iInvest Securities
Stockbroking & Wealth Management

iInvest Eye on the Market

Winter Edition – July 2016

Outlook for Investment Markets

Like many other equity markets, Australia's has been sideswiped in the past week by increased levels of investor nervousness over Brexit. The S&P/ASX200 Index is now down 1.7% in capital value since the start of the year. Adding on the value of dividend income puts investors marginally in credit, with a total overall return of 0.3%.

For the year to date, the miners have done best (capital gain of 19.2%), followed by industrials (6.9%), and there was also a small (1.8%) gain for consumer discretionary stocks. But overall performance was held back by the weak performance of the large financials sector, which has lost 8.0%, and to a lesser extent by weak consumer staples stocks (loss of 5.7%) and IT shares (loss of 2.5%).

In Australia, there was unexpectedly strong gross domestic product growth in the March quarter; the economy grew by 3.1% over the year to March compared with the 2.7% consensus forecast. Other, more recent data point to the economy continuing to perform reasonably well. The Australia Industry Group's latest (May) sectoral indexes show that manufacturing has now been expanding for 11 months in a row, the services sector (the largest in the economy) moved into clear expansion mode during the month, and only construction went backwards, mainly because of the oversupplied apartment sector.

The latest (May) monthly business survey from National Australia Bank was also encouraging. Business “confidence” may have dropped a little–the NAB team suggested the general election may have played some part–but “confidence” tends to be a fickle indicator. A better insight into what is happening is NAB's measure of business “conditions,” which is a mix of what is actually happening to businesses' sales, profits, and employment. NAB's conditions measure is much more upbeat: As NAB commented, “Business conditions remained at an elevated level in May (at +10 index points), which is an above-average result and close to post-GFC highs...The elevated level of business conditions (unchanged from last month) was due to a notable improvement in trading (sales) and profitability, which offset a disappointing moderation in employment demand.”

The strong profitability reading is especially important. The latest official data on company profits had disappointed: Analysts expected companies' gross operating profits to be roughly unchanged in the March quarter compared with the December 2015 quarter, but in the event profits fell by 4.7% (seasonally adjusted) or, alternatively, by 3.1% on the statisticians' "trend" basis, which tries to detect the underlying pattern behind the usual statistical volatility. Either way, it was not encouraging: Analysts had hoped that profits in the non-mining parts of the economy would by now have been enough to make up for the substantially lower profits in the mining sector. In the event, in the year to March, mining profits were indeed down, by 21.7%, but non-mining profits were also down, by 3.3%.

Profits picking up from their current lacklustre levels will be critical for equity performance, as shares are expensively priced. On the mining side, it looks as if world commodity prices have at least stabilised: the RBA's latest index, for May, showed that prices are now only 2.5% lower in AUD terms than a year ago, China is still growing strongly, if not quite as strongly as previously, and analysts expect some modest rise in mining profits after the slump of 2015. On the larger, non-mining side, profits should also improve on the back of lower interest-rate costs, modest wage rises, and ongoing economic growth: Estimates vary, but Credit Suisse's latest forecasts, for example, have non-mining earnings per share growing by 8.5% this year. Without earnings growth of that order, Australian shares, which are trading on a historically expensive 17.6 times expected earnings, will remain vulnerable to any adverse surprises.

World equity markets have had another episode of nervousness, partly linked to the UK's Brexit referendum and partly to some evidence that global economic growth, while continuing, is slower than previously expected. Further episodes look likely during the year as investors periodically reassess the downside risks to global business activity. On the positive side, assets seen as defensive (property, infrastructure, government bonds, gold, the yen) have been beneficiaries of heightened investor concerns. In Australia, the business cycle is improving, though growth is not yet consistently back up to pre-mining-boom rates, and corporate profitability will need to pick up from current levels to justify what are now expensive share valuations.

Australian REITs have been one of the standout sectors of the Australian share market, and for the year to date they have outperformed all other sectors other than miners (which is a special case, as the miners have been recovering from an earlier slump). The S&P/ASX 200 A-REIT Index has provided a capital gain of 11.7% and a total return including dividend income of 12.7%.

Brexit - Opportunity for Australian Investors

The ASX 200 plunged on Friday, finishing the day down 167.5 points or 3.17% at 5113.18. The fall was thanks to Britain voting to leave the European Union (EU) – the result a 52 / 48 per cent vote to leave the EU. This was a reversal of what most people had expected, with bookmakers predicting Britain would remain in the EU, although various polls over the past week had swung either way, showing it was going to be a close vote.

Markets don't like uncertainly – and there is now a great deal of uncertainty over what happens next. European markets fell heavily over the weekend with the FTSE100 dropping 199.41 points or 3.15%, and the US also followed suit dropping 61032 points or 3.39% on the Dow. Investors will obviously be concerned that this has set a precedent and other countries may decide to leave the EU.

