar's upward momentum. Despite finding support at and around the psychological 0.75cent handle the AUD remained under broader downward pressure as investors sold into upward rallies and the US dollar marched ever higher.

To register and receive preferential FX rates for currency conversions, click here:
https://au.ofx.com/registration?pid=3580

Mid-week, the dollar marked fresh 11-month lows tumbling through 0.75 to touch 0.7434 and was one of the days worst performer when measured against G10 counterparts. The Euro's move below 1.19 amid political turmoil in Italy led the Aussie lower as the USD continued to advance against a basket of currencies and touched year to date highs despite gains being capped by Trump's withdrawal from the Iran Nuclear Deal. Although well publicised, the US's withdrawal led to an escalation in risk adverse trade and only dampened demand for commodity-linked and emerging market currencies.

Recouped losses suffered mid-week rebounding back above 0.75 U.S cents on Thursday as softer than anticipated US inflation data for April befouled what has otherwise been a string of upbeat macroeconomic data sets for the world's largest economy. Attentions now turn to US consumer sentiment for direction into the weekly close while RBA minutes, Quarterly Wage prices and Labour market data all fleck next week's docket and provide possible markers for direction within recent ranges.

Commentary Data are the latest available as at 14 May 2018

THE GOODLAD REPORT:
THE AUSTRALIAN STOCKMARKET: AUTUMN 2018 - THE BANKS, TELSTRA, WESFARMERS AND THE "WILSON FAMILY"...

Hartleys

In our May report for 2018 we quoted one of our clients who had highlighted "looming and undiscounted surprises" that could "send everything into reverse". Two sets of concerns then caused our market to do exactly that. The first related to an interest rate/"Bond-cano" scare a with a whiff of inflation around some unexpectedly high employment numbers in the US in February. After that, "Trade War" and real war issues in Syria helped send our market down to 5724.

Some Australian factors helped the decline. First, the Royal Commission into the Banking Sector highlighted some of the worst aspects of our large financial services companies. And the Federal opposition announced their policy of confiscating excess franking credits from many investors, should they win office and control the Senate. This did not help our dividend-heavy Australian Stock Market.

The Banks

There has been a steady improvement over the last several days the market has a 6 in front of it again. The banking sector has shrugged off some of the slough of despond as investors focus on a strong yield, a backdrop of 2-3 per cent economic growth and low inflation. Our own view is that Bank stocks will survive the Royal Commission hit and their strong fundamentals should reward investors over the longer term. Commonwealth Bank (CBA) is our preferred buy of the four majors.

AMP, which was the first on the chopping block, should limp back in to the high $4.00 levels as its core business is re-engineered to serve the Australian retirement market.

Telstra

Telstra has fallen to the low $3.00 levels but, our view is there is value seen in the stock given its dominant market share across the broadband, mobile and corporate telecommunications markets, its high dividend yield (7% fully franked or 10% grossed up) and its substantial ownership of the 5G mobile spectrum which is due roll out in Australia. For those of us holding the stock, and who share in the recent maximum pessimism, our latest report is attached.

CSL Limited

Investors should continue to hold Australia's premier listed biotech company CSL Ltd. New investors should take a big deep breath and buy some. And add on any dip. Not buying or not owning this stock in an investment portfolio is NOT an option.

Wesfarmers Ltd – A visit from the CFO

The Chief Financial Officer of Wesfarmers recently visited our office and discussed the firm's results and its investment strategy after the announcement of the proposed sale of Coles. Coles has enjoyed impressive earnings growth of several percent per annum in recent years and is now reaching a more mature level of lower growth. Wesfarmers will retain 20% of Coles. But, importantly, Wesfarmers can now focus entirely on its raison d'etre : providing a satisfactory return to shareholders. Wesfarmers has an enviable track record for strong dividend payments over decades but the share price performance has been less impressive over the last several years and it has range-traded between the mid 30s and 40s levels. A renewed emphasis on Total Shareholder Return with a repositioned portfolio and a more focused approach should see this stock consolidate for further share price growth over the next few years.

