

Investors' Corner

Citiplace, Perth
for ASA, July 2023
Convenor: Mark Dixon



Citiplace - Emergency Procedure

- ▶ If smoke is detected, or fire alarm is raised, follow exit signs
- ▶ Upon evacuating the building, meet at ***designated area***
- ▶ Do not use lift in an emergency
- ▶ **Designated area**
 - ▶ Turn right from the Citiplace Centre and proceed over the bridge to the pond area past the Art Gallery, if safe to do so.
 - ▶ Regroup there for head count if safe to do so.
 - ▶ If emergency personnel instruct differently then follow their directions.

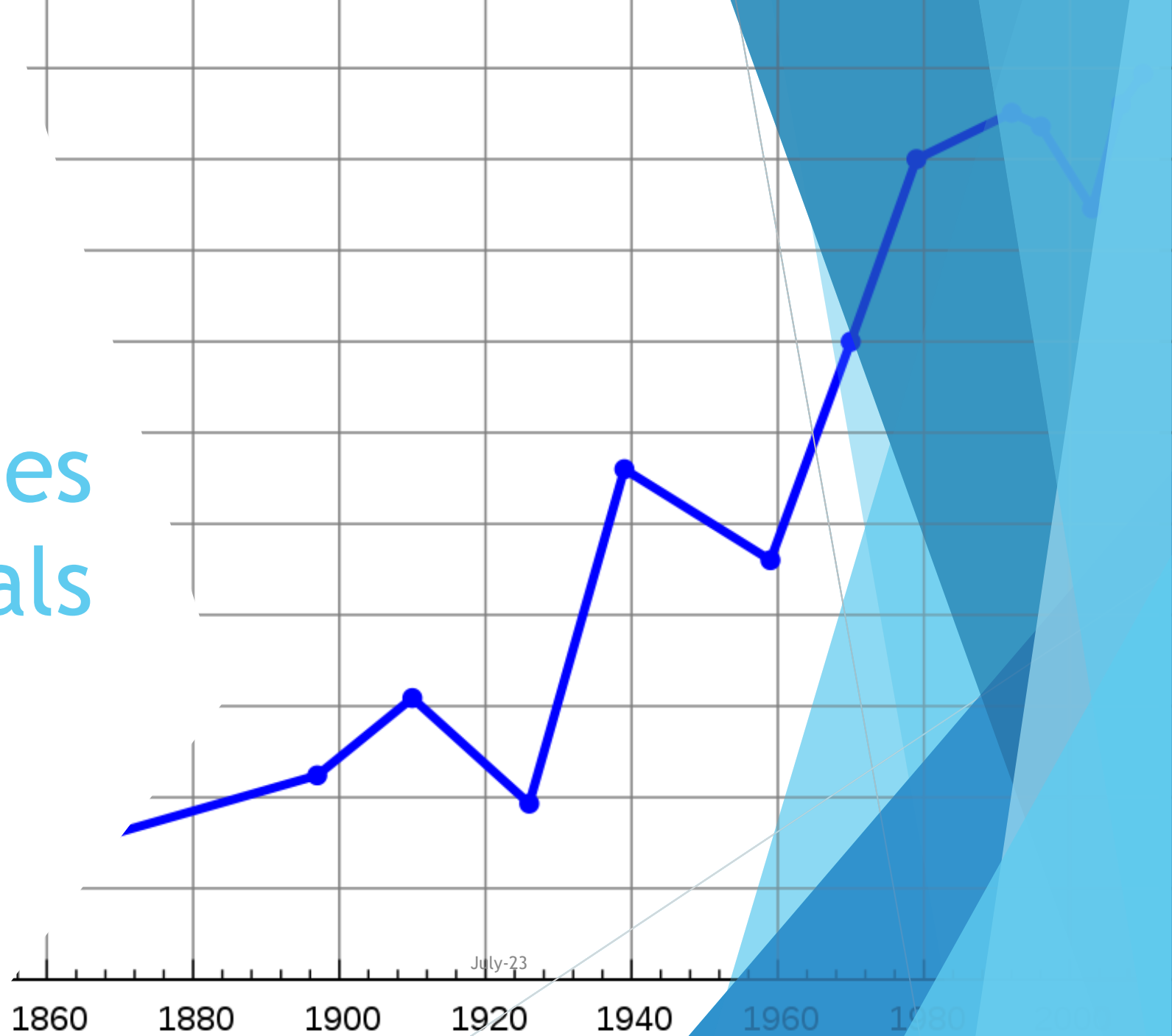
Disclaimer

- ▶ The Australian Shareholders' Association (ASA) has provided the facilities for this meeting to provide general information about the ASA and to stimulate interest in financial markets.
- ▶ The ASA is not licensed to give financial advice.
- ▶ Presentations made here are not designed to provide any specific investment advice to any person present.
- ▶ The ASA does not accept any responsibility to inform you of any matter that subsequently comes to our notice that may affect any of the information discussed.
- ▶ Anyone wishing to act on any matter discussed should seek independent advice from a licensed financial adviser.

Agenda

- ▶ Intro – welcome, emergency procedure, disclaimer
- ▶ Peter Scales – Macro-technical, with discussion
- ▶ Charlie Surace – Investment strategy
- ▶ Mark Dixon – Walk on the wild side, “sophisticated” investing
- ▶ Additional material for the group
- ▶ Next meeting – 17th August
- ▶ Close ~ noon.

Peter Scales Macro-Technical



An illustration on the left side of the slide. It shows a stylized orange hand holding a stack of yellow coins. A green plant with several leaves is growing out of the top of the coin stack. The background is a dark blue triangle on the left and a white triangle on the right, separated by a diagonal line.

Charlie Surace - Investment Strategy



What is a Sophisticated Investor?

by Mark Dixon

Sophisticated Investor?

See: Federal Register of Legislation,
<https://www.legislation.gov.au>

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Corporations Act 2001

No. 50, 2001

Compilation No. 121

Compilation date: 1 March 2023
Includes amendments up to: Act No. 35, 2022
Registered: 7 March 2023

This compilation is in 7 volumes

Volume 1: sections 1–260E
Volume 2: sections 283AA–600K
Volume 3: sections 601–742
Volume 4: sections 760A–994Q
