

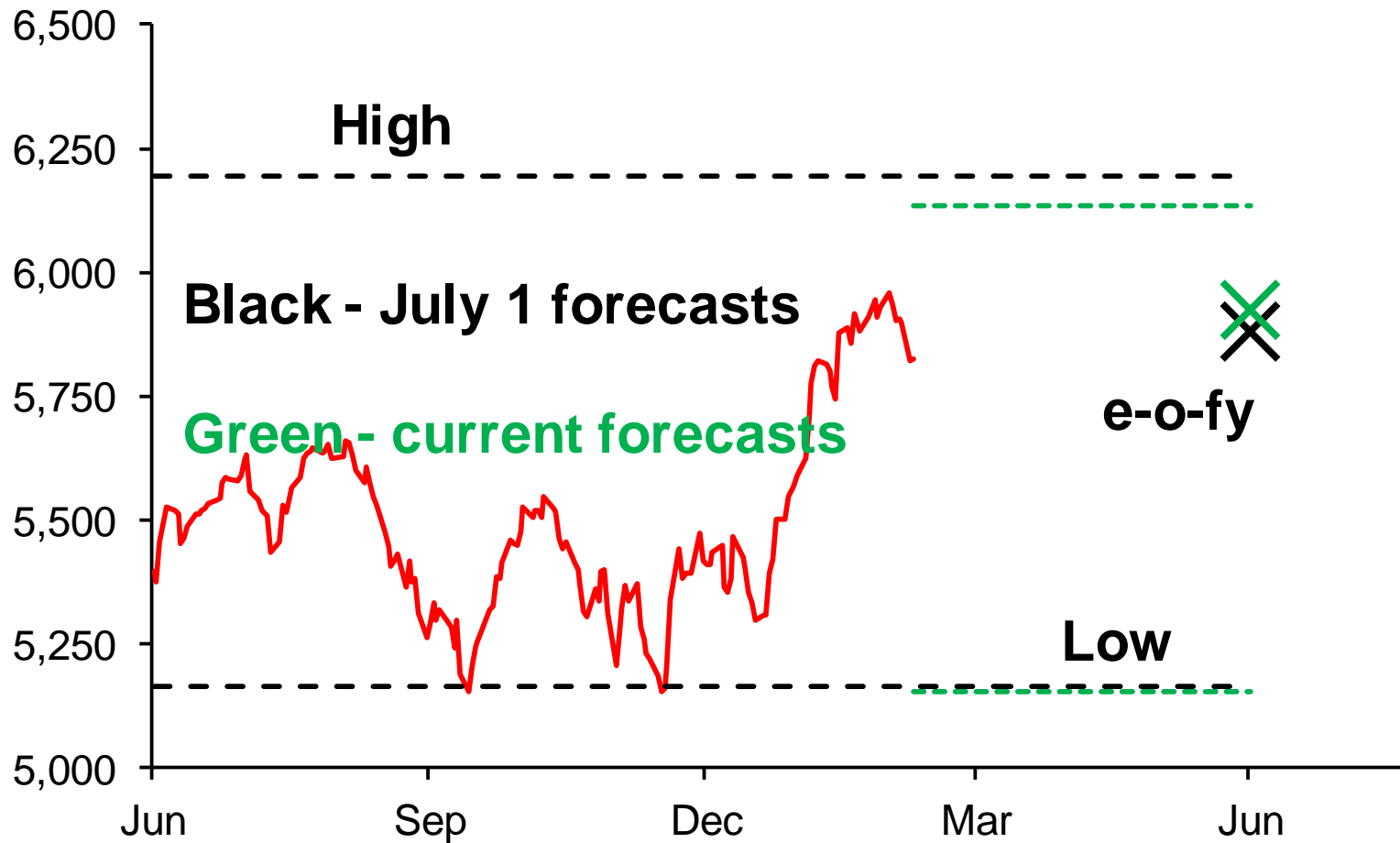
Don't move into cash, yet!

