



Portfolio Investment Strategies: *For the Times*



By Nick Katiforis

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Earlier in the year I wrote an article titled *The Australian Share Market – A New Perspective*. In it I outlined the state of the share market and the “de-risking” that had been taking place following a long period of selling.

My argument was that although there was the possibility of more *volatility* and the potential for further falls in the share market (which did occur), a lot of bad news had already been factored into share prices.

Unprecedented Central Bank and Government Response

I also argued that the aggressive actions undertaken by governments and central banks around the world to reduce the impact of the economic downturn was without parallel in human history, and would eventually be felt in the real economy.

This left scope for upside appreciation that you could take advantage of by using appropriate strategies which were outlined. These included the *Capital Protected Share Buy* for a move higher with insurance, as well as the *Strangle* and *Straddle* strategy to take advantage of volatile share price moves in either direction. These strategies worked well at the time and suited the market conditions. Market conditions however have changed since then and so too then should our strategies to fit with the times.

From Despair to Hope

The freezing up of global credit markets in 2008 caused very real fears of a systemic collapse of the global banking system. However following massive government interventions, including the Government Bank Deposit Guarantee, economic conditions by almost any measure have since improved. Recent economic releases point to a much milder downturn than was originally expected.

The path to prosperity

More than \$80 billion has been raised by Australian companies looking to shore up previously fragile balance sheets, putting many companies in a much stronger financial position than was previously the case.

With an improving economy, firming commodity prices and Chinese growth beginning to accelerate again, Australian company earnings should slowly start to improve. As the market anticipates a more stable economy with the resultant improvement in company earnings, share prices should move higher over time.

With so much bad news already out there appears to be very little on the horizon that could cause prices to fall significantly. The stage is now being set for the next significant bull market in equities.

Opportunity Knocks

The recovery in the share market is still at an early stage. *We absolutely needed to see a rally from the extreme lows in March and a consolidation of those gains for confidence to come back into the share market.* There is a solid price base in many shares now from which future rallies can build on.

The share market is once again a viable asset class for the purpose of wealth creation.

The point is that there are enough positive indicators that suggest that the worst is behind us and it is as good a time as any to look at building a diversified share portfolio. Waiting for too many of the “ducks to line up” will probably mean that share prices have already rallied substantially and that you have missed a good portion of that move.

Taking advantage of the next phase in the market

Accepting that the worst is behind us and that there are genuine wealth building opportunities ahead, we need to determine strategies that fit this view. Some of the previous strategies that may have worked well in the past may not be the most appropriate for the next phase in the share market. It is important then to choose the right market strategies with the aim of building wealth over the critical next 6 to 24 month period.

The selected wealth building strategies should provide the following:

- ✓ *Limited risk*
- ✓ *Unlimited profit potential*
- ✓ *Regular cash flow generation regardless of market direction*
- ✓ *Leverage without margin*

Wealth Building Share Market Strategies

The simplest way of taking advantage of a steadily improving share market is to *hold a portfolio of shares or to replicate a portfolio of shares.* This is the core element of our wealth building share market strategy. Importantly the strategies chosen should also provide the flexibility to earn regular cash flow as the share market ebbs and flows. The following innovative yet simple strategies deliver exactly that.

Let's Talk about Strategies that Work

The following strategies that we will outline address the important points of risk, provide good profit potential, and give you flexibility and total control of your investment with the ability to earn regular cash flow. The strategies revealed in the following pages possess a unique characteristic or *edge* which helps to tilt the odds squarely in your favour. These strategies are tried and tested and are simple to understand and apply.

Whether you are a first time investor or an experienced share market trader, these strategies will arm you with the knowledge, confidence and peace of mind to successfully invest in the share market today.