

Investors' Corner

Citiplace, Perth

for ASA, 21st November 2024

Convenor: Mark Dixon

A photograph of a fire hose reel and a fire extinguisher in a hallway. The hose reel is on the left, and the fire extinguisher is on the right. The background is a blurred hallway with a red fire alarm pull station.

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

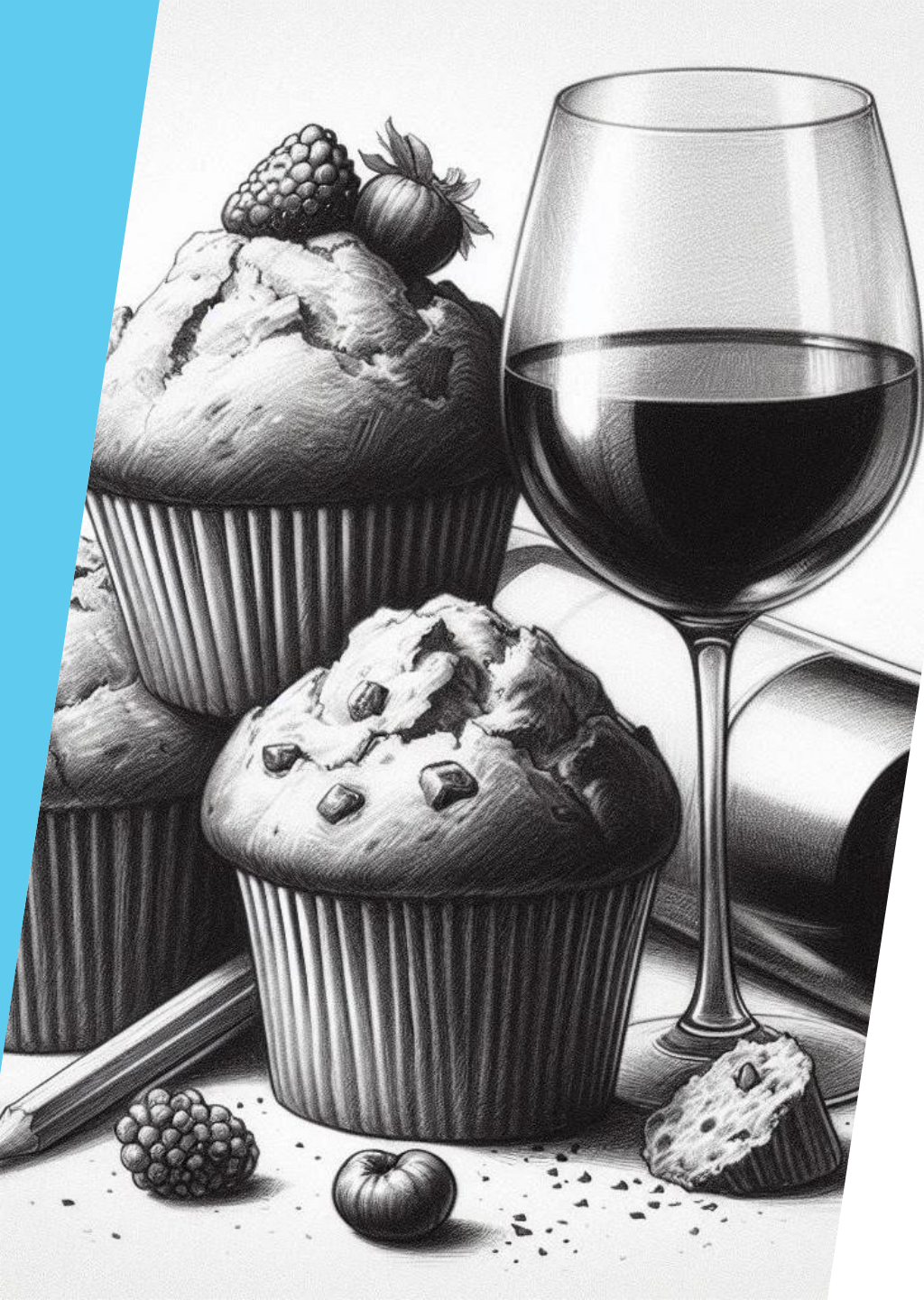
- ▶ Intro — welcome, emergency procedure, disclaimer
- ▶ Discussion on economic & investment trends — later today
- ▶ Interview with an investor — **Alan Prosser**
- ▶ A professional approach to investing — **Max Reinhardt**
- ▶ Open discussion
- ▶ Next meeting — 19th December
- ▶ Close ~ noon.