Slides for Ron Bewley interview on Switzer TV, 11th March 2015

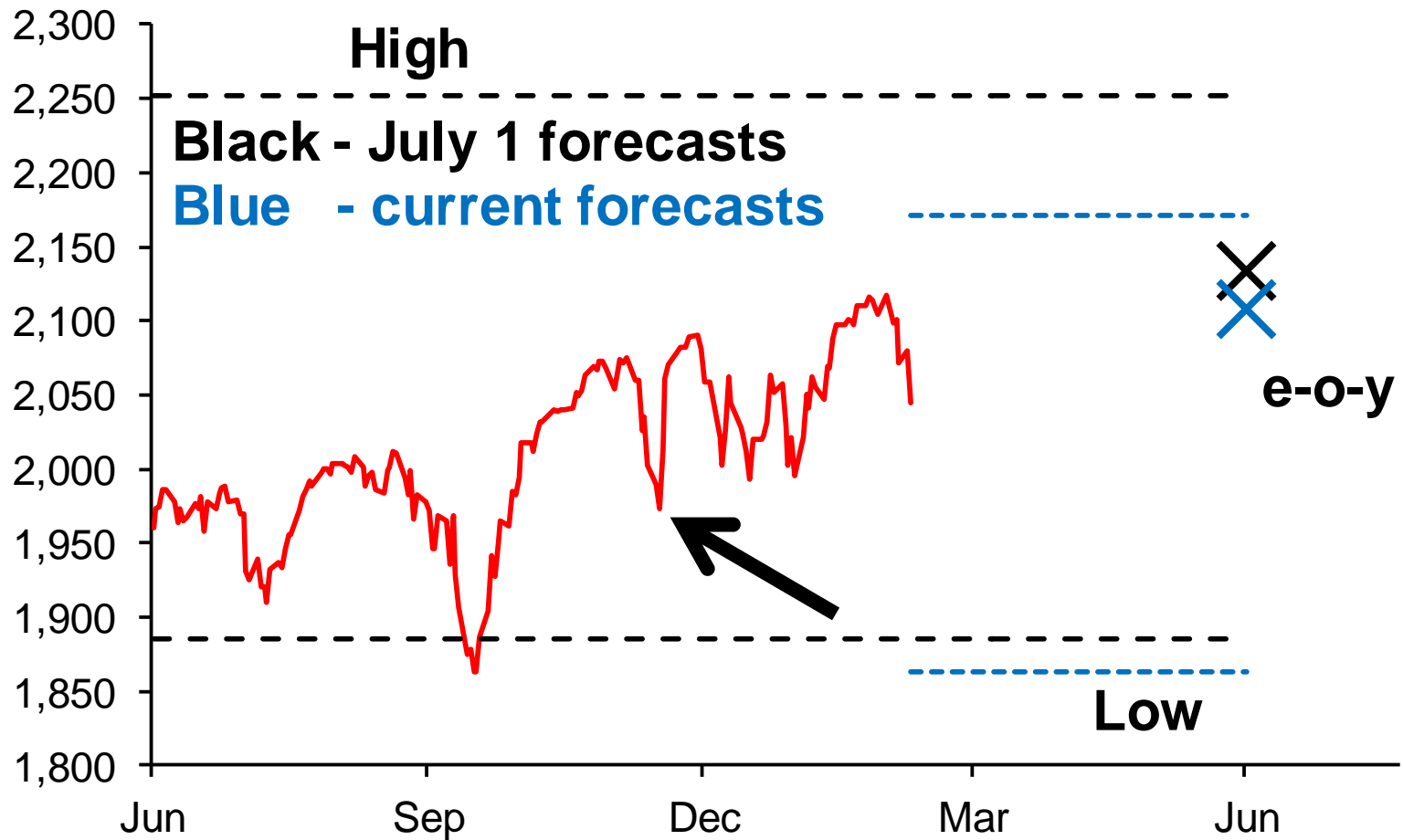
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General Advice Warning: This note has been prepared without taking account of the objectives, financial situation or needs of any particular individual. Any individual should, before acting on the information in this note, consider the appropriateness of the information, having regard to the individual's objectives, financial situation and needs and, if necessary, seek appropriate professional advice. Past returns are no guarantee of future performance.