However – virtually every negative market shock in history has been a buying opportunity, and the Brexit will be no exception. **Sell off over done? It could be a huge opportunity for Australian investors.** Whatever happens next, or however long it takes for Britain to withdraw, Australians are still going to continue buying food, building houses, using financial services and travelling. **Brexit has presented a long-term buying opportunity.**

That means the heavy falls experienced by the big four banks Australia and New Zealand Banking Group (ASX: ANZ), Commonwealth Bank of Australia (ASX: CBA), National Australia Bank (ASX: NAB) and Westpac Banking Corporation (ASX: WBC) may be overdone. ANZ's share price fell 4.09% to $23.44, CBA was down 3.27% to $72.57, NAB was down 3.79% at $24.61 and Westpac's share price was crunched 4.42% down to $28.34.

Woolworths Limited (ASX: WOW) and Wesfarmers Ltd (ASX: WES) are also unlikely to be affected much by Brexit given the billions in revenues they will continue to generate in their supermarkets and liquor divisions. Investors still sold off both companies with Wesfarmers share price down 3.77% and Woolworths 1.39%.

Better opportunities ahead - Should European and US markets sell off in the next few days, **that could be a perfect opportunity for Australian investors to pick up shares going cheap.**

Keep in mind **Warren Buffet's** famous quote, **"Whether we are talking about socks or stocks, I like buying quality merchandise when it is marked down."** There are some very attractive bargains on offer after Friday's fall on the markets.

Top Stock Picks

Ainsworth Game Technology (ASX: AGI)

Current Market Price: $2.16 Estimated Fair Value: $3.70

Short-term concerns are weighing on Ainsworth Game Technology's share price. Earnings are currently being held back by weakness in Australia due to a lull in new product releases and higher component costs as a result of weak Australian dollar. Looking further out, we see earnings recovering strongly as recently unveiled new domestic products gain traction, aided by continuing robust growth in the Americas. Critically, the company boasts a narrow moat, one underpinned by 213 unique jurisdictional licences (including online) to manufacture and sell electronic gaming machines in Australia, the U.S., and seven other countries. While Aristocrat's Leisure's recent strong result shows that operating conditions in Australia for Ainsworth remain tough, our long-term positive view on Ainsworth is unchanged, underpinned by an expected recovery in Australia and further inroads in overseas markets. Signs of stabilisation in Australia would act as a catalyst to close the gap between the current stock price and our fair value estimate. The decision in February by 53% majority shareholder Len Ainsworth to sell his interest to Novomatic (at AUD 2.75 per share) could also act as a catalyst to highlight the inherent value in the shares. Though we don't like some aspects surrounding the share sale, on balance there are more certainties and potential financial benefits for minority shareholders by voting in favour of the sale and the subsequent tie-up with Novomatic. The path to our fair value would be more smoothly achieved with the backing of a large global company such as Novomatic rather than as a small stand-alone company.

Commonwealth Bank of Australia (ASX: CBA)

Current Market Price: $74.37 Estimated Fair Value: $91.00

Wide moat-rated Commonwealth Bank of Australia offers good value and is our preferred Australian major bank. The bank has historically been the most expensive of the major banks, but the recent sell-off places it at an attractive discount to our AUD 91 fair value estimate. We believe convergence of the share price and our fair value will occur as the market gains clarity on the bank's rising bad debt profile. Some are concerned about an imminent crash in the Australian residential sector, but we do not expect a surge in loan defaults. Commonwealth Bank is the least risky of the four major banks. It is conservatively managed, Australia- and New-Zealand-focused, and benefits from large market shares, a comparatively lower-risk loan book, and a sustainable and attractive fully franked fiscal 2016 dividend yield. The bank is well capitalised with a pro forma common equity Tier 1 ratio above 10%, following the AUD 5.1 billion capital raising in 2015. It has leading market shares in Australian home loans, credit cards, and household deposits and a strong position in wealth. It has a peer-leading return on equity of 17.2% and impressive cost/income ratio of 42.2%, relatively steady net interest margins of 2.06%, and strong asset quality with losses only 0.17% of gross loans in the first half of fiscal 2016. Mortgages are a high 66% of total loans. It has the lowest share of investor home loans (33% of its total home loans) and the lowest growth rate in investor loans of 3.1% over the past year.

Crown Resorts Limited (ASX: CWN)

Current Market Price: $12.61 Estimated Fair Value: $15.00

We regard Crown Resorts as a unique company offering defensive earnings quality (via its two dominant Australian casinos, one in Melbourne and the other in Perth) and an attractive growth profile via its stake in Melco Crown Entertainment in Macau, as well as new casinos earmarked to be built in Sydney and Las Vegas. We think the recent sell down of Crown Resorts' stake from 34.3% to 27.4% in Melco Crown does not have anything to do with its long-term view on Macau. Rather, we believe it was done to shore up the balance sheet ahead of Crown Resorts' large capital expenditure program. The share price continues to be plagued by the weakness in Macau as a result of the government crackdown on corruption, tighter credit conditions for junkets, and fears of an economic slowdown in China. We retain our positive long-term view of Macau and continue to see Crown Resorts' shares as attractive, trading at a material discount to our fair value estimate. We expect long-term growth in Macau to be driven by the more profitable mass-market segment than the volatile lower-margin VIP market, while the domestic casinos' earnings are likely to continue to exhibit resilience.

