# TRANSCRIPT – HOW PETER SWITZER RUNS HIS SMSF

**INTERVIEW DETAILS**

- **Video title –** How Peter Switzer runs his SMSF
- **Interviewee –** Peter Switzer (Founder, Switzer Group)
- **Interviewer –** Paul Rickard (Director, Switzer Group)
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# EDITED TRANSCRIPT

**Paul:** Hello and welcome to Switzer Investing Insights brought to you by NAB Trade. Over many years, we've given you some insights around how to run a self-managed super fund but today I thought we'd put Peter Switzer under the microscope and see how he's running his fund.

**Peter:** Yeah, good idea!

**Paul:** Peter, how long have you had a self-managed superfund and how many members have you got?

**Peter:** So basically we started in the early 2000s and there was when both our sons came into the business and we thought a good idea to, you know, and self-managed super funds were becoming much more popular then, so we created one then. We're all in accumulation mode and, yeah it's been a good experience.

**Paul:** So you've got four members?

**Peter:** Yep, four members.

**Paul:** And do you have an investment strategy?

**Peter:** That's critically important, and the interesting thing is our investment strategy has been, I guess, predetermined by the fact we are the younger people in the super fund and then when we started we were younger as well so we're very much a growth-oriented investment strategy.

**Paul:** So how does that translate into assets and your allocation of your asset classes?

**Peter:** Yeah, and believe it or not, despite people thinking I may have aged since those times, we still actually have a growth strategy. And there is, for just two reasons, one is I'm not planning on retiring anytime soon. I figure I will have a long time to live. I often say to people you can't go too conservative too early.

Our sons clearly are in the growth phase so we're still on the growth phase. So we are pretty well a hundred percent exposed to the stock market. My cash balances go up and down depending on whether I think this is a good time to sell a particular stock but I'm not a big seller of stocks, I tend to buy good quality stocks when they're at low prices and I hold them for the medium to long term.

**Paul:** And how do you sort of manage to sort of the dilemma between superannuation and investments outside of super?

**Peter**: Well I've got quite a lot of investments outside of super. I was, for many years, very long, property and has been a really – and once again - we would buy property assets when prices were low.

One of my most recent purchases, right in the depths of the GFC when people were tipping great depressions or whatever, we bought a property in the country, which it proved to be a very good investment.

So we have investments outside of super and I got to say, my super investment is not the mainstay of our wealth going into retirement. It's going to be an important adjunct to the other investments we have, including our business, which is something, which is an investment as well.

**Paul:** So typically property outside super, equities inside super. What about Australian equities versus international equities?

**Peter:** Yeah this is an area where I probably not follow my advice as well. I know a lot of our clients and a lot of the people we've talked to on nabtrade, we will always suggested they should have a bigger exposure, particularly to the US.

And our advice has been absolutely right. I've tended to buy and sell international exposure depending on where I thought the market was. So at the moment I'm really keen to buy international exposure, not sure if I'm going to move straight away, but I'm getting close to it because I think, like for example, Chinese tech stocks have been sold off.

Companies like Facebook have been crashed and I think these stocks will come back over time so I'm getting ready for that kind of thing. But historically I think I should have had a greater exposure to US market in particular.

**Paul:** What's your process for selecting investments?

**Peter:** I always go for quality companies that pay dividends because I know dividends are critically important to overall long-run returns. Quality companies, paying dividends, when the market beats them up. So for example when CSL was beaten up lately, I've never held CSL but I thought, I couldn't resist it this time with the share price went down. But mostly companies that are dividend payers, bought at the right time. I'm a little bit of a contrarian investor but always good quality companies.

**Paul:** Okay, what's been your best investment and also the worst?

**Peter:** My best investment value was Macquarie. Well we called it Macquarie Bank then, this Macquarie Group nowadays. And that was during the GFC. I was holding at a price of about $40 going into the GFC when I got around $23 I went long pretty hard there, as I said I was telling people I didn't think was going to be Great Depression so there would be a rebound in the stock market.

A little bit worried when it goes as low as $16 but thankfully.

**Paul:** People were talking about a break up?

**Peter:** That's right, and James Channos (President and founder of Kynikos Associates) was had been talking Macquarie for a long time. But fortunately Treasurer Wayne Swan supported all the banks and the share price came back.

Nicholas Moore has put a much better investment strategy in place. Macquarie has proved me my best.

**Paul:** Yeah paid good dividends now are about $115 dollars roughly.

**Peter:** Yeah exactly.

**Paul:** Okay and your worst investment?

**Peter:** Worst investment, there's been two. One was accidentally the worst investment. It was a triple Q product and those things you got to buy it through one stock broker in Australia. I think it was, I cannot remember the name of the company, but the only company that could do it.

And I bought that because triple Q gave you access to the Nasdaq. Remember the Nasdaq was being belted up after the dot-com bust and I thought it was so high and so low and that's a good time to buy that index.

Now I was absolutely right. But every time it went up the Aussie dollar went up. So I kind of canceled out my gains and just when the Aussie dollar started to fall this broker, he's lost the right to sell the triple Q and I was forced to sell it, I hated that investment.

But that other worse investment was holding BHP in Rio at two high share prices going into the GFC. You know, well actually the occasion was it was when the mining boom went off the boil and so I decided to take my losses. I did wait until the BHP got to around the 15 dollar mark and around 40 I bought back in, so it ended up being a pretty good investment in the end.

**Paul:** Okay, in regards to sort of using outside assistance, so what use do you make of administrators or accountant or people to help?

**Peter:** Look, if I was retired I wouldn't use anyone else but an auditor which you would need. I use computer software programs and great websites like nabtrade for information and whatever. But because I'm so busy I do use an accountant who makes sure that the returns are put in properly and he then takes to an auditor but that's about the only service. Rest of it I do on my own. Financial advice, because I am a financial advisor and I, you know, I can pick my stocks and purchase them and great websites like nabtrade.

**Paul:** Okay, so thinking about your role as a trustee and you've been running a fund for almost two decades, any sort of advice to other trustees? Some do's and don'ts?

**Peter:** Yeah I think you have to have an investment strategy that is closely linked to the goals of the trustees, first of all.

Do lots of homework when you decide to do an investment and I think people watching this are people who do that. And I think also be a contrarian on quality companies when they've been belted up. I think that's a really sensible strategy. Work on having a good dividend return over time and, and then when you make good money in the great periods of time, aside of that money, I've put it into like a slush account for at bad times where in case you dividends just don't do as much as you want you can take the money of the slush fund.


**Paul:** Anything you shouldn't do?

**Peter:** Yeah look, I would avoid not being diversified.

**Paul:** Are you regretting not being more diversified?

**Peter:** Exactly. And at the moment I'm going to progressively go into some exposure to bonds and some alternative products to the stock market I'm going to do that as I think we're getting closer and closer to the top of this market.

I would have, not, I would definitely not have few stocks, at least 15 to 20. I know our Switzer dividend growth fund has 60 or 70 but a fund manager can do that better than we can.

And I think the final one is, do not overreact. The people who sold out of the stock market when they lost in the GFC and went to term deposits, they really regretted that when I saw that market of Algeria rebound really strongly in 2009. So I think overreacting and changing your investment strategy during tough times is something to avoid.

Yeah super is a long term asset you've got to stick with a long term and stick with a long term strategy.

**Paul:** I think that's a really good way to conclude those remarks. Peter Switzer, thanks for joining us on this edition of Switzer Investing Insights brought to you by nabtrade. **END OF INTERVIEW.**