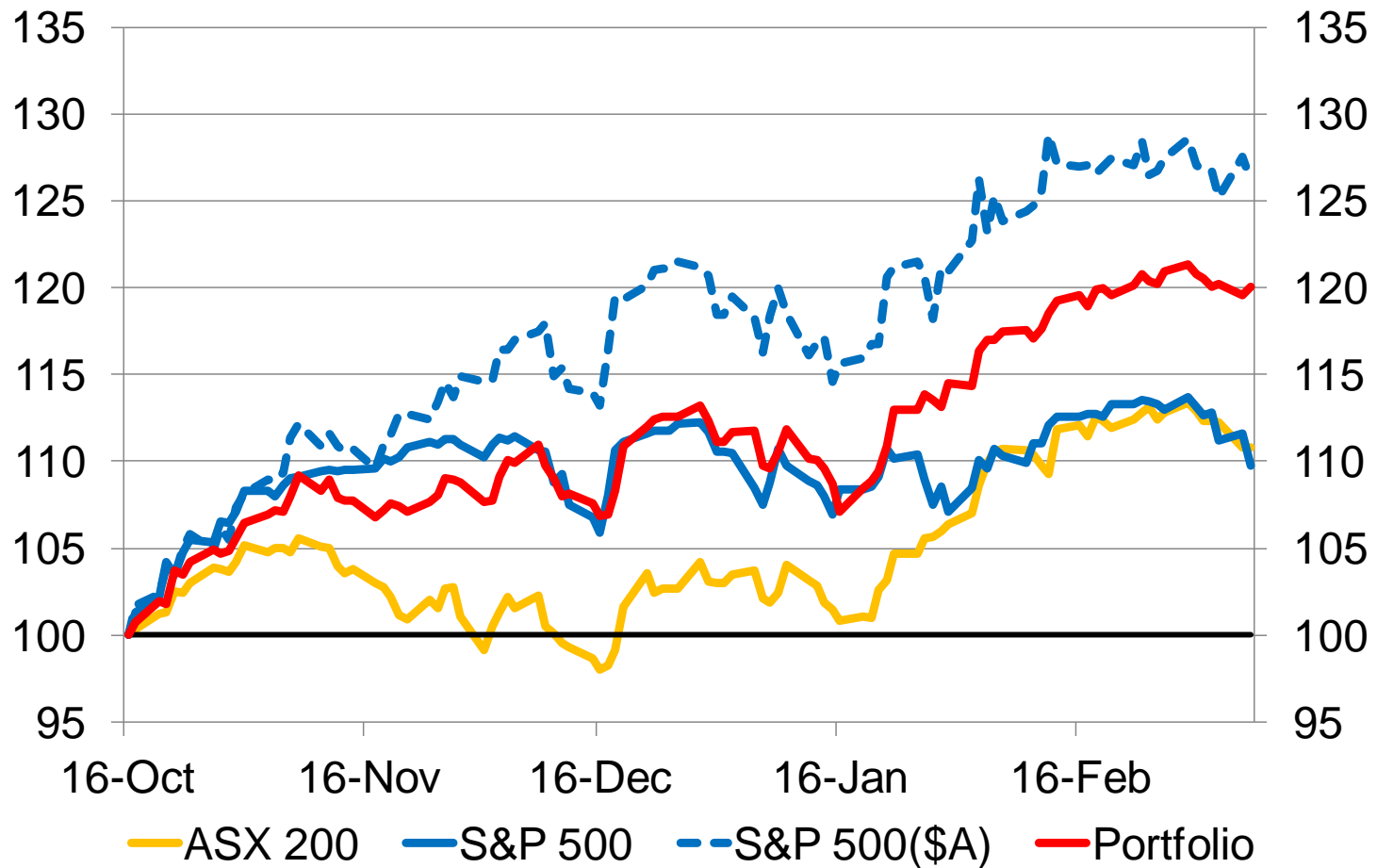
1: FY15 'Box' forecasts for ASX 200



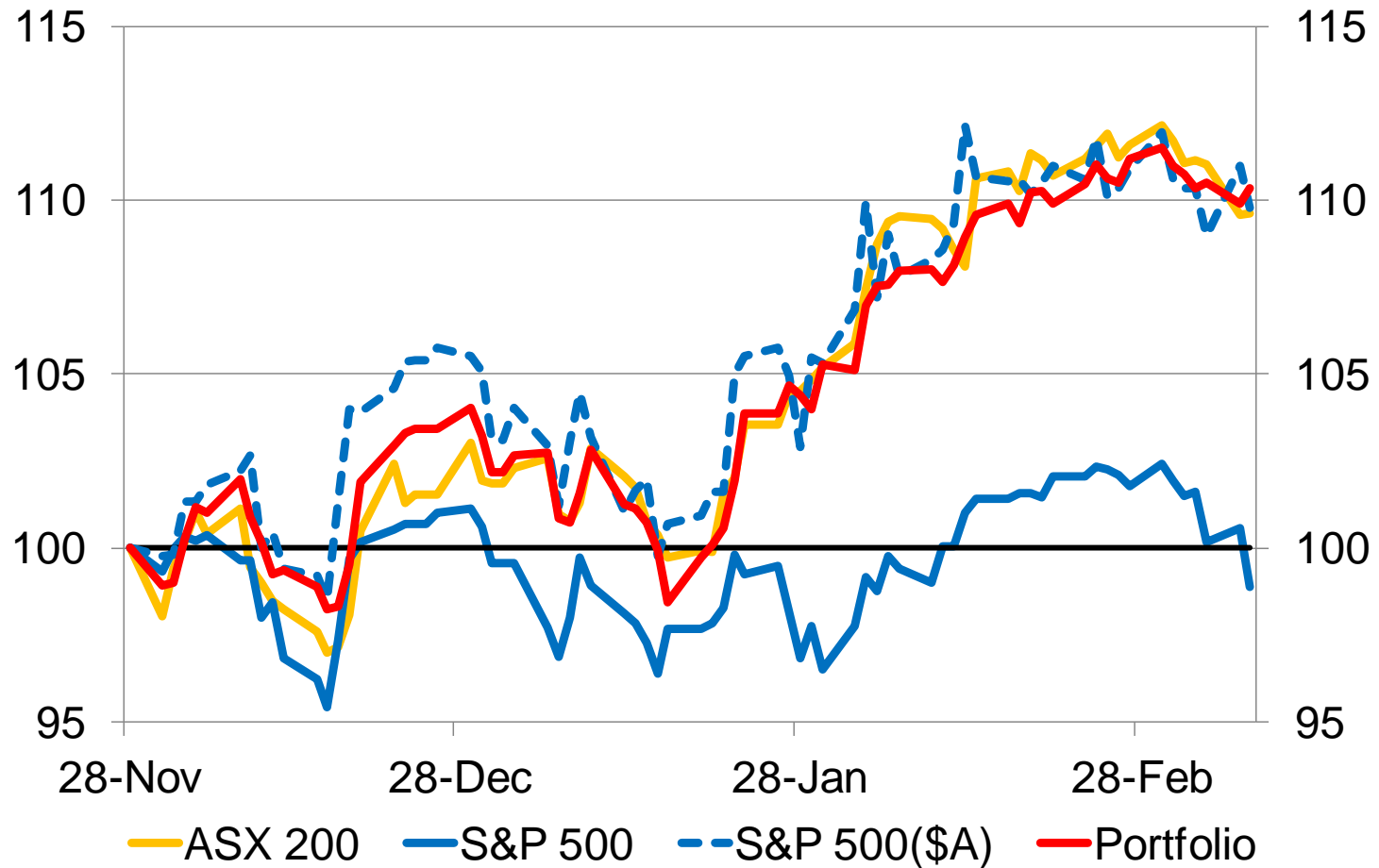
2: FY15 'Box' forecasts for S&P 500



3: October tranche IOZ:IVV



4: November tranche IOZ:IVV



5: Current sector forecasts

	Sector	Exuber- ance (%)	12-month forecasts %	
			yield	adj cap gain
Resource-related	Energy	-5.7	3.6	29.8
	Materials	-1.7	3.6	13.5
	Industrials	1.9	3.7	11.7
High yield	Financials	6.3	5.1	-2.1
	Property	6.8	4.8	-6.8
	Telco	2.8	4.9	3.2
	Utilities	3.3	5.0	7.2
Other	Discretionary	1.6	4.0	8.9
	Staples	-4.7	4.8	10.8
	Health	10.6	1.8	0.0
	IT	4.1	2.6	3.3
	ASX 200	2.0	4.4	5.4

6: Ron's gearing rules (actually, at best, just guidelines)

- IOZ is an iShares ETF for the ASX 200
- IVV is an iShares ETF for the S&P 500
- IVV is unhedged which means a depreciation in the \$A increases any gain on the S&P 500 – and, importantly, the opposite is also true!!!
- Try to buy IVV and IOZ in roughly equal amounts but not necessarily at the same time.
- Buy when the ETF is at or close to the forecast 'box' minimum
- Buy more if the minimum is again reached – but only if the index has been materially above the minimum forecast in the interim
- Sell when the ETF gets close to or exceeds the maximum – possibly in stages.
- Note that the minima and maxima get updated every six months for the next 12-months ahead
- Judgement should be used during the cross-over from one chart to the update.
