

Topshare Newsletter

No 2, September, 2004



Welcome to the September Topshare Newsletter. I hope you had a successful reporting season, with healthy profits from all companies in your portfolio!

This issue is hot on the heels of the August one, because we wanted to let you know about the impending price rise. We wanted to give those readers who haven't yet registered Topshare one last chance to buy it at the old price...

Price rise soon

We have maintained the low introductory price of \$89.90 for Topshare since the program was first introduced two years ago. We see this as one way of thanking those customers who purchased Topshare early in its development, and encouraged us by showing confidence in a new product in the marketplace.

Over the two years since first release, we have continually added new features, with the result that Topshare is now fully competitive with other portfolio management products. So, from October 2004, the price for Topshare will increase to \$149. Still great value!

And furthermore, we're still unique in not charging for support, data, or program updates.

So if you're still just *thinking* about buying Topshare - act now. Be one of the last to receive the program at the low price, and still lock in your access to future program updates!

Account management features – what do YOU want?

We're currently planning the full implementation of account management, which will be introduced in Topshare version 1.11. Now is *your* opportunity to let us know what features you'd like in this area – if you have any suggestions, please let us know via the Support link on the Topshare web site.

Latest release

The current version of Topshare is v1.10c – this was released on 11 September. There have been three minor releases to version 1.10 over the last month or so. It's unusual to have so many, and we deliberately try to reduce the frequency of these minor releases by accumulating the changes wherever possible. However we had a run of bad luck with new problems being reported just after a prior minor release; in each case the new problem was judged significant enough to warrant a new update.

Auto update – what do you think?

We're currently investigating the possibility of implementing an auto-update facility. In this type of system, each time you start Topshare it would automatically contact our website, and download and install any updates that are available.

The advantage of this is that it would avoid the necessity for you to manually check the website periodically to see if updates are available, and would make sure you are always running the most up-to-date version. It would also ease some of the problems we've seen where people download the "Full install" from the website to upgrade, instead using the "Update" link – see the discussion of this in the last Newsletter.

However, some users might be concerned about the privacy implications of such a scheme.

If we do implement this facility, you'll be able to enable or disable it through an option in Edit | Preferences. The only information that would be passed from your computer to our website would be your registered User Name and your current program version.

We'd be pleased to hear your opinion: would you be for or against such a system? Would you have any concerns if it was implemented?

Dividend reinvestment plans – what do the shares cost?

Dividend Reinvestment Plans, or DRPs, are a popular way of regularly adding to your holdings in a company, without incurring transaction costs. Companies sometimes issue them at a discounted price, too. But all may not be as it seems.

For instance: XYZ Co nominates a price for the DRP shares - perhaps a small discount to the average market price over the last week or two before the dividend was paid. This price is then divided into your total dividend payment to arrive at the number of shares allocated.

However: there will almost always be fractional shares to deal with – so the company must either round your allocation up or down accordingly. *This will affect the actual price you have paid for the shares.*

For example, if you hold 1,000 shares and the dividend was 10c, your total dividend payment is \$100. Now, if the company decides that the price per DRP share will be \$3.38, your "theoretical" number of DRP shares will be $100/3.38$, ie 29.586. You'll *actually* be issued with either 29 or 30 shares (different companies have different approaches - read the fine print in your DRP plan documentation to find out which applies).

Now, what's the true price of the shares? It almost certainly **won't** be the figure the company publishes, ie \$3.38. If you got 29 shares, you have paid \$100 for them and so the actual price is $100/29$, ie \$3.4483. But if you got 30 shares, the actual price will be $100/30$, ie \$3.3333.

Why is this important?

When it comes time to sell these shares, you need to know the price you paid for them when calculating your CGT liability. Also, to understand your return on an investment, it's important to know the true purchase price.

There's one category of DRP where the pricing situation is much simpler: in this case, the company allocates the shares at the actual price

advertised. Fractional shares are dealt with by maintaining a notional account to hold that part of the dividend that didn't buy a whole share - this is carried forward and added to your next dividend.

Topshare's *New Dividend* form manages each of these DRP situations effortlessly.

Recent questions

Q: I have 22 stocks spread over 4 portfolios, yet even though I have updated them all (and I have checked that all 22 have been updated with the latest price) I get this message which shows 13 stocks as missing date i.e. no price data, even though they do show the correct price. Have you got any thoughts on why it would be doing this?

A: Try changing the "Div % calculation" on the Report Specification form to "% price at report date". What is probably happening is that Topshare is trying to retrieve a share price at the date a dividend was paid - possibly 12 months ago - and this is the price that's not available.

Q: I had a Listed Property Trust (AIP) which was taken over by another (MGI). Takeover was on the basis of .811 MGI units + cash payment for each AIP unit. Going via stock conversion option changes the code but there seems no way to change to the correct number of MGI units. Attempting to cover this by editing database to revert to original (AIP) record and recording it as a sale (AIP) immediately followed by a proportionate (MGI) purchase seems to have problems as this records a CGT gain which has not actually taken place.

A: You need to do a combination of Edit | ASX Change (for the name change), New Data | Split/Consolidate (for the change in # of units), and New Data | Other Income - or, possibly, Capital Return - for the cash component. You'll need to record these things on successive days, not all on the one day. So it might look like this:

- 1/1/04 New Data | Other Income to record the cash component from AIP
- 2/1/04 Edit | ASX Change to convert AIP to MGI (on 1:1 basis)
- 3/1/04 New Data | Split/Consolidate to convert each 1000 MGI to 811 MGI

Successful investing!
Chris Jackson

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