2016 REPORTING SEASON

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Reporting season is the time of the year when listed companies have to hang out their dirty laundry – or their pristine balance sheets. Perpetual's Head of Equities, Paul Skamvougeras, looks at what we learned from the published numbers and from recent meetings with company management.

Shopping for opportunities – Woolworths

The share price of Australia's biggest supermarket chain has been hammered for some poor recent performance. But according to Paul, it now looks an attractive opportunity – with a new CEO, a compelling back-to-basics strategy and the exit from its cash-draining hardware business. Its recent travails have been headline news but it's a market leader in a very attractive industry.

Resources (not-so) rich

In a major move, both BHP and Rio dropped their commitment to progressive (constantly increasing) dividend policies. That makes sense given the uncertain outlook for commodity markets and the pressure on miners' balance sheets.

Regional returns

Many companies are still relying on cost-control to hit their profit targets. New business is hard to come by. That said, there were good results from companies whose operations are tuned to the strong economies of NSW and South-East Queensland – Boral and Stockland are two examples.

Bet on the house

Construction and housing companies – and retailers that help people fill those houses with furniture and appliances – had a good six months. Winners included JB Hi-Fi, Nick Scali, Harvey Norman and Bluescope Steel.

Down the wrong roads? Is infrastructure overbought?

While companies like Woolworths have been punished for their missteps, Paul suggests some other companies are getting a free ride. Infrastructure plays have been bought up by investors appreciative of their high dividends in a low-rate environment. There's no such thing as a free lunch though and Perpetual remains cautious because some of these companies are carrying lots of debt.