- Updates are given in our Weekly and papers on the strategy are also on our website.
- These Weekly updates do not overrule the existing forecasts but rather give some insight as to whether the strategy is out of or in, control.
- Past performance is certainly not a reliable indicator of future performance.
- The strategy does not need to be geared and gearing increases both upside and downside risks!
- These guidelines and charts are based on Ron's personal strategies and are not recommended for other people.
- The guidelines are being refined over time as experience is accumulated and without notice.
- New events might occur that Ron may use to end or change the strategy without prior notice.
- The table on the next slide show the actual trades made by Ron – but in proportion. That is, there is one number that can be used to multiply every 'number of shares' or 'Units' in the table that recreates Ron's actual trades.
- The scaling has been made only to protect privacy.

7: Actual, scaled (buy) trades

IOZ			IVV		
Date	Units	Price	Date	Units	Price
1st tranche					
16/10/2014	10	22.64	16/10/2014	1	212.69
16/10/2014	10	22.5	16/10/2014	1	213.09
2nd tranche					
28/11/2014	20	23.09	28/11/2014	2	246.38
1/12/2014	20	22.64	9/12/2014	2	251.09
15/12/2014	20	22.61	15/01/2015	2	247.64
15/12/2004	20	22.49	15/01/2015	2	247.55

NB: If one multiplies the 12 numbers under 'Units' one gets the exact number of trades Ron made.

8: Reasoning

- Our forecasts of capital gains on the ASX 200 and S&P 500 are based on Thomson-Reuters broker forecasts of dividends and earnings for the 200 or 500 companies and manipulated in a proprietary fashion. There are papers on our website describing the essence of these methods
- The forecasting methodology has not changed since mid 2010. It is based on a similar – but different – methodology used since 2005.
- The box forecasting methodology (ie also forecasting the highs and the lows) started in January 2014 and has not changed since – nor is it expected to be changed at this point in time.
- One of the major problems is to keep a 50:50 balance when the two markets are cheap or dear at different times. Work is continuing in that area.
- If we anticipate that the \$A is reasonably likely to stabilise or appreciate, the allocation to the S&P 500 will be split between IVV and IHVV (the latter is also iShares but it is hedged) according to rules not yet developed.
- The sole purpose of this presentation is educational. It is not intended that anyone should attempt to mimic or follow this strategy. Rather, we believe that a lot can be learned by expanding one's mind in new directions. Then one can develop a strategy for one's own use.
- Of course the most obvious reasoning in this strategy is that, when gearing, one should swap portfolio risk for gearing risk – hence the focus on indexes. There is no obvious template to change it for use on portfolios of individual stocks.