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HD **Three pillars investors love now look 'shaky'**

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If you were to look at the favoured fare of many Australian investors, **residential property**, Australian banks and cash in the bank sit high up the pecking order.

After all, our banks have gone from strength to strength over the past two decades, powering through the global financial crisis while their American and European counterparts floundered.

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Australian **property** also was relatively unharmed by the GFC and has enjoyed solid gains in recent times thanks to resurgent investment interest in big cities.

However, Sydney-based fund manager Paul Moore has given a relatively dismal view of our investment staples and sees more value in assets smashed by GFC.

Mr Moore, the investment chief of PM Capital, said the yield on defensive investments such as government bonds, **residential property** and bank deposits had fallen to very low levels and had become three of the most expensive assets classes on the market.

"Yet I will guarantee you here is three of the most over-invested areas for Australian investors at the moment," he said.

And his view of Australian banks is not that much better, particularly after recently visiting banks in Europe hit by the post-GFC shake-out and revisiting some not-so-distant Australian history.

He pointed to the Australian **property** crisis in the early 1990s that forced our banks to become more domestically focused.

Investor interest in banking stocks was boosted by franked dividends and the banks steadily increasing the size of these tax-paid returns to shareholders.

Mr Moore said that two decades ago, investors could **buy** bank shares for a price that was between about six-times and eight-times the institution's earnings-per-share, compared with today's 15-times ratio.

Supporters of investment in Australian banking stocks point to our banks being virtually protected from competition from Australia's tight regulatory regime, whereas European and American counterparts faced far more competition.

The value and convenience to Australian investors of franked dividends was something that was difficult for overseas institutions to match, Australian bank investment supporters argue.

However, Mr Moore said he saw it as a time to sell and he had cut PM's Australian bank holdings.

He said there was better value in US and European banks.

While Commonwealth Bank was trading around 2.6 times its book value, Wells Fargo in the US was trading around 1.6-times, Britain's Lloyds Bank was 1.4-times and Dutch **group**ING was trading at 0.9-times.

Mr Moore said he considered Wells Fargo a better franchise than Commonwealth Bank. ING was becoming domestically focused and stood to become the "CBA to Europe and selling at book value".

"We came back from Europe, spent a bit of time with these banks and they all reinforced their capital is under control and they are going to higher payout ratios," he said. PM Capital operates funds focusing on Australian, Asian and global shares as well as a fund investing in credit instruments.

It is also launching a listed investment **company** focusing on Asia.

Mr Moore said he was nervous about **China** and took the view that a lot had been built based on low investment returns.

"Eventually that comes home to roost, but I don't know when," he said. "Is it a little shock, or is it a big shock?"

His Asian investment lieutenant Kevin Bertoli said there were opportunities with consumer-focused companies, such as in gaming, selected infrastructure providers, non-discretionary retail and consumer goods providers.

Mr Bertoli said Asian internet portal operators could be bought at far lower prices than their Australian counterparts.

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