CSL (ASX: CSL)

Current Market Price: $112.18 **Estimated Fair Value: $125.00**

Narrow-moat CSL is the largest healthcare stock on the ASX and the world's largest blood plasma fractionator by market capitalisation. We believe integration of the Novartis cell-based influenza vaccine manufacturing operations with CSL's existing vaccine business under the rebranded Seqirus division is positive for shortening the path to market and increasing the company's global market share in seasonal influenza vaccines. This, in conjunction with the launch of several new recombinant coagulation products, and the steady progress in the broad R&D pipeline augurs well for earnings growth over the next five years.

Goodman Group (ASX: GMG)

Current Market Price: $7.11 **Estimated Fair Value: $7.50**

Goodman's geographically diversified and vertically integrated business model remains well-positioned to deliver solid medium-term earnings growth. The firm is taking advantage of the elevated prices for industrial property by selling assets in suboptimal locations and redeploying the capital to build new, higher-quality properties in locations with stronger demand fundamentals. This strategy will slightly dilute earnings growth in the coming two years but makes the business more resilient to an economic downturn. The property funds management platform continues to grow solidly, aided by the firm's strong relationships with large wholesale investors that provide a ready source of capital to fund the developments. Goodman operates at the upper end of the industrial spectrum, which we believe has a particularly favourable growth outlook given the importance of large-scale, modern warehouses in the distribution chains of modern retailers and logistics firms.

National Australia Bank (ASX: NAB)

Current Market Price: $25.43 **Estimated Fair Value: $35.00**

Following the Clydesdale demerger in February 2016, we expect National Australia Bank to deliver good revenue and volume growth, reduce the cost base, and improve return on equity from the core Australian and New Zealand franchise. With considerable relief, the bank's first-half fiscal 2016 cash profit increased 6.5% to an expected and impressively clean AUD 3.31 billion. Importantly, the interim dividend was flat at a fully franked AUD 0.99 per share based on an unsustainably high 79% payout and unchanged on the past four semiannual dividend payments. Our full-year fiscal 2016 dividend is based on an unsustainably high 80% payout, exceeding the medium-term target range of 70%-75% of cash earnings. However, we forecast payout ratio falls progressively to 74% by fiscal 2020. CEO Andrew Thorburn and senior management need to produce consistent, high -quality earnings to erase previous disappointments and rebuild investor confidence, in order to increase the likelihood the share price will recover from its long period of underperformance. National Australia Bank has substantial exposure to the business sector, with 45% of revenue from business banking, and is well placed to take advantage of the recovery in demand for business credit.

Platinum Asset Management (ASX: PTM)

Current Market Price: $5.76 **Estimated Fair Value: $8.00**

Platinum Asset Management is a highly successful Australian fund manager specialising in international equities, with a narrow economic moat thanks to its strong brand. It derives its income predominantly from base management fees on funds with specific mandates, typically by geography, though performance fees can add meaningfully in good years. Earnings growth is primarily driven by growth in funds under management, which is a function of performance and inflow. Key positives include strong brand recognition stemming from excellent long-term fund performances and a tailwind from Australia's growing pool of superannuation savings. With minimal capital expenditures and an impeccable balance sheet, the firm can pay out practically all profit as fully franked dividends. Investment returns trailing peers and its relative benchmark and fear of weakening equity markets are currently weighing on the share price. We remain confident initiatives to drive inflow, combined with Platinum's investment talent, will deliver strong growth in funds under management and earnings over the medium term.

ResMed (ASX: RMD)

Current Market Price: $8.30 Estimated Fair Value: $10.00

Narrow moat ResMed has been affected by negative sentiment in recent months, generated by the disappointing results of the Serve-HF trial, which in turn has led to its shares trading at an attractive discount to our fair value estimate. While the unfavourable result was a setback, we believe clinical evidence to date linking sleep-disordered breathing to a series of medical disorders beyond cardiology represent commercial opportunities for ResMed. The obstructive sleep apnea business remains robust and progress in the adjacent medical areas of chronic obstructive pulmonary disease is positive for growth. ResMed's integrated product suite creates an application ecosystem in sleep apnea, thereby strengthening switching costs for clinicians and patients, and it stands to benefit from further weakening of the Australian dollar.

