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Key business TRENDS FOR 2013

Michael Sherlock has investigated all the available options for investing his hard-earned dough.

The former managing director of Brumby's manages his investment choices through his own Self-managed Super Fund (SMSF) – Australia's fastest growing investment vehicle.

More than 750,000 Australians now have a SMSF, an increase of 50% in the past five years, and are in control of their capital return and growth strategies.

This is a nice fit for a successful hands-on entrepreneur like Michael, who transformed an ailing set of bakery shops into the second-largest bakery franchise system in Australasia.

Under Michael's leadership, the Brumby's store network grew to in excess of 300 and its share price rose from 56 cents to $3.40 in just over three years.

In 2007, Michael resigned as managing director of Brumby's after selling the company to ASX-listed RFG for $46 million.

In the five years since, Michael's SMSF provides him with the independence and flexibility to drive his own investment decisions and performance.

As a semi-retired business consultant and mentor, the investment goals of regular returns, future capital growth, and tax minimisation are top of mind.

"I have learnt some valuable lessons over the past five years of investing and I do think the saying that 'it is easy to make money, but harder to hang onto it' rings true," Michael says.

"An SMSF allows you to be your own jockey on your investment horse, but there are still important decisions to be made within that race. There are a lot of different investment options available and most people look for a spread of assets to minimise risks.

"However, in my mind, maximising returns and growth should be the main game and too many people settle for sub-standard overall returns w they could be doing much better."

> *"...It is easy to make money but harder to hang onto it...*

Like most sharemarket investors, Michael lost money on share investments in the wake of the GFC. He has also been underwhelmed by the performance of residential property.

"After leaving Brumby's, one of our investment was to buy a residential investment apartment at Parklands at Roma Street in Brisbane for $820,000," he says.

"I rented it out myself and it was tenanted 99% of the time at $695 per week. It produced a return of $29,000 a year or a 3.5% gross return investment.

"I recently sold it for $880,000 so there was litt capital growth achieved by the time you take into account acquisition and disposal costs and ongoing costs such as cleaning and paintir etc. In retrospect I would have been better off having that money in the bank. I do not want to work out the net return on the investment, as it would not be pretty.

Michael Sherlock transformed an ailing set of bakery shops in the late 1990s to position Brumby's as the second largest bakery franchise system in Australasia. Michael has a Bachelor of Economics from Monash University and a Diploma of Education from La Trobe University.

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This was a below par return in terms of both income nd capital growth and I have now redirected the ınds from that apartment to my favoured investment f commercial property."

ˈichael has a solid understanding of the dynamics ·f the commercial property sector from his time t Brumby's and has also previously developed a umber of commercial projects.

ıe says commercial property syndicates (where ıvestors pool funds to buy large assets such as retail entres, industrial facilities or office buildings) is his avoured vehicle.

For me, property syndication ticks all the boxes for ny SMSF strategy," he says. "I have invested ı a number of stand-alone funds in Sentinel Property Group that have consistently delivered double-digit ental returns plus growth.

'The returns are paid monthly and it is totally passive, ınlike managing a property, so it is just like getting a vage. There is also the strong underlying future value of the properties and their future value-add potential.

'Why should I accept a $29,000pa return on a residential apartment with all the hassles associated when I can get $100,000pa on a commercial property? That's an extra $70,000pa over the long-term in passive income plus potential capital growth."

Michael says some investors raise concerns about putting all their eggs into one basket with commercial property syndicates.

But he says his investments with Sentinel Property Group are spread across a wide range of ASX-listed companies as tenants in secure assets, from a multiplex cinema in Mackay to industrial facilities in Brisbane.

> ***"...Some investors raise concerns about putting all their eggs into one basket with commercial property syndicates..."***

"The attraction of the way that Sentinel Property Group's investments are structured is that your eggs are in different stand-alone baskets with different covenants," he says.

"You are in control to choose to invest on the appeal of individual tenants, properties and locations and also the fundamentals of the businesses that underpin these properties.

"While a lot of investors will not invest in commercial property because they know nothing about it, many of these same people have never run an international mining company, a telecommunications company or a bank, but they still invest in shares in BHP, Telstra and Westpac." TGR