"The Wilson Family"

Regular readers will be aware that I am a big fan of the Wilson Group's Listed Investment vehicles. Their mid-cap Wilson Asset Management (WAM) and Wilson Micro Cap (WMI) have shown that their active investment management can lead to impressive dividends and strong share price growth. The recent large cap Wilson Leaders Fund (WLE) is still trading at a discount to its Net Tangible Assets but it has now begun to establish its dividend history. This stock is a great way to cover all the companies one does not necessarily own in a core portfolio or would prefer not to trade. "Wilson Family" shareholders are being given priority in the forthcoming WAM Global float and this too will be well worth an investment - not the least because of its international growth focus.

Mid Caps

In our last report we highlighted a number of mid cap companies worth buying. Synlait Milk (SM1) shot up. Afterpay (APT) moved higher and then been in a classic Bulls v Bears wrestling match as its stellar growth prospects bumped against potential regulatory hurdles. The price now consolidated and started moving up again. Buy.

Finally Invocare (IVC) – Australia's market leader in funeral services – is back in the Accumulate zone with a 4% full franked dividend forecast for 2019.

Resources and Energy

The bellwether large caps in BHP and Rio Tinto Ltd have shown strong resilience in recent months. There has been some trickle down into the second and third tier companies such as South 32 (S32) and Oz Minerals (OZL). Our Top Buys at the smaller end include Copper Mountain (C6C) and MetalsX (MLX) for copper upside ; Jupiter Mines (JMS) for manganese and a huge payout ratio; and Cardinal Resources (CDV) in the gold space. I am a long term holder of Aurelia Metals (AMI) and we have just increased our price target based on debt reduction and strong cash flow. Buy.

The oil price has risen over recent months. Never doubted it ! Our core 'go to" portfolio stock is Woodside Energy (WPL). But small cap Buru Energy Ltd (BRU) is worth a look for a more speculative approach.

Please let me know if you have any queries or would like to discuss opportunities in the market.

John R. Goodlad (B.A, LL.B, M.Int Law)
Senior Investment Advisor

Level 6, 141 St Georges Terrace | Perth WA 6000 | Australia
AFSL 230052

P +618 9268 2890 | F +618 9268 2800 | M +61 414 683 627
E john_goodlad@hartleys.com.au| W www.hartleys.com.au

Property & Mortgages

WHAT IS MY PROPERTY WORTH? A GUIDE TO VALUATIONS

Spotlight on Living Expenses

What your property is worth at any point in time really is variable, depending on the market, what has recently sold in your area, when you sell, and what the buyer on the day is prepared to pay for it. Now that we have a softening property market where prices have slowed we have seen and will continue to see property valuations coming in lower than expected. This is occurring on existing properties already owned by clients. This is not necessarily the case with properties being purchased and it's important to distinguish between the different types of valuations which are completed and for what purpose. See below for important information about valuations.

Valuers work for the bank

Often clients think valuations are completed by the bank, instead they are companies which are independent of the bank however they are paid by the bank. The final report is sent to the bank for review, however the bank has no part in the assessment itself. Banks have agreements with a 'panel' of valuers, and often there are different valuation companies servicing the banks depending on the postcode the property is located in. The actual ordering of valuers is completed via a centralised system and allocated to the valuation company who has the agreement with the bank for that postcode. Many valuation companies are on the panel for multiple banks. This can sometime result in one company doing the valuations for up to three or four lenders in one area. So ordering a valuation with different banks end with the same valuer and valuation.

Different types of valuations

There are essentially four ways a bank can assess the property value. They can complete a full inspection of the property internally and externally. Sometimes it is a 'kerbside' valuation where they drive up to the property and view it without inspecting it. Sometimes they do 'desktop' valuations relying solely on data analysis to come up with an estimate via software programs. Or they will accept the signed contract of sale and agreed purchase price. The type of valuation is dependent on a number of internally decided factors by each bank.

Valuations on existing properties owned by you

If you have an existing property and are looking to increase your borrowings against it or are looking to change lenders, in most cases the bank will require a valuation. These are the valuations which are often subject to large variances as valuers become more cautious in their outlook on the market.

Valuers will always be conservative in their estimates for a property that you are looking to refinance or borrow against. Valuations are not an exact science and involve a valuer providing an assessment of the property value compared with properties which have recently sold in the area. If there haven't been a lot of similar properties sold recently or you have a unique property it can be difficult for the valuer to assess and they will therefore err on the side of caution.