Sonic Healthcare (ASX: SHL)

Current Market Price: $21.55 Estimated Fair Value: $22.00

Sonic Healthcare is the largest private pathology player in the Australian private pathology testing market with 40% share. Scale built via multiple acquisitions, integrated using a well-established hub and spoke operating model, has driven synergy benefits domestically and we believe will support the offshore growth strategy in the U.S. and European markets. Regulatory risk concerns have increased recently because of an ongoing government review of funding arrangements under Medicare. However, in our opinion, Sonic's foreign exposure diversifies revenue streams and lowers the company's vulnerability to Australian funding risk. International revenues as at the interim result stood at 59% of group revenues on a statutory basis.

Westpac Banking Corporation (ASX: WBC)

Current Market Price: $29.40 Estimated Fair Value: $38.00

Despite widespread concerns about deteriorating lending standards in Australia, Westpac continues to provide strong evidence to the contrary. Consumer credit quality remains sound. At current prices, the bank is undervalued, trading well below our AUD 38 fair value estimate. Negative investor sentiment on the Australian major banks is overdone and not based on hard facts. In our opinion, Westpac's valuation gap should start to close as investor confidence returns, global markets stabilise, Australia continues to generate relatively solid GDP growth, and unemployment remains around current levels. Westpac's first-half fiscal 2016 result was slightly softer than expected, with the interim dividend of AUD 0.94 missing our forecast by AUD 0.01. Our fiscal 2016 earnings forecast of AUD 8.1 billion represents modest profit growth, but an increased share base sees EPS decline 2% on fiscal 2015. The full-year dividend forecast of AUD 1.88 per share is based on a 77% payout and implies an attractive fully franked yield of 6.1% grossed up to 8.7%. Lending and deposit growth are good, with return on equity modestly below 15.0%. Low exposures to the mining oil and gas sectors support Westpac's low loan impairments as a percentage of gross loans. Westpac's capital continues to impress with a robust common equity Tier 1 ratio of 10.5% at 31 March 2016. The internationally comparable common equity Tier 1 ratio of 14.7% is comfortably in the top quartile of global peers.

Woolworths (ASX: WOW)

Current Market Price: $20.89 Estimated Fair Value: $28.00

Woolworths' dominant market position in the Australian supermarket sector in recent years allowed its retail prices and profit margins to rise above its competitors. The recent negative trend in comparative- store sales growth in its core Australian supermarket division, combined with the drag on earnings from the Masters chain expansion and various senior management departures, has been the main reason behind the share price declining 40% since April 2014. Woolworths is now trading at a 20% discount to our fair value estimate of AUD 28 per share. We do not believe the current situation is terminal, given its superior store network but it does require changes in strategy, and any transformation will take time. The closure of the Masters chain is a positive but was already factored into our fair value estimate as is a continued loss in supermarket market share to Aldi and Coles for the next few years. The new strategy of reducing grocery prices to close the margin between Woolworths and its competitors is positive but will clearly be negative for short-term profitability with the Australian food, liquor, and petrol EBIT margin for fiscal 2016 expected to be 5.0% compared with 7.2% in fiscal 2015. In our view, investing in price, in-store experience, store refurbishments and launching a more attractive loyalty programme may help stabilise market share in the short term, but ultimately we believe the market structure is changing and Woolworths' strategy that one shoe fits all may need rethinking. Divesting BIG W and its petrol station network which could collectively raise an estimated AUD 2.5 billion may also help in narrowing the gap to fair value.

Options Strategy – "Short Strangle" Strategy

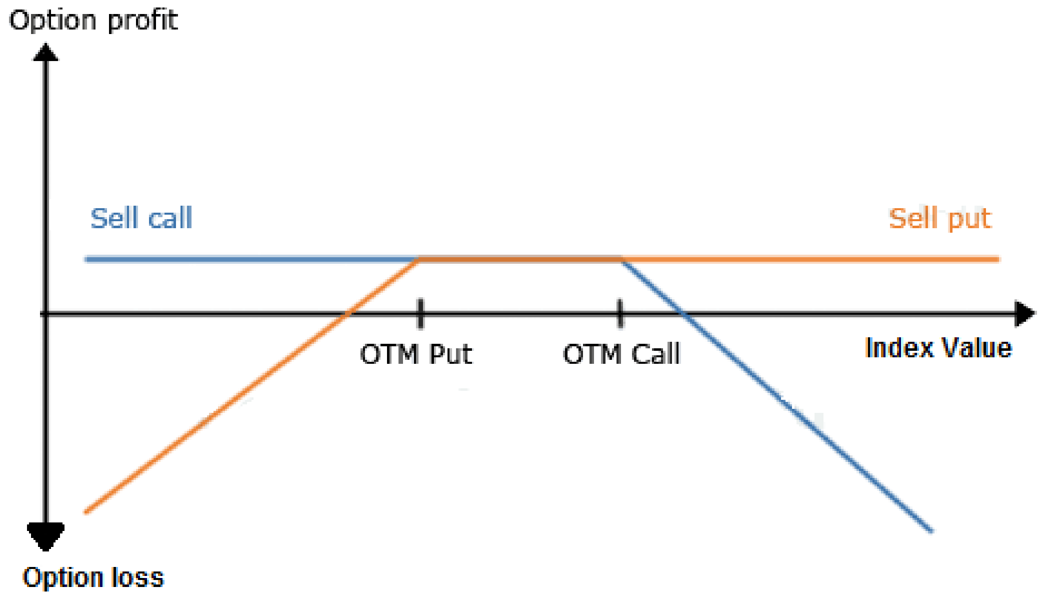
The aim of this options trading strategy is to earn income from premium received. This strategy succeeds if the stock price and volatility remains steady during the life of the option.

