

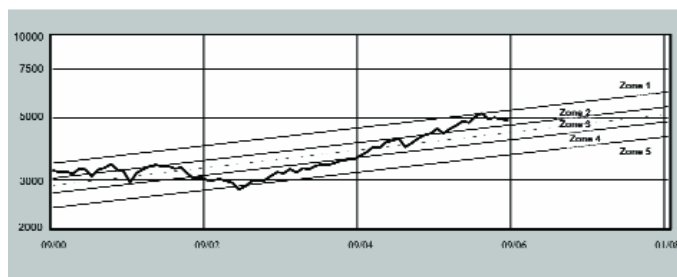
Investing Times newsletter is a very valuable investment newsletter for retirees. Set out below are two of the newsletter's key regular features that provide investors with information and tools with a clear and simple approach to build and monitor share portfolios over the longer term.

Example 1 A UNIQUE ZONE SYSTEM

LEADING MARKET INDICATOR - ZONE SYSTEM

The unique Zone System highlighted in the "Investing Times" newsletter is a leading market indicator which provides investors with the Zone in which the current market is trading relative to the long term trend of the sharemarket over the past 46 years. The Zone system is not someone's emotional view about the future direction of the market, or a mathematical equation you cannot understand. It is based on a basic trend line shown below as the dotted line with more than 46 years of history to back up its view.

Australian Shares – All Ordinaries Index -
Long Term Trend and Zone Chart



How the zone works?

The Zone graph appears in every edition of "Investing Times" and splits the market into five Zones. This is built around the assumption that over the past 46 years the index has spent equal amounts of time in each Zone. The reason most people invest in shares is, at a minimum, to obtain the longer term return of the whole Australian sharemarket and capital growth of the historical return of 7.64% (excluding dividends) over a 46 year period represented by the dotted line in the above graph. Thus, by using the Zones as a measure, one would want to purchase or average an entry into the market at least somewhere in Zone 3 where the long term trend lies, and even better in Zone 4 or 5. This does not mean that you do not invest when the market is Zone 1 or 2. It just means you invest only a portion of your capital into the market, or even take some profits if you are already exposed.

Zone 1	Very unfavourable buying
Zone 2	Fairly unfavourable buying
Zone 3	Average buying
Zone 4	Fairly favourable buying
Zone 5	Very favourable buying

At the time of writing we are currently in the middle of Zone 2 and approximately 11% above the long term trend line.

At the end of the day what an investor should be doing is trying to obtain an entry point to the market that is as close to Zone 5 as possible, eg taking an overweight position in Zone 5 and reducing your overall exposure in Zone 1 or 2. The trick is always to have some exposure in the market as you may spend extended periods of time in one Zone. For example, from 1995 to 2001 the market did not move very far out of Zone 2.

The Zone system is a powerful instrument, but its strength is its simplicity. Subscribers to "Investing Times" have been encouraged to use the Zone system when making strategic decisions which involve allocating capital to Australian shares and there have been excellent benefits for those who have followed the system over the years. The benefit of using the Zone system was highlighted by the fact that the index fell into Zone 5 in March 2003, and since then those who had invested would have been provided with an annual average return of more than 20%.

Example 2 DEFENSIVE SHARE PORTFOLIO

For investors who want to have market exposure, but who would prefer to have a defensive tilt in their stock selection as a means of reducing market risk, "Investing Times" newsletter has built a defensive share portfolio based on well researched quantitative principles.

Background

The defensive high yielding share portfolio is based on a selection process of companies which meet a set criteria. In a nutshell, the idea is to identify cheap, sustainable companies listed on the ASX.

The criteria highlights companies that pay large dividends, and it also makes sure these dividends are sustainable. It also evaluates the company's ability to derive a return on shareholder funds. The three criteria are dividend yield greater than 7.5% gross, dividend cover of at least 1.25 times; and return on equity of greater than 10%. No other factors were considered. No personal preferences, no favourites, no black box computer programs, no six figure analyst's opinion, just these three numbers. Simple!

6 years and still going strong

The portfolio was established in March 2000 and since then it has been reviewed at least once a year usually around March. At the annual review, the market is scanned and any new stock that fits the three criteria is added. Also applied is a basic portfolio review mechanism, which implies that all holdings should be of similar size.