Volume 5: sections 1010A–1243A
Volume 6: sections 1272–1697
Schedules
Volume 7: Endnotes

Each volume has its own contents
July-23

This compilation includes a commenced amendment made by Act No. 13, 2021

§708(8)

Volume 3

Chapter 5A—Deregistration, and transfer of registration, of companies

Chapter 5B—Bodies corporate registered as companies, and registrable bodies

Chapter 5C—Managed investment schemes

Chapter 5D—Licensed trustee companies

Chapter 6—Takeovers

Chapter 6A—Compulsory acquisitions and buy-outs

Chapter 6B—Rights and liabilities in relation to Chapter 6 and 6A matters

Chapter 6C—Information about ownership of listed companies, listed registered schemes and listed notified foreign passport funds

Chapter 6CA—Continuous disclosure

Chapter 6D—Fundraising

Part 6D.1—Application of the fundraising provisions

Part 6D.2—Disclosure to investors about securities (other than for CSF offers)

Division 1—Overview

Division 2—Offers that need disclosure to investors

706 Issue offers that need disclosure

707 Sale offers that need disclosure

708 Offers that do not need disclosure

708AA Rights issues that do not need disclosure

Sophisticated investors

- (8) An offer of a body's securities does not need disclosure to investors under this Part if:
- (a) the minimum amount payable for the securities on acceptance of the offer by the person to whom the offer is made is at least \$500,000; or
 - (b) the amount payable for the securities on acceptance by the person to whom the offer is made and the amounts previously paid by the person for the body's securities of the same class that are held by the person add up to at least \$500,000; or
 - (c) it appears from a certificate given by a qualified accountant no more than 6 months before the offer is made that the person to whom the offer is made:
 - (i) has net assets of at least the amount specified in regulations made for the purposes of this subparagraph; or
 - (ii) has a gross income for each of the last 2 financial years of at least the amount specified in regulations made for the purposes of this subparagraph a year; or
 - (d) the offer is made to a company or trust controlled by a person who meets the requirements of subparagraph (c)(i) or (ii).

Note 1: Section 9 defines *qualified accountant*.

Currently: net assets of at least AUD \$2.5 million, or, a gross income for each of the last two financial years of at least AUD \$250,000.

