



FULLY FRANK

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Clients do more than follow the good doctor's advice

TIM Lincoln is an optimistic sort of guy, which has come in handy heading up a specialist share market analysis company over the past year.

However, after meeting with more than 2000 customers in a whistle-stop tour across the country over the past couple of weeks, the Lincoln Indicators managing director said he was even happier than usual.

"I was pleasantly surprised by how well many of our customers have done," said Tim. "In the main they are experienced, savvy investors who have seen rocky markets before so they knew not to panic.

"And they knew that by concentrating on shares with really solid financial fundamentals that you can remove a lot of the danger posed by companies with too much debt or falling earnings."

Indeed, many of Lincoln's clients put some of their money in the firm's managed fund and then try their damndest to outperform that by subscribing to its Stock Doctor program and buying carefully.

"A good private investor should always be able to do better than a fund manager because they can invest in some smaller stocks that are more illiquid but still have attractive investment fundamentals," said Tim.

With Lincoln's latest health of the market report identifying just 25 per cent of listed stocks as being in a healthy position and 63 per cent either marginal or distressed, Tim said the current share market is best described as a minefield that takes some skill to navigate.

He said the market offered attractive, strong returns long term but it is important to avoid companies that are likely to financially explode.

Using a series of fundamental financial strength ratios developed by Tim's father Dr Merv Lincoln, Stock Doctor identified agribusiness groups Timbercorp and Great Southern as risky investments in the past year well before they collapsed.

As for the coming year, the fundamental analysis is showing five companies that are in strong financial health that are expected to keep performing strongly.

ANZ Bank, JB Hi-Fi, uranium miner Energy Resources of Australia, retail giant Woolworths and blood products and pharmaceuticals group CSL all get the Lincoln tick of approval.

Having kept staff levels up during the financial meltdown, Tim is still carefully looking at growing the Lincoln analysis and fund management business offshore with Asia, Europe and New Zealand as potential destinations.



Unlucky: Jolie's Shinju in Melbourne last month.

Riding the coat-tails to a profit

THERE are many different ways to make money on the share market.

But one of the more unusual — and apparently successful — is keeping an eye on how well fund managers are travelling and trying to ride the momentum when the big boys wade in.

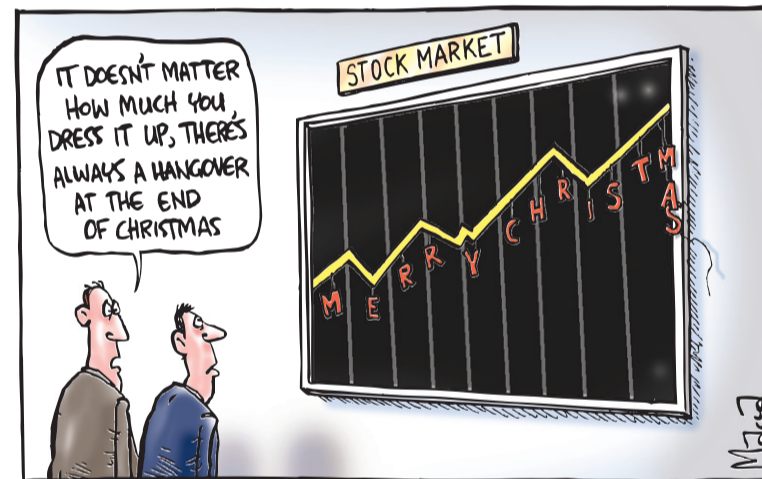
In the United States, JP Morgan Chase strategist Thomas Lee looked at how fund managers had performed up to October and pinpointed the types of stocks they are likely to buy as they tried to play catch-up before the end of the calendar year.

He thinks this year could be particularly productive because about 23 per cent of fund managers are laggards — ready to disappoint (and potentially lose) clients with returns appreciably lower than the stock market index.

Most of the fund managers fell behind when they stayed in cash and were reluctant to buy stocks when the market was low early this year.

By missing the first part of the rally, they were behind the eight-ball and are now more ready to invest heavily to catch up and make end-of-year figures look good — or at least, less bad.

To make things worse, around a third of fund managers have outperformed the index, which



according to Thomas Lee means there is an 83 per cent chance that the US share market will rise in November and December by a hefty 5.1 per cent.