A still life photograph of wine bottles, glasses, and grapes on a dark wooden surface. The image shows two wine bottles, one with a red cap and one with a green cap, both with corks. There are two wine glasses, one containing red wine and one containing white wine. A bunch of green grapes is visible in the top left and bottom right. A white cloth is partially visible at the bottom left.

Keep in mind

Challenge from North of River Group -

- ▶ One co. per person, entry either Dec-24 or Jan-25.
 - ▶ Suggest: solid performers, which out-perform speculatives.
 - ▶ I have received five picks so far: WDS, NDIA, PME, SVW, WRLD.
- ▶ Give me your selection today or email it to me: mdixon@dixemail.com within a week.



December Meeting

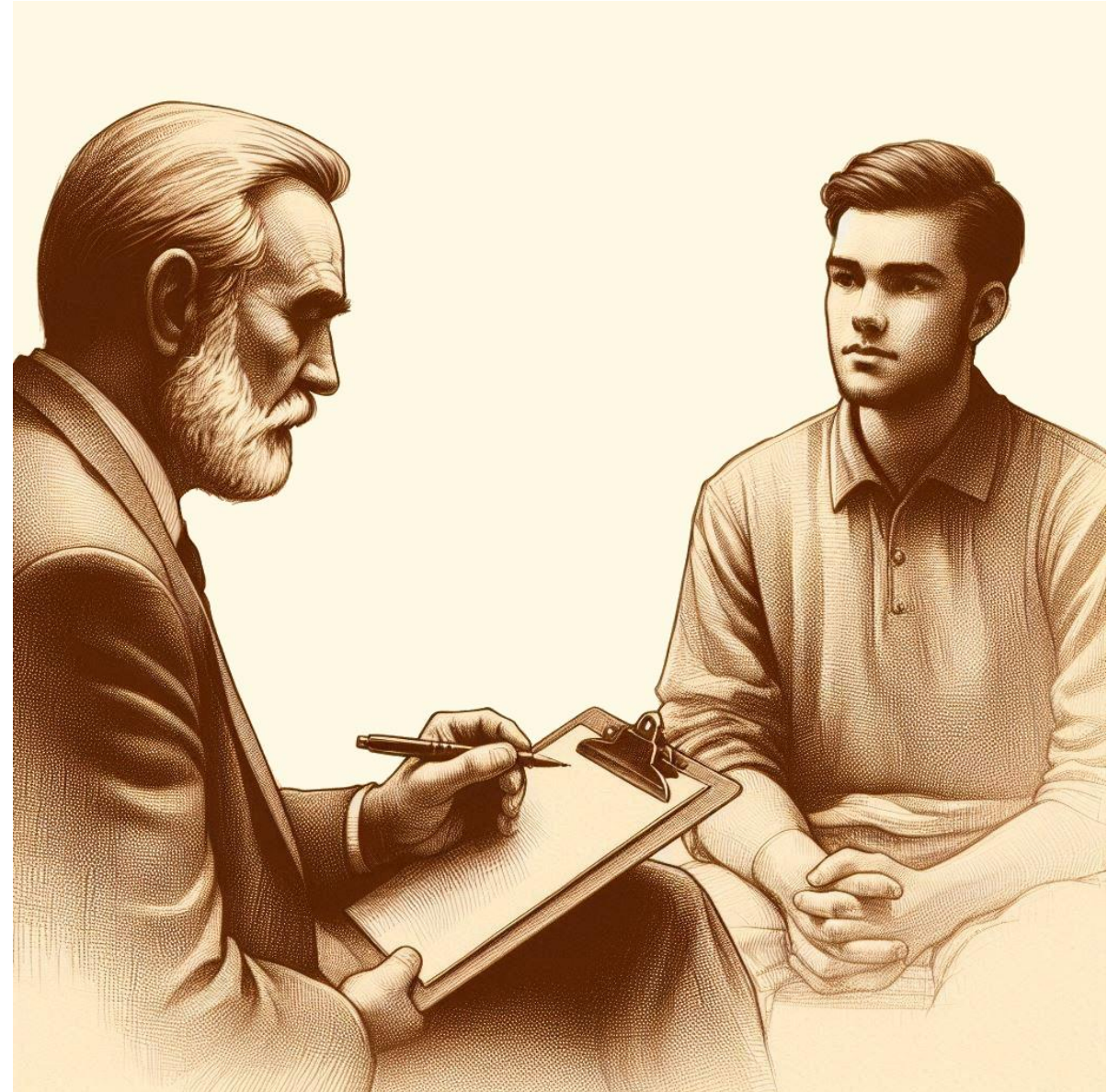
Next month is end of year - What would you like to do?