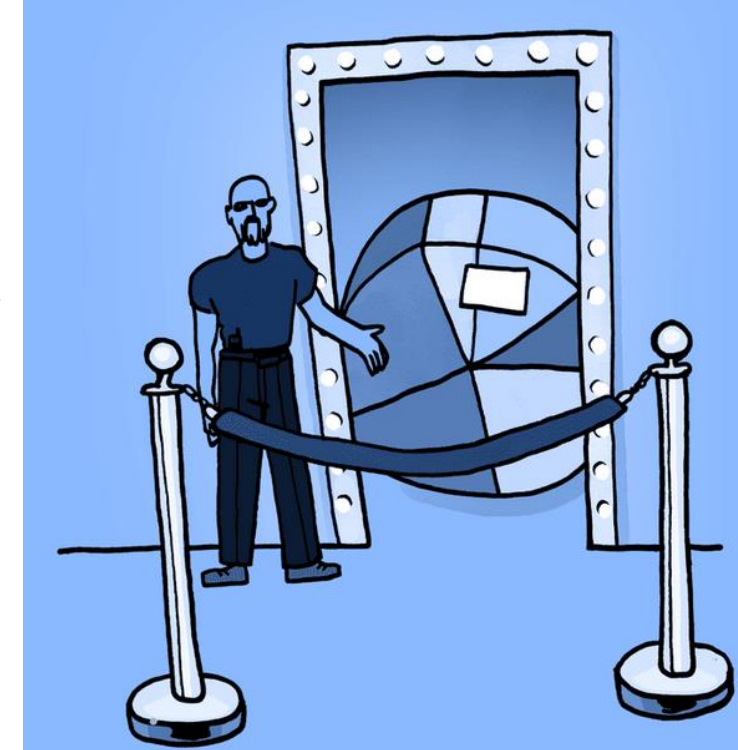
What can a Sophisticated Investigator do?

Private Placements: capital raising event that involves the share issues to a small number of select investors.

ASA repeatedly tells companies that Private Placements are unfair for retail investors because they *dilute the equity of shareholders with the issue of new shares at a discount*.

That makes Placements very attractive to sophisticated investors!

Sophisticated investors can apply for placements – they are available for a few hours or sometimes a couple of days, so buyers have to be fast, but they are substantially discounted. After placement, the shares are settled and allotted (i.e. created) and then trade equally with the pre-existing shares of the company. Then you just can sell them for instant profit!



What can a Sophisticated Inv (2)

Private Equity: investing in companies that are not publicly traded on a stock exchange. Private equity investments can often offer high returns but come with increased risk. **Warning: consider liquidity.**

Venture Capital: invest in startups and early-stage companies with high growth potential. **Warning: high risk.**

Angel Investing: Similar to venture capital, this involves investing in startups at a very early stage, often local and with some contribution of expertise. **Warning: high risk.**

What can a Sophisticated Inv (3)

Real Estate Investment Trusts (REITs): private REITs available only to sophisticated investors. **Warning: consider liquidity.**

Structured Products: complex financial products which are based on the performance of one or more underlying assets. **Liquidity?**

Unlisted Managed Funds: funds not listed on an exchange. **Liquidity?**

Hedge Funds: funds that use complex strategies, including short-selling, leverage, derivatives, and arbitrage, to generate returns.

Warning: complexity and potential for high losses.

Shut up and
take my
money!



Certificate by a qualified accountant
Chapters [6D or 7] of the Corporations Act 2001

Has this certificate been issued under Chapter 6D or 7?
Is the correct chapter inserted for the type of product being offered?

[Name of person or entity]
.....
[Address of person or entity]
.....
.....
.....

I certify that the [person or entity] whose details are set out above:

- has net assets of at least \$2.5million; or
- has a gross income for each of the last 2 financial years of at least \$250,000.

Is this certificate from a ‘qualified accountant’?
Has the accountant indicated that: they belong to a professional body; have the approved membership designation; and meets that body’s professional education requirements as listed in ASIC Class Order [CO 01/1256]?

I belong to [name of my professional body]
My membership designation from this professional body is
I comply with this body’s continuing professional education requirements.

Signature of accountant.....