Fundamentals:

- Write(sell) Call
- Write(sell) Put

Both options have the same expiration, with the call strike price above the market and the put strike price below. The options are both out-of-the-money when the strategy is initiated. The maximum gain occurs if the underlying stock price remains within the exercise prices.

Payoff Diagram



From January 2013 the Index has **averaged a range of 313 points per month.** Our strategy takes advantage of the time value of out of the money options usually in a 400 – 500 point range.

Selling a call 250 points above the market price and a put 250 points below the market price creates our range of return. An expiry within this range allows us to keep all premium received when the index finishes in this range.

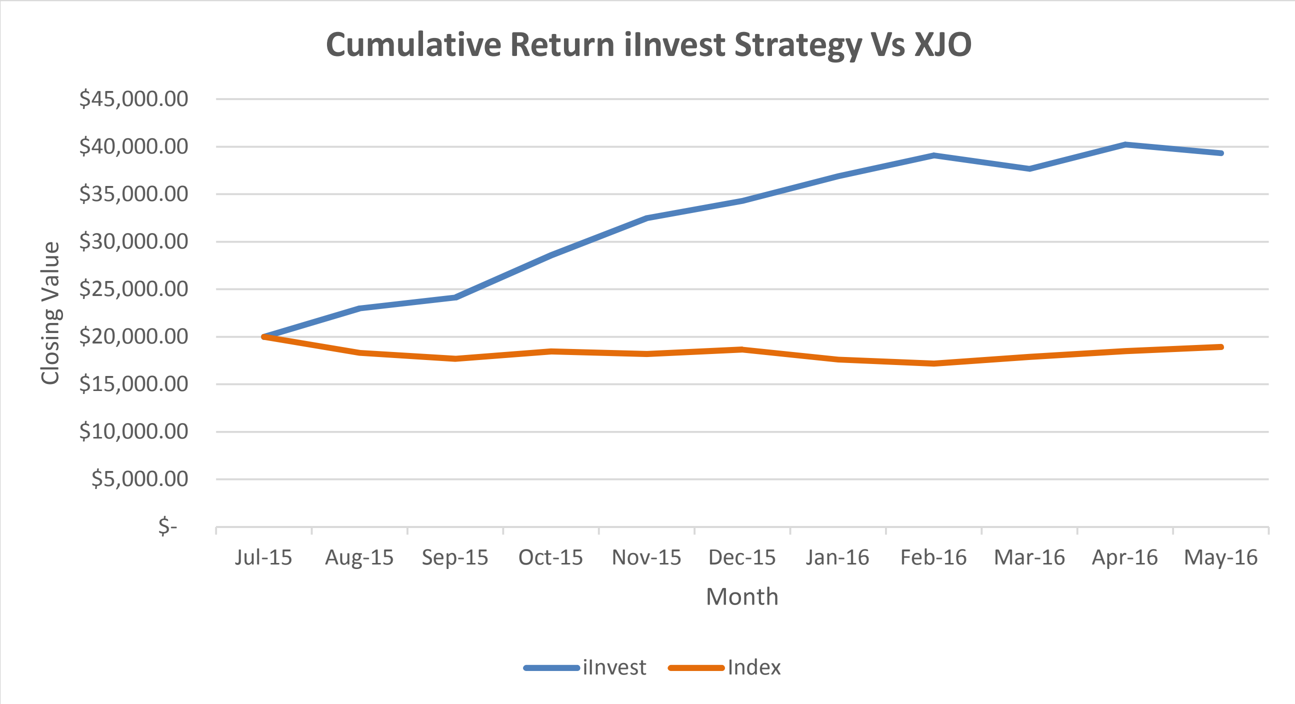
The strategy can be tailored to suit different margin requirements, aggressiveness, view and risk profile. Our example has been trading 5 XJO contracts utilising an average of $16,000 of margin.

Entering the strategy is market dependant – meaning relative to where and how the index has traded recently it may be a great time to open the strangle or may be worth waiting. We try and utilise the time value of options so entering the trade towards the start of the month or the end of the previous month is ideal.

