WEALTH OFF THE WALL

There's more than one way to get money out of an ATM, as **Chris Wright** discovered when he sought out 10 slightly different ways to diversify your portfolio. And if the oddness factor doesn't deter you, your wins could very well go through the roof.

The world is stuffed. I think that's well understood. World sharemarkets are treacherous, sovereign bonds that were once considered rock-solid now risk default, and it's a brave investor who can call where house prices are going. What to do?

In this feature, we reveal some of the more off-the-wall investment classes that are out there if you want to diversify away from the tried and tested into the weird 'n' wonderful.

And you know what? Some of them, while looking very strange, have pretty good track records.

1 Agricultural oddities

There was a time when you couldn't move in Australia for investment products gearing you into wine, timber, olives, truffles, cricket bat willow plantations and the like.

Agricultural investments thrived chiefly because of their tax advantages – it was no coincidence that they started selling like hot cakes around April every year, then went quiet in July – but investors and promoters became fixated on the tax, rather than the quality of the investment.

The collapse of Great Southern Plantations and Timbercorp in 2009, with debt loads they couldn't service, seemed likely to sound a death knell for these managed investment schemes.

But the truth is they are still widely sold today. Macquarie Forestry Investment has been selling investments annually since 2003, offering exposure both to trees and the land on which they're grown. Other examples are Elders Forestry (which had problems of its own in 2009) and DGC Asset Management.

There's nothing wrong with the premise of timber and agriculture investments: a long-term exposure to an asset that's increasing in demand. But it's vital, as 2009 shows, to ensure you know exactly what you're getting, that the scheme isn't in too much debt and that the interests of holders and trust are aligned. Tax should be the last consideration. And invest for the long term, or not at all.

Si view: There are good products out there, but buyer beware.

2 Art

Few of us really know what we're doing when it comes to art investment. Knowledge and experience clearly give you the edge, and most of us lack it. Did you know, for example, that the turnover of Aboriginal art in Australia today is well under half what it

was in 2007 – but that it's at record levels in France? Market knowledge like this translates into investment returns.

That's why most people who diversify into art do so through a professional. That might mean getting help for an auction of a particular artist or medium, or approaching a collector to build a portfolio from scratch with a pre-agreed budget.

"Anyone can buy art," valuer and adviser Brenda Colahan says. "Anyone can enter the marketplace, where once it was the domain of the wealthy.

"But I think it's very wise to seek professional advice. In 2007, at the height of the market, a lot of people rushed in and overpaid for things at auctions where, if they had good advice, they would have realised they were paying too much. There are so many traps for the novice."

That said, the drop in prices since then does make this a good point in the cycle to be buying, Colahan says. Her recommendation is to buy contemporary artists such as Rick Amor and Sally Gabori, over the more famous names of the 1960s and '70s.

"It's a long-term hold," she says. Traditionally, eight years is regarded as a good time to wait before selling. "But the liquidity isn't there like shares and you can't ring up your broker and ask them to sell today. It can take several months to realise a sale."

After much uncertainty engendered by the Cooper superannuation review, it's now clear that self-managed super funds will still be able to hold art – but with major catches. The most obvious is that you can't hang the pieces on your wall; they have to be stored, and valued professionally once a year.

That rather defeats the point of investing in something you would enjoy. "All this beautiful artwork going into storage – the art world thinks it's stupid," Colahan says.

It also adds storage and valuation costs, which over a reasonable collection are likely to add several thousand dollars a year. A valuer charges about $200 an hour, or $600 a day as a consultant.

Si view: A good diversifier for a long-term investor, but don't go anywhere near art without professional advice.

3 ATMs

"Want to own your own ATM earning an income of 20 per cent a year? Now you can!" So reads a line on ownyourownatm.com.au. It sounds too good to be true. Is it?

This investment class got moving in 2009 when the Reserve Bank of Australia abolished the indirect fees banks charged each other for transferring money between accounts to ATM machines. One knock-on effect was that more and more ATMs in Australia became privately owned – not run by the banks – and therefore can be bought.

One business, Own Your Own ATM, offers a range of the machines from $14,000 to $37,500, depending on whether they're business-hours instruments or through-the-wall. Agreements last eight to 15 years, again depending on the type of ATM. You then earn 30¢ per transaction, or a minimum 20 per cent a year return on capital, whichever is higher.

The deployer (Own Your Own ATM works with six deployers of ATMs) covers the cost of operations and maintenance.

"Your ATMs will be the best employees you could ever have – never late for work, needing holidays, requiring sick leave and can cheerfully work 24 hours a day, seven days a week," the company says. You can even buy them through a DIY super fund.

What's the catch? In theory, a change to rules around ATM fees could penalise you during the term of your investment. But what's more important to remember is that this is not a bond – you won't get your initial cost back at the end because you'll have been receiving repayment of principal along the way.

You can sell the machine back to the deployer for 10 per cent of the unit's original cost. Or, just like a lease, you can sell it on. But don't expect a lively secondary market – be comfortable buying for the whole term or not at all.

Si view: Has a lot going for it as a stable income source. Just don't confuse it with a bond that will repay the first investment at the end of the term.

4 Car parks

The Lanner Car Park Fund might not be the most exciting name in the world but it has big aims: to achieve a yield of 12 per cent a year while generating a capital increase in the value of its assets. All from car parks.

The Lanner fund, a Channel Islands Stock Exchange-listed product promoted by an enterprise called Best Group, in Britain, holds its assets in Dubai and is far from alone in spotting these structures as an asset class.

Macquarie Bank, needless to say, has been doing it for years. Back in 2007, its European infrastructure fund bought the off-street, airport and railway station car park portfolio of Britain-based National Car Parks for £790 million, calling it "an outstanding business that displays all of the characteristics we look for in an infrastructure asset".