Is certificate current?
Issuer to check if this date is less than 2 years before when the products are being offered

Date certificate issue

(The following information might be included in the accountant’s letterhead instead of here)

Australian Shareholders Association – For ASA use only
[Name of accountant]
[Address of accountant]
.....
.....
.....

Certificate
valid for
2 years

How do I find these?



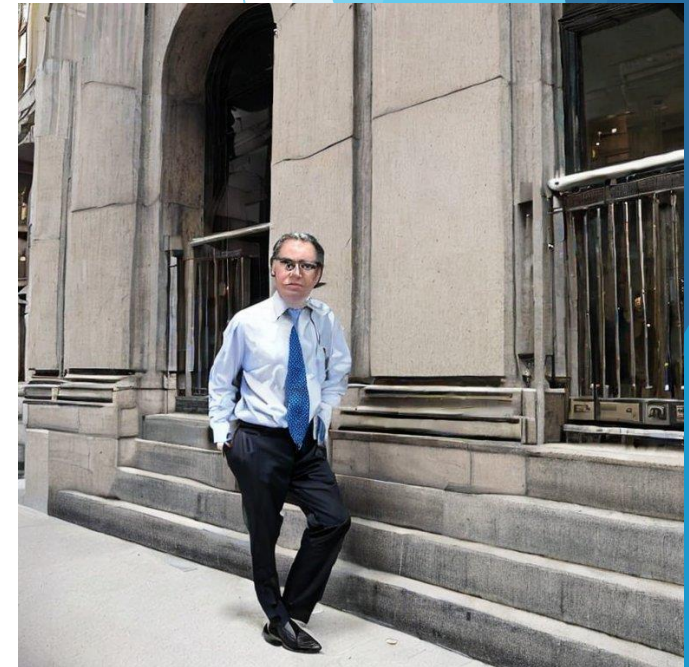
Investment banks, Private banks.

- ▶ Many banks operating in Australia have additional services available to “High Net Worth Individuals”. E.g.:
 - ▶ Macquarie — Maquarie Private Bank
 - ▶ CBA — Commonwealth Private Office
 - ▶ NAB — NAB Private Wealth
 - ▶ ANZ — ANZ Private Banking
 - ▶ HSBC — Premier banking
- ▶ Private banks - some of these in Perth, see Yellow Pages



Full service Brokers

- ▶ Some full service brokers offer some “sophisticated” products, e.g.:
 - ▶ Bell Potter Securities
 - ▶ Euroz Hartleys
 - ▶ Morgan Stanley Wealth Management
 - ▶ Morgans Financial
 - ▶ Ord Minnett
- ▶ Even some online brokers provide some: e.g. CMC.



Produced by Stable Diffusion.

Financial Planners and Wealth Managers

- ▶ Several of the “sophisticated” options can be found this way.
- ▶ Financial advisors and Wealth managers often charge based how much money they manage for you. Fees are between 0.20% to 1.5% of Assets-Under-Management per year.
- ▶ Some charge a fee for service or annual fee instead. (for example a Statement of Advice (SOA) might cost between \$1,000 and \$2,000).

Venture Capital, Angel Investing

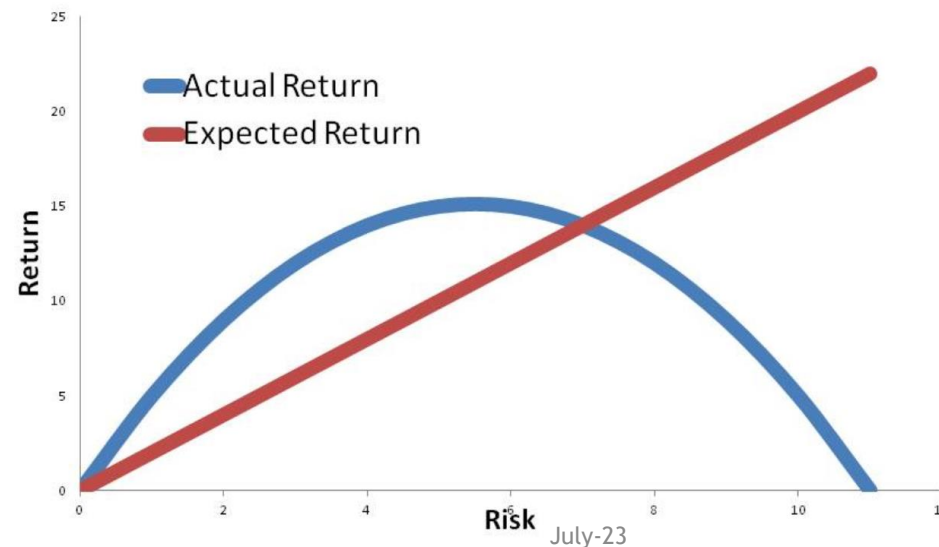
- ▶ Some businesses coordinate this in Perth. E.g.:
 - ▶ 808 Ventures – Growth stage tech–focused VC firm investing primarily in USA
 - ▶ Ookami – VC fund for blockchain companies
 - ▶ Albion Capital Partners – VC firm investing in startups
 - ▶ Yuuwa Capital – Early–stage tech and life sciences focused on Australia and NZ
 - ▶ Stone Ridge Ventures – Tech and Life Sciences focused in USA and Australia
- ▶ Perth Angels - for entrepreneurial Western Australian businesses