When the fund management field is a much closer pack with fewer laggards, then the end-of-year rise is normally lower at just 1.7 per cent.

Given the relatively close relationship between the US market

and ours and the fact that our fund managers are probably similarly spread, the analysis probably holds fairly true here too.

Lee tipped that the laggard fund managers pushing to finish the year well would probably buy fast growing stocks rather than value stocks and prefer smaller stocks over large ones.

They are also likely to buy cyclical stocks rather than defensive ones.

Headstart for centre in healthcare stakes

LIVER transplant surgeon KC Tan didn't have a lot of luck when his classy Singaporean mare Jolie's Shinju didn't make the Cox Plate due to a suspected heart problem.

The free-wheeling mare has since been ruled healthy.

Dr Tan is a lot more confident that his ASX-listed Asian Centre for Liver Diseases and Transplantation will cross the finishing line first, given that it is virtually the only horse in this race.

The centre is far from being an overnight success after it was quietly backdoor-listed at the end of September this year.

Dr Tan is a very experienced liver transplant surgeon, having performed more than 600 transplants, 150 of them mostly from live donors in the privately owned Singapore centre he set up in 2002.

Now with himself as founding executive chairman and Pamela Jenkins as managing director, he is

set to expand the branded centres through Asia, beginning with Vietnam early in 2010.

"We had to corporatise and list so that we could attract more surgeons and be in a position to offer what is recognised as a very high quality service in countries other than Singapore," said Dr Tan.

With liver complaints common across Asia, the concept of a centre that could quickly meet local needs was embraced by Vietnam, which built the group a new clinic.

Dr Tan thinks the already profitable company can quickly replicate that Vietnam centre across Asia, with the Australian listing a central part of those plans.

"There are a lot of listed healthcare companies in Australia, so it is an ideal market for us because investors and analysts already understand issues such as the high barriers to entry for competitors," said Dr Tan.

Alarm bells at growth in cheap wine deals

Chris Snow

THE Winemakers' Federation of Australia has attacked growing exploitation of the wine equalisation tax rebate system that sees some wines retail for as little as \$2 a bottle.

"Less than scrupulous businesses are undermining genuine industry players and the credibility of the industry," WFA chief executive Stephen Strachan said.

Direct deals between grape growers and retailers as well as multiple WET rebate claims by winemakers who blend and re-blend wine are the major causes of industry concern.

The rebate system was introduced in 2004 to protect the country's 2000 small and boutique wine producers from the impact of the 29 per cent WET, which is imposed on the pre-GST final wholesale price of wine.

Mr Strachan said there had been "alarming growth" in rebate claims in the past two years.

They totalled \$185 million in 2006-07, rose to \$230 million in 2007-08, and the

Federal Government estimate for 2008-09 was \$240 million — a 29.7 per cent increase in two years.

"That's a pretty strong signal that there's more going on than just fair play," Mr Strachan said.

"We've heard anecdotally that there are some operations making 'WET wine' on behalf of growers — and that clearly is against the spirit and intent of the legislation."

The WFA is talking to the Australian Taxation Office about amendments to the system.

The WET makes the Australian wine industry one of the most highly taxed in the world, but the rebate can be claimed on the first \$500,000 of domestic wholesale sales.

Mr Strachan said the WFA fought hard to have the rebate introduced to protect genuine wine producers and reiterated that to the Henry tax review.

However, the wine surplus — which the industry says equals 100 million cases, about 75 per cent of annual production — means some grape

growers unable to sell their fruit are dealing directly with retailers.

The growers get the wine made and sell it to retailers for a pre-determined price, which typically excludes the cost of the grapes and includes only the cost of winemaking plus WET and then GST.

Growers then claim the rebate, which gives them a return for their grapes they otherwise would not get. Retailers get wine at a price they can sell ultra-cheaply, usually as "cleanskins" or own-label brands.

The ATO said in April it was examining the practice.

Under a second method being used, winemakers are blending their own wine with wine bought from other producers who are able to claim the WET rebate on it. When the winemakers who buy it sell the blended product they also can claim the rebate because the wine is considered different.

"Technically this can be done three or four or five or more times," Mr Strachan said.



Seeing red: claims of unfair play by the Winemakers' Federation.