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By Darin Tyson-Chan
Tue 16 Jun 2009



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Self-managed superannuation funds (SMSFs) are looking to benefit from any market rebound that may occur in the near future

Investor Daily

By Darin Tyson-Chan

Monday 16 June 2009

SMSFs gearing into the market

Self-managed superannuation funds (SMSFs) are looking to benefit from any market rebound that may occur in the near future through the use of gearing, according to Quantum Warrants national sales manager Michael Kolikias.

Not only has the market recovery sparked a renewed appetite for using leverage to invest in equities, but also the changes handed down in the most recent federal budget that imposed a reduced contributions cap from 1 July onwards.

Furthermore, the recessionary climate currently pervading the market has seen a reduction in interests rates, making gearing strategies more attractive right now.

While SMSF investors are looking towards gearing to boost their diminished asset levels, they are doing so with caution.

For example, Quantum Portfolio offers an instalment warrant product that allows SMSF trustees to borrow up to 70 per cent of the total asset value, but the majority of people are only using gearing levels of around 40 to 50 per cent.

"When it comes to managing risk, a diverse portfolio in quality companies and conservative borrowing is the key," Kolikias said.

But while leverage is being used by SMSFs to get back into equity markets, Kolikias said investors still needed to maintain a long-term investment horizon to enable them to manage the market volatility over a period of time.

"Having enough saved in super is at the top of people's minds as they rethink their long-term growth strategy," he said.

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SMSF investors seek alternatives

By Victoria Papandrea

Tuesday 2 June 2009

Self-managed superannuation fund (SMSF) investors are rethinking their long-term growth strategies after having lost a large pool of retirement funds in the market downturn, according to Maven Financial managing director David Harvie.

SMSF investors in their 40s and 50s have seen how quickly their wealth can disappear and are now very gun-shy about higher risk investment strategies, he said.

"Following heavy market losses, super is at the top of people's minds and they are looking for alternatives with more secure growth options," he said.

"There is still an appetite for gearing through superannuation as people recognise the merits of this as an investment strategy, but reputable brands are very important."

Investors that have been burnt by the sharemarket are now flocking back to quality and only want to invest with companies they trust, Harvie said.

"Quantum Portfolio uses a warrant structure with a non-recourse loan, so if the investment goes pear shaped the investor has the ability to walk away without further obligation," he said.

"Unlike traditional warrants, Quantum Portfolio is lower in cost and more tax effective as a simple investment without the complexities of embedded derivatives."

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Quantum Warrants national sales manager Michael Kolikias said the reduction in the voluntary contributions cap provides another strong case for using gearing through superannuation.

"DIY super funds are making the most of the higher voluntary contributions ahead of the 30 June cut off, when the cap will be halved for people over 50 years to \$50,000 and people under 50 years to a \$25,000 limit," he said.