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Is this a good idea?

- ▶ “Sophisticated investments” are high risk without a guarantee of high return.



Source: David Merkel, AlephBlog, “Dirty secret” post.

Is this a good idea?

Guard rails are absent - e.g.
no product disclosure
statements (PDS) for most
of them.



Is this a good idea?

► Would I do it?



Stockmarket Game - ended 22-June

ASA Perth City Group

League table - ASA Perth City Group

Rank 218 - Average portfolio value : \$49,474.68

#	Participant user name	Portfolio value
1	Mark Dixon (Mark Dixon)	\$50,114.22
2	Aiming For Gains (Charlie Surace)	\$48,835.13
3	SPUTZ (Carl Sputore)	\$50,000.00

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Save the date for Game 2,
2023

Registrations will open on July 13
Trading will run from August 10 to
November 23

Win Cash Prizes

Individual - Overall

First: \$2,000

Second: \$1,500

Third: \$1,000

Individual University prize

Best-performing portfolio: \$1,000

Leagues - 2 prizes

1) Minor League (10 and under)

First place -

Group prize \$1,000

2) Major League (11 or more)

First place -

Group prize \$3,000

July-23

<https://game.asx.com.au/game/info/public/about-the-game>

Stockmarket Game - ended 22-June

The new game is open for registration now, but doesn't start trading till 10th August.

A competition between the ASA Groups in Perth for most successful League might be happening this time - watch this space.

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Individual University prize

Best-performing portfolio: \$1,000

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Group prize \$1,000

2) Major League (11 or more)

First place -

Group prize \$3,000

July-23

<https://game.asx.com.au/game/info/public/about-the-game>

Additional Material for the group

what are other
words for
extra material?