This strategy has been tremendously successful exhibiting a total return of 96% over the trading duration. We have compared the strategy returns to holding a long portfolio in the underlying XJO index.

Note: These returns have been realised in an iinvest securities account

Cumulative return of strangle strategy over trading period - Initial investment of $20,000



Monthly XJO ranges, premiums and returns

Chart Area XJO strangle strategy			
Month	Range of return	Premium	Return
Jul-15			0%
Aug-15	5000 – 5500	$ 3,000.00	15%
Sep-15	4900 – 5300	$ 1,150.00	6%
Oct-15	4950 – 5400	$ 4,450.00	22%
Nov-15	4800 – 5300	$ 3,900.00	20%
Dec-15	4800 – 5600	$ 1,800.00	9%
Jan-16	4700 – 5300	$ 2,600.00	13%
Feb-16	4600 – 5200	$ 2,200.00	11%
Mar-16	4450 – 5100	-$ 1,400.00	-7%
Apr-16	4900 – 5350	$ 2,550.00	13%
May-16	4800 - 5300	-$ 900.00	-5%
Jun-16	5050 - 5400	$ 4,900.00	25%
Brokerage			$ 5,100.00
Total return		$ 19,150.00	96%

Note: Returns based on a margin of $20,000

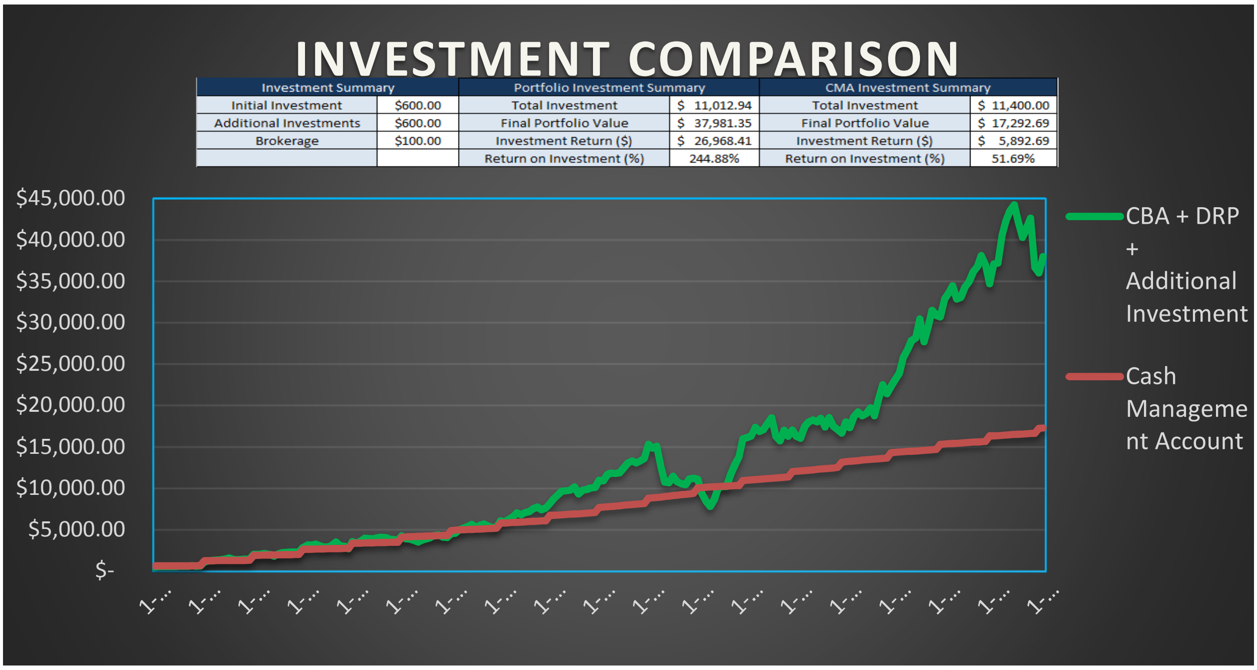
iInvest for Kids

Have you ever considered using shares to help you to save for your children's or grandchildren's future? Wouldn't it be nice to give your child a deposit to put towards their first home, or provide them with the funds to pay for their university course? Having a plan that combines using shares, with a savings plan can allow you to start your child down the path towards meeting their future financial needs.

A key to investment success is time in the market. You may have heard the saying "Time in the market, not timing the market". One thing children have working in their favour is time. This is where the concept of iInvest for Kids comes about.

How Does It Work? – To begin with we set up an account in their name with you as trustee. We also establish a cash management account to receive dividends and any additional contributions you make along the way. We work with you in selecting an appropriate investment option to begin with. This might be picking up shares in a listed investment company or a blue chip, dividend paying stock, such as a bank. You may also look to setup a regular savings plan, contributing funds into the cash management account until such time as the balance reaches a suitable level to purchase additional shares. It doesn't need to be complicated but starting early can allow the power of compounding to work its magic.

