



Investments – What is Safe?

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The Risks

Systematic
Unsystematic
Credit/Default
Country
Foreign Exchange
Interest Rate
Political Risk
Market Risk





'Safe' Investments

- Government Bonds and Cash
- The main advantages to fixed interest are stability, certainty of earnings and owning "first rank" debt if a government/corporation
- Low risk





'Safe' Investments

- Interest rate/yield?
- Will not necessarily protect against Inflation
- A entirely 'safe' portfolio can in fact be risky.





"There are risks and costs to a program of action, but they are far less than the long-range risks and costs of comfortable inaction."

John F. Kennedy





Corporate Bonds

- Recent sell off
- Weaker economic indicators
- Fears of bond default by a Euro Government
- Potential Double Dip?





Which ones?

- Non financial!
- Healthy corporate balance sheets
- Bad news has been factored in
- Defensive companies – Utilities /Pharmaceuticals/Transport/consumer staples





Examples

- Imperial Tobacco – 7 year bond
- Tesco – 11 year Bond
- Yielding > 4%
- Double that of ‘like for like’ Gilt bonds





Risks and drawbacks

- Weaker economic growth
- Falling margins
- Limiting further improvement in strength
- Bond fund charges





Classic Portfolio Theory

- Vary by industry
- Vary by company size
- Optimal= 10-12 diversified stocks

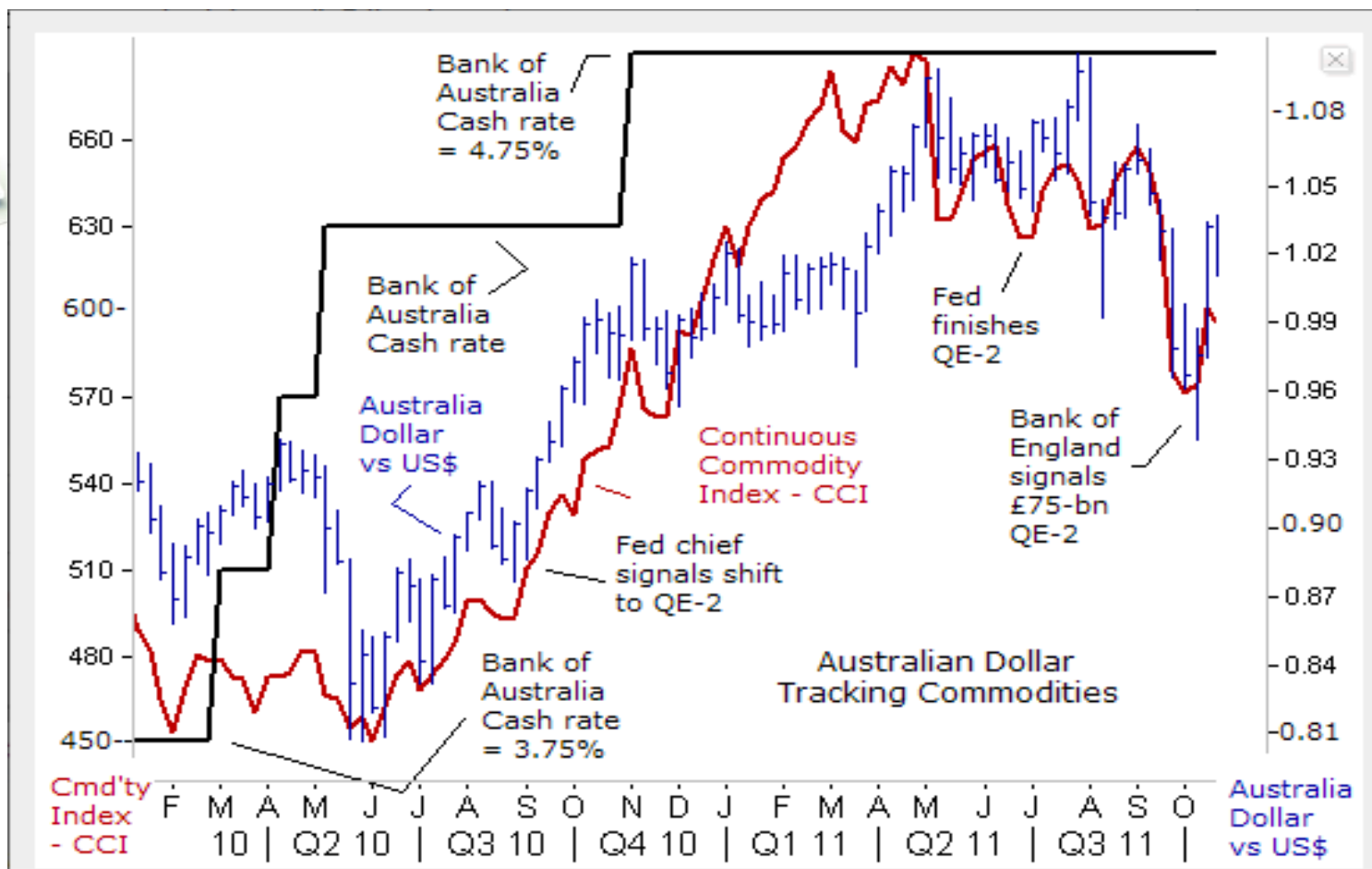




Commodities & the 'Aussie'

- AUD\$ - 5th most traded currency
- 7.5% of FX Market
(US\$4trn per day)
- Commodity prices off recent highs.
- Tracks Commodity index.







'The Aussie'

- Minimal Central Bank intervention
- Strength due to link with the commodity super cycle
- Indirect exposure to fastest growing economies. Especially China and India





'The Aussie' Exports

- Iron Ore, Coal, Grains, Crude Oil, Gold.
- Rio Tinto world # 2 mining (ore)
- BHP Billiton main rival.
- Share buy backs.





'The Aussie'

- Interest rate 4.75%
- Potential cut due by RBA
- Inflation data due 26/10..
- Level playing field globally if weaker AUD\$





Equities – Luxury Goods Sector

- Emerging Markets
- Rise of the nouveau middle class
- Retailing strength
- Global sector expected to expand 10% this year
- EUR190bn – global sales





Summary

- Appetite for risk
- Age
- Dependents
- Good spread of asset allocations





THANK YOU
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