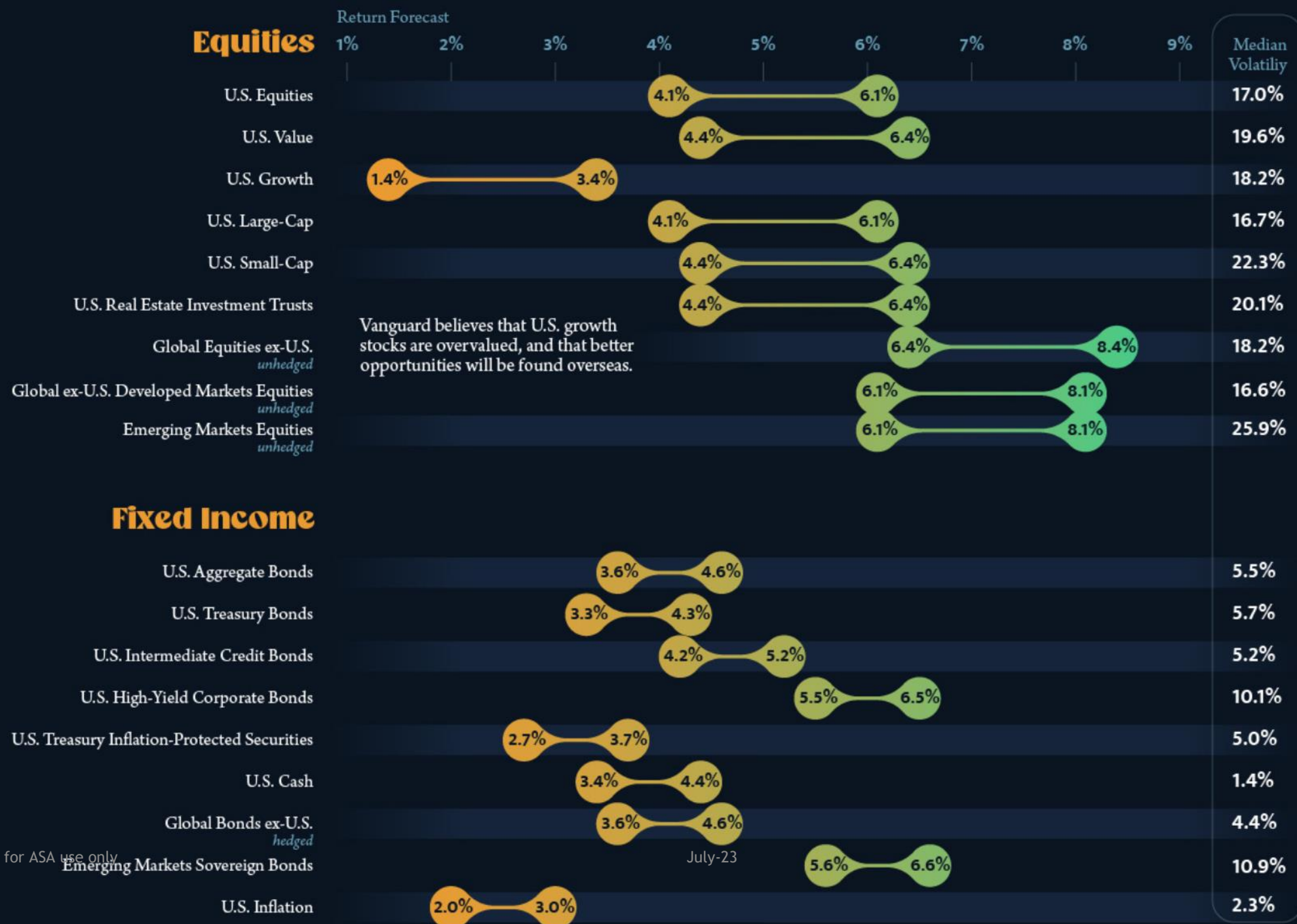
surplus, overkill, limit,
something extra, remainder,
excess, extra, spare, leftovers,
superfluity



Asset class ten year forecasts

from Visual Capitalist

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COMMODITIES vs EQUITY VALUATIONS

1970—2023

Recently, commodity prices reached a 50 year low relative to overall equity markets. In the past, when this ratio reached such levels, commodity supercycles began.



Commodity supercycle

Extended periods during which commodity prices are well above their long-run trend.

Source: Bank of Canada

Ratio: GSCI Commodity Index vs. S&P 500 Index

10

8

6

4

2

0



1973-1974

Oil Embargo

During the Arab-Israeli War, members of OPEC imposed an embargo against the U.S. By the end of the embargo in 1974, oil prices had more than doubled.



2000

Tech Bubble

After the tech bubble burst in 2000, commodities outpaced equities as investors returned to invest in more tangible assets.



2008

Prices of many commodities reached all-time highs in 2008 before a sharp decline caused by the global financial crisis.



2020

COVID-19 Pandemic

Lockdowns led to a sharp decline in demand for commodities. In order to support equity markets, central banks and governments implemented unprecedented monetary and fiscal stimulus.



1971

The U.S. suspended the dollar's convertibility to gold, allowing the precious metal's price to float freely on openly traded markets. Gold prices skyrocketed until 1980.

