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**The two faces of investment
performance and risk**

ROBERT J BIANCHI SF Fin,
MICHAEL E DREW SF Fin,
MICHAEL D EVANS and
ADAM N WALK SF Fin

Investment concepts are generally taught, learnt and spoken about among professionals in time-weighted terms. According to this view of the world, returns are the sole determinant of performance and risk, and a given return has an identical impact no matter its timing. While appropriate in certain circumstances, time-weighted returns (TWRs), and the performance and risk measures derived from them, provide an incomplete picture when evaluating certain practical financial problems like retirement investing. This paper discusses the distinction between TWRs and more comprehensive measures, and compares a number of extant investment strategies employing a range of performance and risk measures from each category. We find that time-weighted measures overlook important aspects of retirement investing, whereas wealth-denominated, target-relative measures more accurately capture the dynamics of retirement investing. Thus we see the two faces of investment performance and risk.

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**The quest for alpha: Can artificial
neural networks help?**

ANDREW J ASHWOOD and ANUP
K BASU

The application of artificial neural networks (ANN) in finance is a relatively new area of research. We employ ANNs that use both fundamental and technical inputs to predict future prices of widely held Australian stocks and use these predicted prices for stock portfolio selection over a 10-year period (2001-2011). We find that the ANNs generally perform well in predicting the direction of stock price movements. The stock portfolios selected by the ANNs with median accuracy were able to generate positive alpha over the 10-year period. More importantly, we find that a portfolio based on randomly selected network configuration had zero chance of resulting in a significantly negative alpha but a 27 per cent chance of yielding a significantly positive alpha.

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**Should Australian syndicated
loan contracts be standardised?**

TRAM VU and VIET DO

Syndicated loans have become one of the most important sources of debt funding to Australian business, especially in light of an underdeveloped domestic bond market. This paper provides an overview of the Australian syndicated loan market and highlights the lack of a secondary loan trading market. It examines how standardisation of syndicated loan contracts would aid the development of a liquid trading place, and create opportunities for new institutional participants, especially non-banks, to enter the syndicated loan market.

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Papers from the Personal Finance and Investments Research Symposium 2013

Finsia acknowledges the contribution of the papers from the Personal Finance and Investments Research Symposium to this issue of *JASSA*. The conference was held in October 2013 at Griffith University.

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Personal attributes and financial risk-taking in Australia

TRACEY WEST and ANDREW C WORTHINGTON

Using a bootstrapped sample of respondents from the Household Income and Labour Dynamics in Australia (HILDA) survey, we employ canonical correlation analysis to examine the relationships between financial risk-taking (as measured by self-reported financial risk-taking attitude, direct share ownership, and business ownership) and age, gender, education, household structure, income and wealth. Though all three measures are good indicators of financial risk-taking, we find direct share ownership is influential as a whole, followed by self-reported risk-taking, and finally business ownership. Of the personal attributes identifying financial risk-taking, the most important positive correlates are wealth, followed at some distance by income and then education.

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Put it on the house: The promising, largely untapped potential for Australian home equity in retirement

DIANNE JOHNSON, ANDREW C WORTHINGTON and MARK BRIMBLE

Concern for the financial welfare of Australian retirees is growing with the first of Australia's generation of baby boomers starting to retire and government and community resources for the aged being increasingly stretched. The financial wellbeing of some retirees may be tested even though most baby boomers own their principal place of residence. This paper examines the potential role that home equity can take in supporting retirement lifestyles in Australia, the present gap in appropriate financial products, decumulation phase planning and consumer awareness of the options in this area.

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Reframing the expectations of financial literacy education: Bringing back the reality

LEVON BLUE and MARK BRIMBLE

There is no agreed framework for financial literacy education (FLE) and considerable debate in the academic literature about whether it can improve financial literacy and decision making, thereby enhancing the overall financial wellbeing of individuals. Based on a review of the literature and reflections on the outcomes of various FLE programs, this paper develops a framework which incorporates enabling factors, levels of content and desired outcomes for these levels. Our model seeks to achieve alignment between the expectations of FLE and its actual delivery and content.

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Taxation and superannuation literacy in Australia: What do people know (or think they know)?

TONI CHARDON

To date, basic taxation issues, and to a lesser extent superannuation, have largely been excluded from the measurement and education aspects of financial capability, both in Australia and overseas. This paper explores outcomes of an Australian survey of tax literacy, and reports on levels of confidence in relation to tax and superannuation issues — highlighting areas where large gaps exist between people's level of confidence in understanding and their actual levels of understanding. It argues that these aspects should be incorporated into future financial literacy education strategies and research.

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Meeting the financial needs of retirees: A layering approach to building retirement income portfolios

JEREMY COOPER SF Fin, AARON MINNEY, PHILIP SAINSBURY

Traditional financial planning approaches, which tend to focus on risk profiles and asset allocations aimed at accumulating a pool of savings, do not necessarily meet the financial objectives of retirees. While a higher level of savings at the start of retirement is better, the ultimate objectives are the delivery of income in various stages during retirement and financial plans that can be adapted to meet the more individualised needs of retirees. In this paper we develop a model of portfolio construction for retirement income based on a strategy of layering income to target changing spending needs at different time stages of retirement. The result is a practical approach that financial advisers can implement with retiree clients to meet their spending requirements.