Let's say you started with this knowledge 18 years ago and invested some funds in shares. If you reinvested the dividends along the way, and contributed a small amount on a regular basis you would be quite surprised with today's balance. The chart below looks at an example based on the historical performance of CBA shares combined with a regular savings plan.



Investment Summary		Portfolio Investment Summary		CMA Investment Summary	
Initial Investment	$600.00	Total Investment	$ 11,012.94	Total Investment	$ 11,400.00
Additional Investments	$600.00	Final Portfolio Value	$ 37,981.35	Final Portfolio Value	$ 17,292.69
Brokerage	$100.00	Investment Return ($)	$ 26,968.41	Investment Return ($)	$ 5,892.69
		Return on Investment (%)	244.88%	Return on Investment (%)	51.69%

The graph is based on the past performance of CBA shares, assuming an initial investment of $600. Also including additional investments of $600 made annually. The results also assume participation in the dividend reinvestment plan over the period of investment.

**Past performance is no guarantee of future performance. This information is for general information only, and does not take into account your personal circumstances, investment objectives, financial situation or needs

Retirement Planning

Retirement planning is difficult because of the numerous competing financial obligations we have, so it must be prioritised. Further, retirement plans should not end up being based on assumptions that have never been questioned.

For the full retirement planning article – please visit our website: www.iinvestsecurities.com.au

Women in Business - Luncheon

iInvest Securities is proud to sponsor the **2016 Gold Coast Women in Business Awards.**

We are hosting a lunch in July 2016 at Bond University to celebrate Women in Business.

Keep an eye on our website for details of the lunch.

To register your interest in attending this function, please contact out office on 07 5520 8788.

Australian Cash & Fixed Interest & Term Deposits

The Reserve Bank of Australia kept monetary policy unchanged at its most recent policy meeting on June 7, and short-term interest rates have consequently shown little change, with the 90-day bank yield steady just above 2.0%. Longer-term interest rates have fallen, however, influenced by a mixture of low domestic inflation and falling overseas bond yields, with the 10-year Commonwealth bond yield now also just above 2.0% (currently 2.04%), 0.8% lower than its opening level at the start of this year. For the year to date, the S&P/ASX Bank Bills Index has returned a (pretax) 0.97%, while the S&P/ASX Corporate Bond Index has returned 3.6%. As has been the case overseas, government bonds have been the asset of choice in periods of volatility, and the high demand has meant that the S&P/ASX Australian Government Bond Index has outperformed other fixed-interest options, with a 5.2% return. The Australian dollar has strengthened in recent weeks and, in terms of the headline AUD/USD rate, has now climbed back above its opening year levels: For the year to date it has gained 1.5% against the US dollar (currently trading at USD 0.741). In overall trade-weighted terms, however, the AUD is still a little below (negative 0.6%) its level at the start of the year.

Forecasters had expected the RBA to keep policy unchanged earlier this month but differ on the outlook from here. The RBA itself gave no clues about its future intentions in its latest policy announcement, and views range from no further cut in the cash rate from its current 1.75% level (National Australia Bank), to one 0.25% cut (ANZ Bank, Westpac Bank), to two 0.25% cuts (Commonwealth Bank). The financial futures market is pricing in one 0.25% cut by the end of this year. The likelihood is that even lower returns from the likes of bank bills and bank deposits look to be on the cards.

With Australia's official cash rate hitting a new all time low (1.75%) term deposits are lacking any significant appeal for investors.

Current Term Deposit Rates

TERM	$5K-$100K	$100K-$500K	$500K-$1M
At-Call Deposit Rate	1.75%	1.75%	1.75%
1 Month	2.00%	2.00%	2.00%
3 months	2.75%	2.75%	2.75%
6 months	2.85%	2.85%	2.85%

****Rates are subject to change. Changes to the official RBA cash rate can impact the rates offered.**

To find out more about fixed term deposits please give one of our friendly advisers a call to discuss.

Portfolio Review

A share portfolio is very much like a car engine; a regular service keeps it performing at its best. We strongly encourage all clients to get a portfolio review on a regular basis.

When was the last time you looked at your portfolio to check on its performance? Is it still performing as you would like, or is there room for improvement. Please contact us now to make an appointment for a free portfolio review.

The Search for Yield

The current low interest rate environment in Australia is forcing investors to go in the search for superior returns. This has continued the demand for the traditional, high yielding blue chip shares that are available on the Australian share market. For those investors with a long term focus, stocks have historically provided superior returns to cash and fixed interest and the current yields on offer are substantially greater than rates being offered in term deposits.