- ▶ Wine (Charlie) & muffins (Mark)? Other?
- ▶ Supplies from City of Perth - tea, coffee mince pies? (\$5 to \$10 pp)

Interview with an investor

— Alan Prosser

... born in Perth. Attended Hale school, then UWA for his medical degree; trained in Perth as an orthopaedic surgeon; spent 3 years in UK for further experience; returned to Perth (Royal Perth Hospital) as a consultant surgeon in 1987; also worked in private practice, main interest was trauma. Retired in 2020.



First shares

- ▶ Before shares
- ▶ 1990s

	number	date	price	total cost	price now	value now
NAB	800	05.03.91	\$5.07	\$ 4,052.62	\$ 38.80	\$ 31,040.00
CBA	1000	28.08.91	\$5.40	\$ 5,400.00	\$ 142.75	\$ 142,750.00

- ▶ Time in the market

Approach to investing

- ▶ Accountants 2% of capital
- ▶ Fred Schwed: where are all the customers yachts?
- ▶ JB Weres 2.2% on trades
- ▶ CommSec \$19.95
- ▶ Morningstar-selling analysis, no conflict of interest.
- ▶ Lesson – costs are critical to returns.
- ▶ Platforms-after some stuff ups, I started keeping my own records on Excel.
- ▶ Invest for the long term – time in the market counts.
- ▶ GARP = investing
- ▶ GAAP-GARP

What have you done over the years to increase your knowledge about investing?

- ▶ Read widely
 - ▶ AFR
 - ▶ Morningstar
 - ▶ Books
- ▶ Seminars
 - ▶ ASA
 - ▶ ETF companies

How do you currently select companies to buy ?

- ▶ Read widely – mostly just noise
- ▶ Check lists
- ▶ Look for prices under FVE, margin of safety
- ▶ Timing the market v time in the market
- ▶ Situations MPL, ASX, RMD.

Morningstar

Ramsay Health Care Ltd

RHC



\$39.49 ↑0.21 | 0.54%

Morningstar Fundamentals ⓘ

Last Price ...39.28
 Fair Value -62.00
 Uncertainty Medium
 1-Star Price > 83.70
 5-Star Price < 43.40
 Economic Moat Narrow
 Capital Allocation Exemplary
 ESG Risk Rating Assessment
 Controversy Level Low
 Top Material ESG Issue (Overall) Product Governance

Investment Style Mid Core
 Sector Healthcare
 Industry Medical Care Facilities
 Day Range 39.26 – 39.91
 Year Range 38.70 – 57.23
 Market Cap 9.0926 Bil
 Volume / Avg 359.2 k / 629.9 k
 Price / Sales 0.54
 Price / Book 1.94
 Price / Earnings 34.09
 Forward Div Yield 2.04%
 Trailing 2.0

Fiscal	2018	2019	2020	2021	2022	2023	2024	TTM	5-Yr	Index
Return on Assets %	4.26	4.94	1.86	2.40	1.41	1.47	4.24	4.24	2.46	4.63
Return on Equity %	16.23	22.02	9.02	11.53	6.88	7.37	19.63	19.63	12.66	13.67
Return on Invested Capital %	7.50	8.98	3.72	4.00	2.41	2.91	7.00	7.00	4.37	11.05

Shares bought in 2023-24

APA	25.09.23
TWE	02.08.23
RMD	15.08.23
RMD	16.08.23
RMD	24.08.23
RMD	18.09.23
RMD	04.10.23
RMD	19.10.23
TWE	13.11.23
TWE	16.11.23
TWE	20.11.23
AFI	16.08.23
AFI	25.08.23
CHC	07.09.23
TLS	21.09.23
VAS	27.09.23
CHC	03.10.23
PXA	06.10.23
BAP	19.10.23
AFI	31.10.23
NEM	06.11.23

BAP	24.11.23
SDF	22.12.23
BAP	24.01.24
DMP	25.01.24
MTS	08.03.24
SDF	13.03.24
MVW	27.03.24
EDV	09.04.24
TLS	12.04.24
BAP	02.05.24
EDV	22.05.24
TLS	24.05.24
SDF	12.06.24
ASX	14.06.24
MVW	21.06.24

ASX buys \$56.83, \$60.46

Price chart



RMD buys \$28.25, \$28.30, \$25.00, \$22.81, \$22.90, \$22.65



MPL buys 288, 290

MPL:ASX \$3.550 (AUD) ▼\$0.040 (1.11%)

