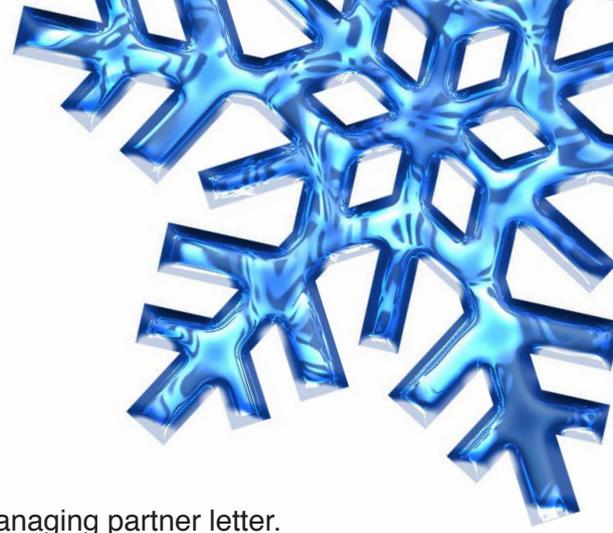




Dornbusch Partners  
Pty Ltd



Thank you for taking time to read the late Winter/early Spring 2014 managing partner letter.

The Australian share market continues to be stuck in a 200 point trading band (between around 5300 and 5500 points for the ASX/S&P200). Of particular note is the volumes passing through the Australian market (ASX) at the moment. Historically around \$4.5 to \$5 billion per day worth of shares change hands on the ASX. We are currently between \$3 to \$3.5 billion per day. I believe this is due to the fact that investors view the market at current levels as neither cheap or expensive.

Profit reporting season is in mid swing as I write this note to you with some mixed results. Whilst main stay income players (Commonwealth Bank and Telstra) increased their dividends, other companies (Leightons and GUD to mention but two) disappointed on revenue growth. As seen in the last two reporting seasons, the growth in dividends seems to be driven by cost cutting/efficiency savings, rather than revenue growth. If this trend continues, you would expect to see dividends remain at current levels and not grow at the same pace they have in recent times. This would also therefore suggest that share markets will remain range bound in the near term.

Last week, I was fortunate enough to be invited to participate in a recent Reserve Bank of Australia (RBA) discussion with eight others from across Queensland on our views of the economy. Whilst “Chatham House” rules applied on our discussions, I can say the RBA view on the economy is one in which a fall in mining investment is dragging on the economy + rising unemployment sees low interest rates as the correct setting for the economy in the near term. What this means for both the property and share market is that cheap money should continue to support both markets in the short to medium term. However if/when the Reserve Bank starts to increase rates again (which we don’t see happening for at least 12 to 18 months), then this will put both of these markets under some pressure. As always, we are also mindful of the “X Factor” – some event which hasn’t been factored into the mix which upsets the apple cart such as events in Iraq/Syria or Ukraine at the moment.

We remain focused (as we have for the last 18 months) on income producing shares whilst also acknowledging opportunities in the cyclical space (such as resources or mining services/engineering companies). Neither are without significant risks but for the “brave” investor, there are some gems amongst the rubble! Otherwise, we have been involved in various Initial Public Offerings (floats) such as PM Capital (Asia), Asaleo, Genworth & Healthscope. If you wish to participate in companies as they list onto the ASX for the 1st time, please contact your adviser on 4690 2588 or email [advice@dp.net.au](mailto:advice@dp.net.au) and we will note your interest.

Live Strong Life Insurance (LSLI) continues to grow and we welcome Margaux’s promotion to Private Client Adviser. It is a just reward for her hard work since joining the business. Also, Mark, as Managing Adviser has been offered the opportunity to become a part owner of LSLI which he has accepted. Congratulations Mark & we look forward to you continuing to protect the wealth of our clients. In particular, we’ve had great feedback from trustees of self-managed super funds whom we have been assisting to ensure their funds are compliant with the recent update in legislation.

John Dornbusch and I thank you for your ongoing support of our business and I look forward to chatting with you again in a couple months’ time leading into our Christmas Newsletter (hard to believe it is less than 4 months away!)

**Andrew Wielandt**  
Managing Partner  
Dornbusch Partners