It basically works like this. No holdings should be greater than double or half the average holding size. Therefore, at the review dates, any stock being greater than double the average should be halved or sold down, and vice-versa - any company worth half the average should be sold completely. Now, in the real world these points would only be review indicators and not hard, predetermined decision tools. However, in the "Investing Times" Defensive Share Portfolio we are trying to get away from any personal intervention.

The sell side

In deciding what sell side criteria could be established, we look to remove companies with the opposite criteria or that look expensive e.g. unsustainable payout ratios, low yield and a poor return on shareholder funds. Therefore the same three criteria can be used in reverse: dividend yield less than 4.7% gross; a dividend cover of less than 1.1 times; and return on equity of less than 8%.

Take the emotion out of the decision etc.

The Defensive Share Portfolio does not mean to show stock picking ability. What readers take away is that to manage an Australian share portfolio you need some kind of framework with which to make decisions. Due to the defensive share portfolio only being a model, hard rules work quite well. However in the so called real world, investors would use the three above mentioned criteria as prompts rather than hard and fast rules.

The results!

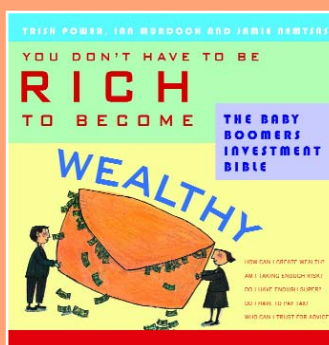
"Investing Times" Defensive Share Portfolio returned 27.38% for the 2005-06 calendar year. This compares favourably to the S&P/ASX 200 which returned 23.89%. The DSP is returning an average of 20.01% pa since inception (March 2000) while the S&P/ASX 200 over the same period returned 11.93%.

There is no magic ball what the newsletter provides is a set of rules that allows subscribers to take the emotion out of the stock selection and review.

Going forward, free rides like the ones over the last 5 years will not be around, and building a successful portfolio will need more review rules and decision making tools than ever before.

For a complimentary copy of "Investing Times", and subscription details which include two free issues and a free book - phone 1300 131 526 or email susan@investingtimes.com.au

For more information, visit the newsletter website: www.investingtimes.com.au



You Don't Have to be Rich to Become Wealthy — The Baby Boomers Investment Bible is a comprehensive, no-nonsense guide to preparing for a comfortable retirement. Written specifically for Australians in their forties, fifties and sixties, but relevant to anyone who has been putting off planning for retirement, this handbook contains valuable wealth-

creating strategies for saving, investing, superannuation, tax and, most importantly, getting started.

Authors Trish Power, Ian Murdoch and Jamie Nemtsas are experienced investors who also spend their working lives advising or educating Australians about money and investing. In this book, they show you how to:

- build a plan that can make accumulating wealth easier than you think
- avoid the biggest mistakes that investors make
- work out how much money is enough
- identify how much risk you're willing to take when investing
- pick a good investment from a dud investment
- build a foolproof portfolio for accumulating wealth
- make the most of your superannuation opportunities
- enjoy tax-free income in retirement
- find a qualified and independent financial adviser.

If you're serious about accumulating wealth or simply want to learn more about the right way to invest, *You Don't Have to Be Rich to Become Wealthy — The Baby Boomers Investment Bible* is the book for you. Available October 2006.

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The Investing Times newsletter

The independent newsletter for the self-directed investor

Investing Times Newsletter is one of the most broadly based and regularly produced investment newsletters in Australia, covering the entire investment world and wealth management industry. In its 20 page magazine format, which is published every 6 weeks, Investing Times has 4 main sections and also includes economic outlook, new product reviews, and sector commentary on property trusts and fixed interest.

- **Strategies and Opportunities** for the long term, using the newsletter's long term trend line and zone based sharemarket indicator for tactical buying or selling strategies.
- **DIY Super** that provides specific focus for superfund investors, investment issues facing DIY funds, case studies, compliance updates and latest news.
- **Sharemarket** including recommended core portfolio, defensive share portfolio, market reports, and specific recommendations for long term investors.
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