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1970

1980

1990

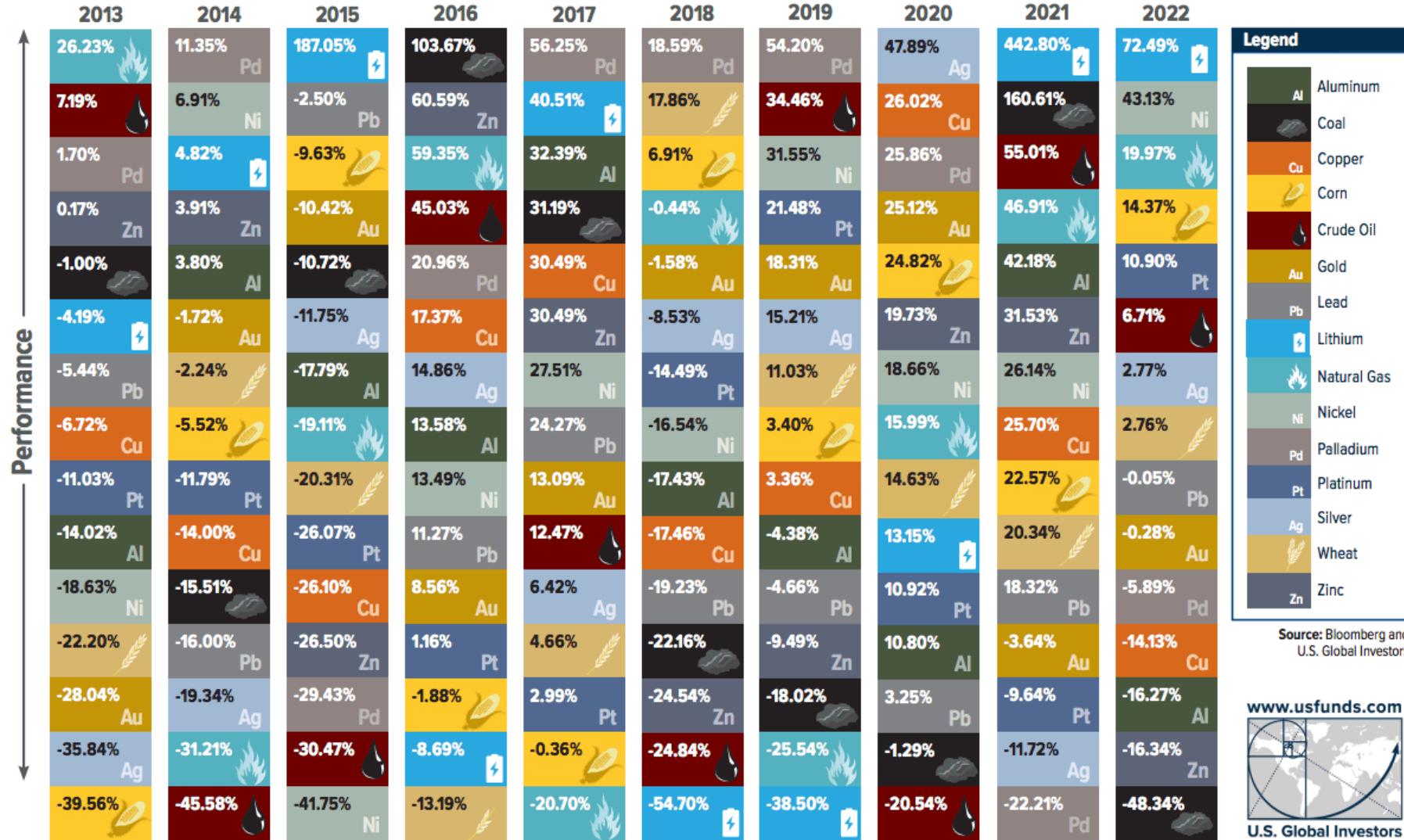
2000

2010

2020

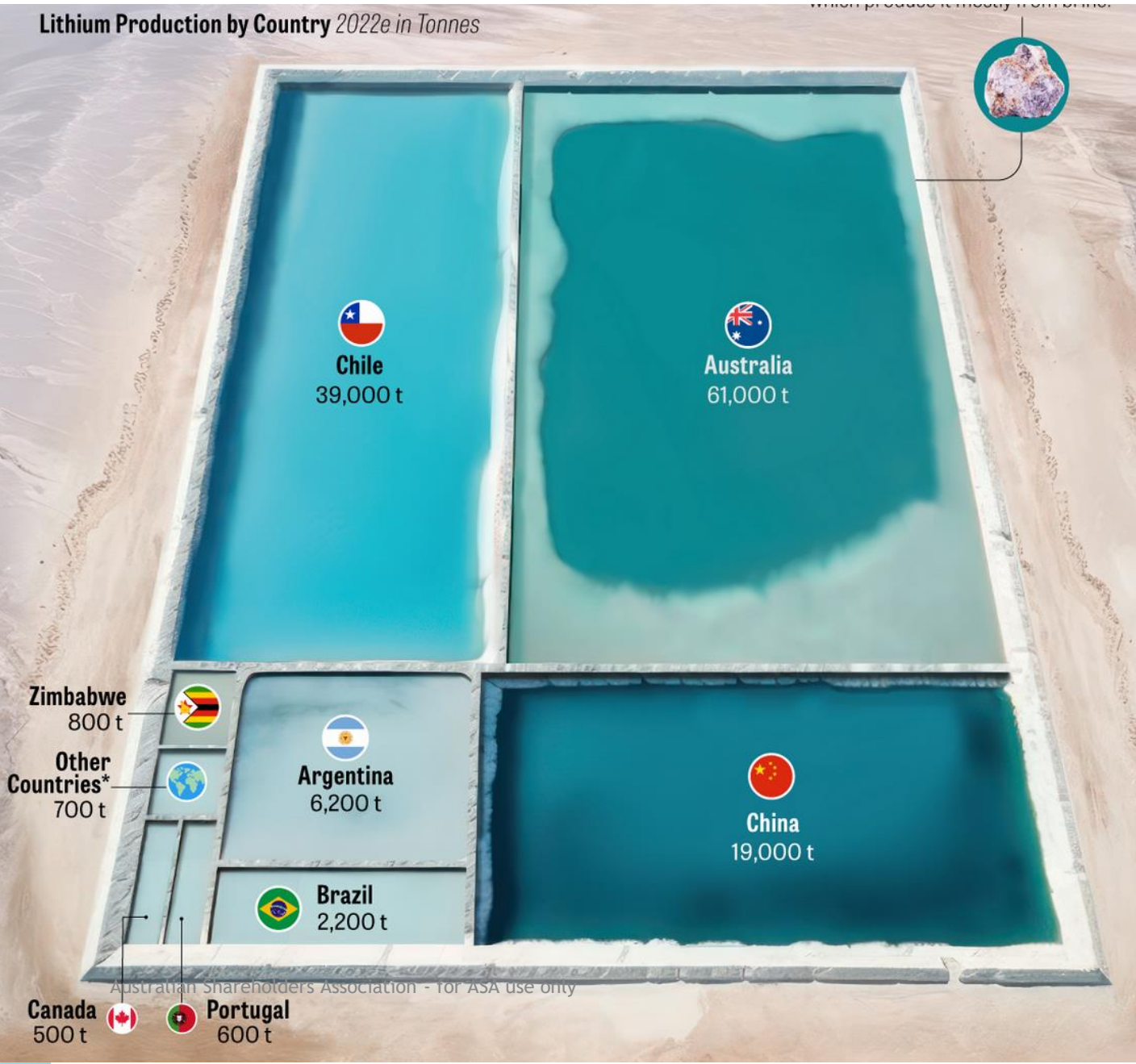
Source: Visual Capitalist

The Periodic Table of Commodities Returns 2022



Natural resources are the building blocks of the world, essential to progress and prosperity. These commodities, like all investments, can have wide price fluctuations over time. This table shows the ebb and flow of commodity prices over the past decade and illustrates the principle of mean reversion — the concept that returns eventually move back towards their mean or average. The price movement of commodities is historically both seasonal and cyclical. That's why when investing in natural resources, we believe it is important for your portfolio to hold a diversified basket of commodities and to be actively managed by professionals who understand these specialized assets and the global trends impacting them. As with all investments, diversification does not protect an investor from market risks and does not assure a profit, and of course, past performance does not guarantee future results. Returns are based on historical spot prices or futures prices.

Lithium Production by Country 2022e in Tonnes



► Lithium Producing Countries 2022

July-23

Close

- ▶ **Our next meeting:** Thursday, 17th August 10 am, Citiplace.
- ▶ **Other ASA groups:**
 - ▶ Nedlands Discussion - 27 July 2023
 - ▶ Perth South of the River Discussion - 28 July 2023 (Bull Creek)
 - ▶ Perth Member's Meeting & Investor Forum- 1 August 2023
 - ▶ Stirling Discussion - 15 August 2023 (Tuart Hill)