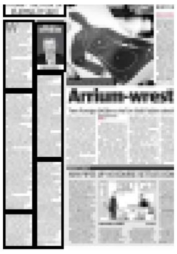


02 Jun 2017
Herald Sun, Melbourne

Author: Rod North • Section: Business News • Article type : News Item
Audience : 316,499 • Page: 56 • Printed Size: 318.00cm² • Market: VIC
Country: Australia • Words: 733 • Item ID: 785264833

WHEN REWARDS TRUMP THE RISK OF PLAYING IT SAFE

IN MY OPINION

ROD NORTH

WHETHER you're flicking through the newspaper's business section or surfing the internet for the latest economic data, you're likely to read that markets around the world remain volatile.

However, you may ask the question: Could Donald Trump's US presidency cause a share market boom now the Dow Jones is over 21,000 points?

The swing factor is tax cuts — and when and if they will be delivered. This could drive the US share market to greater heights — and Australia's bourse could follow.

It will be 10 years this November since the All Ordinaries index reached its all-time peak of 6800. We are still a long way off that, at 5800, and in the 145 years of share market history, the market has always reached and then surpassed its previous high — until now.

The domestic economy is clearly doing much better than most of its global counterparts, but Australians still worry about their job and their financial wellbeing so they hold on to their money and they hold on tight.

Is this the right thing to do and more importantly, is it the only thing to do?

One area of the share market to have a close look at is the small-cap sector. Small-cap shares can often really boost your investment returns as it is much easier for a small company to double, triple or quadruple than a top 50 or 100 company to grow by 5 to 10 per cent.

Aussie investors have a longstanding love affair with the top end of the market or blue-chip shares. Many only consider putting household names like National Australia Bank, Woolworths or BHP into their investment portfolio.

Sometimes investing in top-end shares can be a safe bet but it can be like watching the Queen Mary turn. It's happening but very hard to notice. By ignoring the smaller end of the market you could be denying yourself some pretty spectacular gains as part of your wealth-creation process.

Small caps can be at the risky and volatile end of the investment horizon so it is very important to take appropriate analysis.

With that in mind, I believe it's time to stop worrying so much and start investing in the Australian share market instead. There is some great value at the smaller end as these companies strive to be future leaders. Anyone can invest in the top 50 and pick telcos and banks. But will they be winners in the end and deliver double-digit returns?

The first thing is to establish that the company is a real business and has a profitable trading history and a respected management team. The business also needs to have transparent and verifiable financial information.

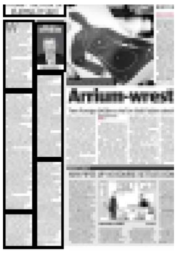
You may also ask yourself whether the business is easily understood and whether it has the ability to grow organically or strategically.

Usually it is not difficult to cross-reference the members of the management team and board by checking with other companies and other key executives that may have worked with them.

Generally, someone on the board will have a significant track record and therefore it will be easy to ascertain their performance. Additionally, you would be surprised at how effective a Google search can be in this regard.

Ensure that you are on the list or a client of major share brokers around Australia that are likely to be the broker to the initial public offer.

You may also wish to contact the company directly via the company secretary. In terms of information about pending IPOs, this is available through the ASX website and



various investment newsletters/forums.

Finally, make sure you keep abreast of the widespread coverage in the daily print and broadcast media.

While good profits can be generated from acquiring shares before they list on the market, it should be remembered the share market is a volatile and uncertain beast. Booms come and investors can accumulate great wealth. Booms disappear and can quickly wipe out investment value.

It has always amazed me that people spend a lifetime accumulating wealth but don't do enough research on selecting the right financial adviser or ascertain their tolerance for risk when they make investment decisions.

Gen Y and Z, no excuses. Stop spending, start saving and invest in your future. Start your share portfolio today as you may not get another chance like the present climate in your lifetime.

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