Buy

Sell

Search CommSec



IVV never cheap, fallacy of timing the market

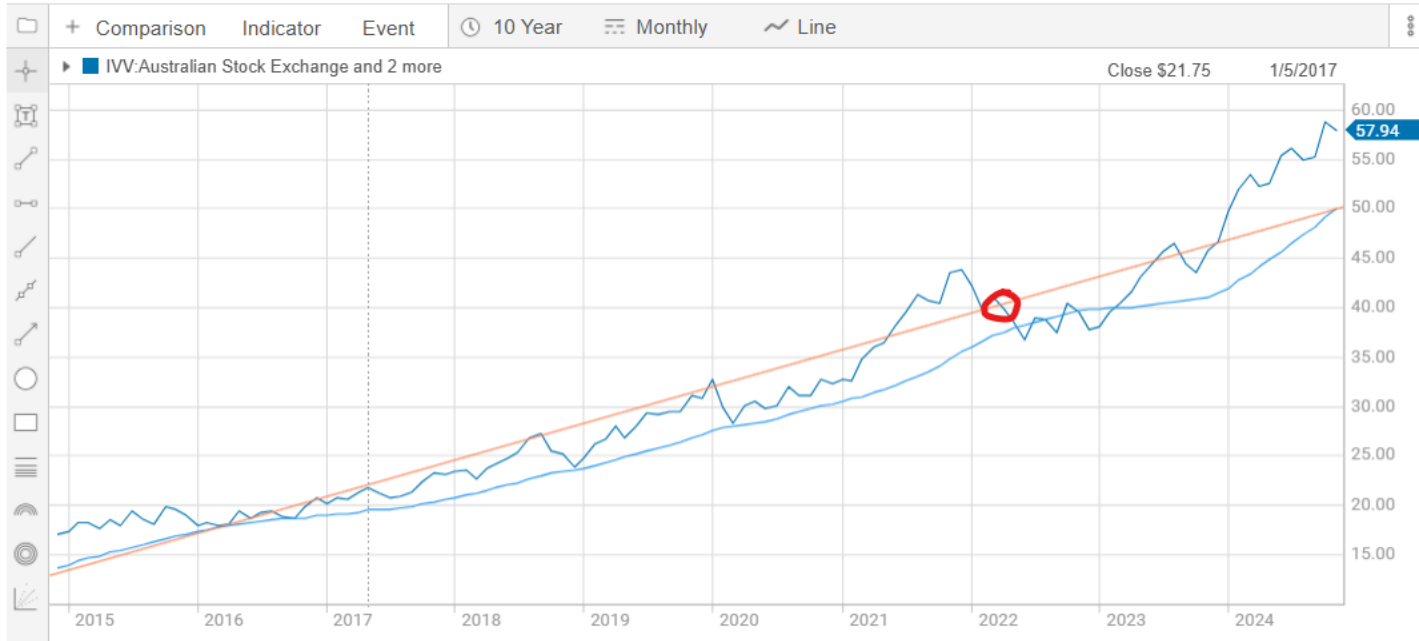
IVV:ASX \$57.940 (AUD) ▼\$0.790 (1.35%) Buy Sell

Search CommSec

As of 6:46:17 PM Sydney Time, 03 Nov 2024, Data sourced from ASX TradeMatch and Cboe.

Summary [Announcements](#) [Charts](#) [Recommendations](#) [Trade History](#) [Distributions](#) [Performance & Risks](#) [Holdings](#) [Derivatives](#)