Stock	Stock Code	Dividend Yield	Franking	P/E Ratio	Current Share Price
ANZ Banking Group	ANZ	7.26%	Fully	10.12	$24.12
Commonwealth Bank	CBA	5.65%	Fully	13.49	$74.37
National Australia Bank	NAB	7.79%	Fully	59.61	$25.43
Westpac Banking Corp	WBC	6.39%	Fully	11.64	$29.40
Bendigo & Adelaide Bank	BEN	6.98%	Fully	10.86	$9.60
Bank of Queensland	BOQ	7.18%	Fully	11.74	$10.59
Suncorp Group	SUN	5.58%	Fully	15.09	$12.18
Insurance Australia Group	IAG	5.32%	Fully	21.29	$5.45
Telstra Corporation	TLS	5.58%	Fully	15.98	$5.56
Wesfarmers Limited	WES	5.04%	Fully	18.29	$40.10
Woolworths Limited	WOW	5.55%	Fully	-251.69	$20.89

Source: IRESS

Keeping In Touch

Website – www.iinvestsecurities.com.au

- ✓ If you are not yet setup to access the iInvest online client login - please call us to get this service activated for you. This is a **free-of-charge** service for our valued clients. The login allows you to view your portfolio, trading history and have access to extensive market research.

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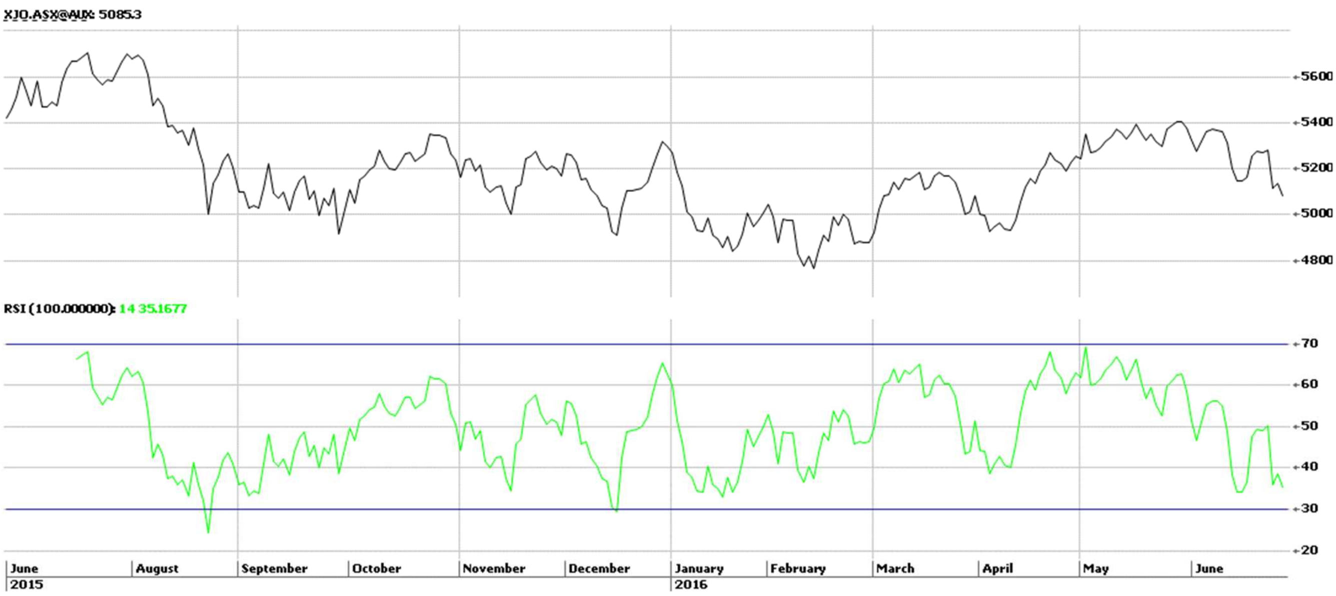
iInvest Wrap

Given only a small percentage of Australian Exports head to the UK (2.7%), the main impact of the Brexit vote on Australia will be on financial markets. The Brexit has put a dent in investors short term confidence and may lead to the case for the RBA to cut the official interest rates again, especially if the banks increase their lending rates out of cycle due to an increase in their funding costs. The Brexit is unlikely to send the global economy into recession and investors should look for opportunities that the short term volatility has presented after the market sell-off.

With the Australian federal election looking, promises of Government spending should provide work and stimulus to the local economy. After eight of the previous twelve federal elections held post 1983, shares were up in the three months following, with an average gain of 4.8%



ASX 200 Yearly Chart. Source: IRESS

Now is a good time to review your investments – it's a good idea to work with the current market volatility, rather than against it. Always remember that it's the nature of markets to go up and down, and for most investors any weakness has presented quality buying opportunities when taking a longer term view.

Happy investing

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'The ultimate compliment our business can receive is a client referral'

iInvest Securities

Stockbroking & Wealth Management

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