

# Financial Planning e-Newsletter

December 2006

## In This Issue

**World's Best  
Stockpickers  
Diversified Office  
Property Fund**

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Hi,

In this issue, we review a recent study into the use of stockpicking as a strategy to create wealth. We also uncover a high yielding investment opportunity with capital growth potential via exposure to the office property market.

## World's Best Stockpickers

With the Christmas season underway, many of us will be out shopping for gifts for family and friends in the weeks ahead. The effort in finding the gift is typically time consuming and on occasions, expensive.

The reward that you gain is generally the act of giving and the reaction from the person that you give the gift to.

What if, after all that frustrating shopping in bustling crowds, only 1 in 3 gifts you bought were appreciated or appropriate? Would you consider that your time, effort and expense was worth it? Would it be fair to assume that your next vocation is unlikely be that of a professional gift shopper for other's to pay for your advice?

If we were talking a similar success rate for buying investments, ie. you had a 1 in 3 chance of selecting the right fund or stocks, would you consider placing all of your retirement savings into it?

Interestingly, *Bloomberg* magazine have published the results of a 2 year study that searched for the world's best stockpickers.

Recommendations issued by more than 350 firms were reviewed and the accuracy weighed based on their individual forecasts of shares of the world's 200 largest companies by market value.

In terms of accurate calls, Merrill Lynch ranked first with a score of 34 per cent. This means that they got their predictions right in about 1 out of every 3. And remember, this study was into the world's best firms whom have immense resources and expenditure to get this right.

Amazingly, Merrill Lynch was a star performer compared to some of the others. Citigroup, for instance, had a stock-picking score of 16 per cent. It was wrong 84 per cent of the time. In Asia, Macquarie Bank Research were amongst the leaders with a 32.3% strikerate in the region.

The similarities between these stockpicking results and that of historical research into newspaper racing tips is uncanny. This provides you with a good insight into the similarities of tipping horses and picking stocks.

These facts reiterate the importance of structuring your portfolio so as to capture the returns of the overall markets so as to drive performance from each asset class with minimal impediments.

As we have discussed with many of our clients on a regular basis, speculation can have it's place. But it is typically via a minor weighting within a well diversified portfolio.

This study reiterates the fact that investors should appreciate that active stockpicking and market timing is a high risk strategy that is not likely to reward your time, effort and expense.

#### Diversified Office Property Fund

We have recently uncovered an opportunity within the Unlisted Property Trust sector that may be suitable for investors seeking good income potential.

The trust offers 100% tax deferred income with a yield of approximately 8%.

This trust invests into a diversity of offices with solid potential for capital growth. These offices are located in Sydney, Canberra, Brisbane and Adelaide with high quality tenants including Telstra, Boeing, Rio Tinto and both Federal and NSW government.

If you would like to know more, please call or email

our office.

If you have any queries about this month's newsletter, please feel free to email or call our office on (02) 9525-0777. If you would like to forward this email to a friend, click on the forward email link below.

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