Valuations on properties being purchased

With a property purchase, their job is to value the property to confirm the purchase price, they are not there to assess whether you have over or under paid on the property. Hence a valuation can't be ordered by the bank until you have an agreed purchase price with the vendor or have purchased at auction already. If you're unsure about purchasing a property without a valuation we always recommend paying for your own independent valuation, these can be done through the same companies the banks use. Your own valuation can give you peace of mind though they can add up depending on how many properties you consider purchasing. Remember, everyone at an auction is in the same position as you - the best they can do is a preapproval subject to finance.

A bank in any case, will still order their own valuation as needed, regardless of whether you've had one completed. It's very uncommon for a property purchase to come in at a different valuation than the purchase price. What's more likely is that the bank

may not accept the property for a range of reasons, including if it's in a flood zone, they already have too many apartments in one building or they deem particular postcodes too risky i.e. mining towns. Bank policy with regards to the property itself can change dependant on how much you are borrowing or your overall financial situation or if you are a new to bank customer. There are a multitude of factors which come together when a bank assesses whether to approve your finance.

Delays with valuations delays the entire process

One of the biggest delays to obtaining finance approval is caused by delays to the valuations. This is often caused by delays with accessing the property, usually by tenants. The managing or selling agent is contacted by the valuer to arrange a time for inspection. The agent then has to coordinate with the tenant for a time for access. It is at the discretion of the tenant when they allow access and we've seen instances where they have made the valuer wait over a week for access. The valuer then takes up to two days to return the report to the bank, where it then goes into a queue to the credit assessor for review.

Preparation is key

If you are thinking of buying in the next 6 months or need to borrow against an existing property - plan ahead. Get preapproved. The finance process takes time, so it's important to start the process well before the funds are actually needed. Bank credit policy is getting more complex and borrowing is becoming more difficult. We have the experience to help you identify and mitigate the potential issues when buying a property or borrowing against an existing property.

Alycia Inglis
MCom (Honours) Syd

Level 24, 66 Goulburn Street, Sydney Nsw 2000
Po Box 20345, World Square Nsw 2002
P +61 412 210 099 **E** admin@stoneturn.com.au

Important Notes

The information contained within this newsletter is of a general nature only. Whilst every care has been taken to ensure the accuracy of the material, Australia Expatriate Services Pty Ltd will not bear responsibility or liability for any action taken by any person, persons or organisation on the purported basis of information contained herein.

Without limiting the generality of the foregoing, no person, persons or organisation should invest monies or take action on reliance of the material contained herein but instead should satisfy themselves independently of the appropriateness of such action.

Hartleys Disclaimer

The information in this newsletter is confidential and may be privileged or subject to copyright. It is intended for the exclusive use of the addressee(s). If you are not the addressee, please do not copy, distribute or otherwise act on the email. If you have received the email in error, please contact the sender immediately and delete the email. The unauthorised use of this email may result in liability for breach of confidentiality, privilege or copyright.
Hartleys Limited ABN 33 104 195 057, its Directors and their Associates declare they may hold interests in/and earn brokerage, fees, commissions or other benefits from financial products mentioned in documents sent. Any financial product advice contained in this document is unsolicited general information only and does not take into account your objectives, financial situation or needs. Do not act on advice without first consulting your Investment Adviser to determine whether the advice is appropriate for you. If the advice relates to the acquisition, or possible acquisition, of a particular financial product, you should obtain a Product Disclosure Statement relating to the product, if relevant, before making any decision. Hartleys believes that any information or advice (including any financial product advice) contained in this document was accurate when issued. Hartleys however, does not warrant its accuracy or reliability. Hartleys, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.
Hartleys may collect information from you in order to provide any services you have requested. A copy of Hartleys Privacy Policy is available on www.hartleys.com.au. If you do not wish to receive further communications from Hartleys, please reply to this email and place Unsubscribe in the subject line. Please allow two weeks for your request to be processed.

John Goodlad owns shares in many of the companies mentioned in this report.

Referral agreement disclosure: Note that Hartley's will remunerate Australian Expatriate Services (AES) 30% of the net brokerage and 35% of the non AUSIEX Ltd component of the Echelon administration platform (if applicable) as a referral fee. This is calculated on a monthly basis and paid on a quarterly basis from Hartley's to AES. This fee forms part of, and is not in addition to, the standard Hartley's fee schedule

---

For more information in respect of any of the above items, please send us an email to: **client.services@australiaexpat.com.au**
Or visit our Client website at: **www.australiaexpat.com.au**