Before that, in 2004, the car park of the Sydney Opera House was the key asset in a trust launched by Mariner Infrastructure.

What's so special about a car parking space? Think about it: regular, stable, predictable income; no shortage of demand; and low overheads – once a car park is built it's not as if it needs the sort of maintenance you'd give a shopping centre.

When the next incarnation of this investment comes along in Australia, the things to look at include the quality of tenant (look for a long-term commercial client), the location and the precise way the fund is related to the asset (does it own it or lease it, and if leasing, for how long?)

Si view: Some of the best investments are boring. It could be worth reversing into a well-structured car park fund.

5 Gold coins

The Perth Mint is as close as you can get to a treasure trove in Australia: gold bullion, pieces of silver, even jewellery. But everything it sells is also an investment class – and in some ways the most straightforward and solid types you could find.

Gold coins come in nine sizes, from 1.4 grams to 10 kilograms (yes, you read that right). They're 99.99 per cent pure and come in two designs: some are embossed with kangaroos, others with Chinese lunar calendar motifs. All are priced at a margin over the gold price, and the Perth Mint maintains a buy/sell spread just like for any other commodity. It's quite a spread – at the time of writing, the mint was selling a half-ounce coin for $953.22 but would buy it back again for only $858.95.

You can keep your coins in your home but there are also depositary services. As an investment, it all comes down to your view on gold. It's at a record high in US dollar terms, reflecting its role as a safe haven in uncertain times. But can it go any higher?

Si view: Worth its weight in gold.

6 Livestock

Ask any investment bank strategist about the big themes that will drive the world in the years ahead and sooner or later they'll mention the increasing role of meat and dairy in the world's diet, especially in China. Australia, with its huge livestock industry, is one of the countries best placed to benefit from the trend, but it's surprisingly difficult to get exposure to it as an investor.

Macquarie Bank has had a go, setting up the Macquarie Livestock Company in 2007 to buy Australian agricultural land through its Macquarie Pastoral Fund. Now operating as Paraway Pastoral, it has 23 properties, aggregated into 17 large-scale pastoral businesses. But it's not open to new money.

There is, though, something called the Beef Stock Market, which allows you to buy, sell and even fatten cattle over the internet.

You don't have to go anywhere near a cow if you don't want to. The market will buy the stock, fatten it and sell it again for you. In exchange, it charges a grazing fee of $1.15 for each kilo the cow gains in weight and 4 per cent of the sale amount.

Look on the site for costed examples of how returns might work out. Various models, based on live prices, come out at between 4 per cent and 18 per cent, but it will depend heavily on the cattle market.

Si view: A big market for experts but unpredictable for smaller investors without specialist knowledge.

7 Unlikely infrastructure

This isn't so much about things you might buy as things you might not know you already own through your super fund. Industry funds in particular have taken to buying major pieces of infrastructure, because their long-term nature suits an equally long-term fund.

Among the more obscure bits of hardware you may be exposed to are Gdansk Port in Poland (the MTAA fund); Thames Water, through Kemble Water Holdings (AustralianSuper); and Birmingham Airport (Victorian Funds Management Corporation).

Si view: Fine for long term but not exactly liquid.

8 Storage boxes

What's in a box? A sound investment, apparently. Self-storage facilities can be anything from five-by-five-metre units to multi-storey buildings with more than 100,000 square metres of space for hire. They usually offer rental on a monthly basis, with customers having sole access. There are various other elements, such as climate control, security and resident managers, but the overall premise is simple.

In the US in particular, storage is seen as a discrete arm of property investment, driven by the demand for space. As US-based selfstorageinvesting.com puts it: "Self-storage businesses generate massive amounts of passive income … without the hassle of tenants, toilets or trash."

It's earlier days in Australia but the industry is growing. Broker Self Storage Sales Australia, which helps people buy self-storage sites and businesses, says the industry has grown 20 per cent in the past two years. The logical next step, investment trusts that hold storage assets, isn't far away.

Si view: Safe and steady property opportunity.

9 Student accommodation

Brandeaux is a British funds management group with some curious specialties, one of which is housing for students. Its student accommodation fund – launched in sterling in 2000 and since relaunched in US dollar, euro, Singapore dollar and Swiss franc share classes, too – invests in putting roofs over the heads of university students.

The idea of the fund is that it offers low volatility and limited correlation to other asset classes.

In Britain, many universities have purpose-built student housing. That provides extremely stable income. The investment is also underpinned by the fact that higher education has grown dramatically in Britain over the past 10 years, increasing the need for student housing.

Brandeaux has been doing this for so long that it has close relationships with the universities themselves and gets involved in the planning of accommodation.

Si view: Has worked very well for Brandeaux. The fund (in pounds sterling) is up 9.73 per cent a year since launch.

10 Taxi licences

Every Australian state issues taxi service licences that allow the holder to operate in a defined area. The thing is, the owner doesn't have to be the person who runs the cab and the licences can be transferred, so they hold a capital value.

That means they can be regarded as an investment – a passive one, in fact, because you don't have to go anywhere near the taxi, much less drive anyone around in it.

There are groups in Australia that will help you with the management. An example is AMB Australia, which has a roster of drivers and can assist with consultancy and even financing. Groups like this can charge a monthly fee of $50 to $100.

AMB says the licences generate between 5.5 and 8.5 per cent a year, not counting any capital gain that might be made along the way. And those can be impressive – Melbourne licences had an average annual rise of 7.4 per cent between 1989 and 2009, for example.

You can lease your licence to a fleet company, and there are tax advantages, too.

The catch? They're not cheap. In Melbourne, a taxi licence costs $490,000; in Sydney $430,000; and in Perth $320,000.

Si view: A decent return, but there are high upfront costs. Si