Price chart

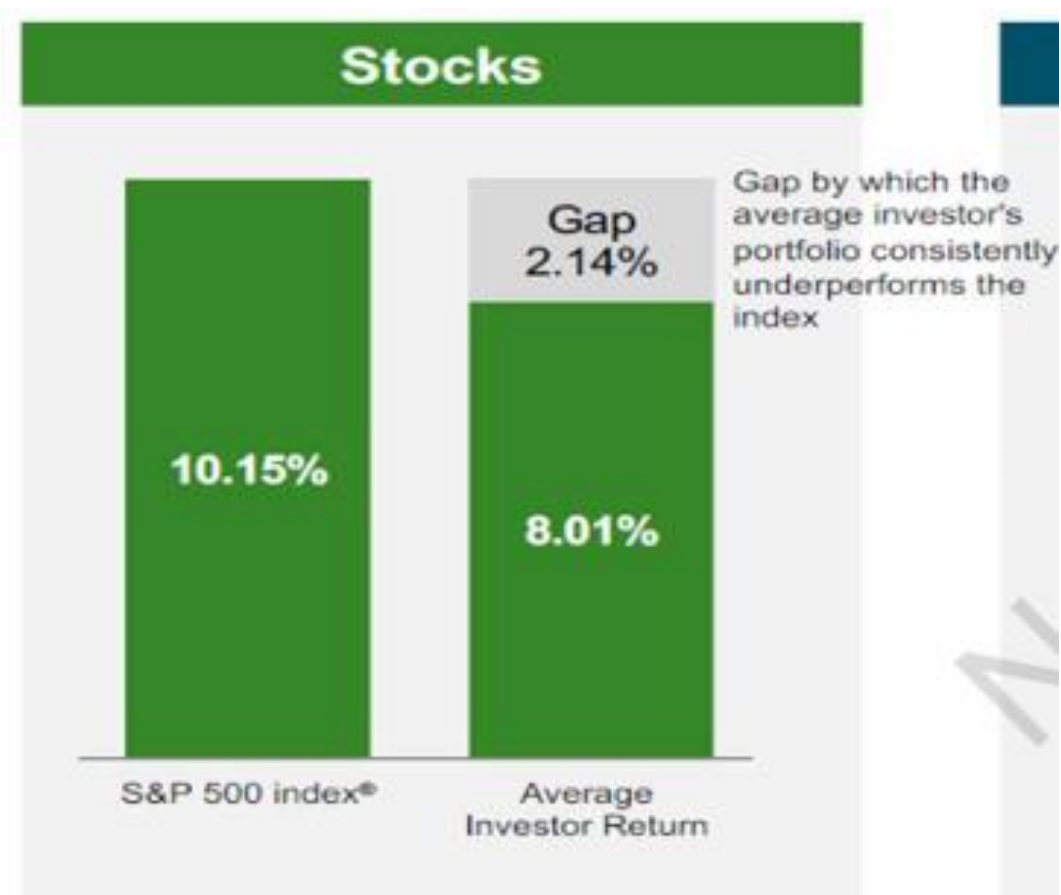


When to sell

- ▶ Not to raise cash
- ▶ Accept that not every share will be a winner
- ▶ Shares that no longer fit in the portfolio, or have not worked out longer term
 - ▶ AMP, AGL, AWC
- ▶ Takeovers
- ▶ Platform reviews

Average annual returns 1994-2023

The investors gap



Performance of share portfolio to 31.10.24

- ▶ Shares 1y 28%, 5y 72% (arithmetic 14% pa, 6y 12% cpd)
- ▶ Shares + cash 1y 27%, 5y 92% (rule of 72 7y, 10.28% cpd)
- ▶ Dividend yield 1y with franking credits 5%
- ▶ Tax and accounting costs paid from outside of the portfolio



Other thoughts on investing

Sin bin shares, sunset industries

Best performing share US 30yrs

- ▶ Oil, gas, coal
- ▶ Alcohol
- ▶ Gaming, gambling



- ▶ Money is made in silicon valley (or main street)
- ▶ The value and buying power of money is preserved on Wall Street
- ▶ When you have played the game and won, it is time to stop playing
- ▶ The lily pond
- ▶ I expected to live off capital, but worked 5 years longer and can now live off dividends

What is the goal of investing?



What is the goal of investing?

Kurt Vonnegut brought his good friend Joseph Heller to a party on Shelter Island off the coast of Long Island in New York. Shelter Island is a popular and expensive location for second homes of the wealthy. At the party Kurt Vonnegut commented that the hedge fund manager hosting the party made more money in a single day than Heller had ever earned from his hit novel *Catch-22*.

Joseph Heller turned to his friend and said, “Yes, but I have something he will never have - enough.”

What is the goal of investing?



A professional approach to investing

— Max Reinhardt



Using fundamentals - part 1 (banks)

— Mark Dixon



Fundamental Analysis 101

examples from the banks

Presenter: Mark Dixon

To be delivered at a future meeting

Open discussion material



Is there a house price bubble in Australia?

Two comparisons from Owen Analytics suggest perhaps not.

In fact:

- ▶ Real estate as an asset class is quite poor (and it has ridiculously high transaction costs (stamp tax and broker fees consume the first couple of years and last couple of years of capital gain, and rent has no franking credit)).
- ▶ The \$AUD has devalued far worse than we thought.

Sydney Real estate vs Gold

Median Sydney House:

400oz gold bars
(12.44kg)



Owen analytics®

1970:



= 1.4 x



Gold = US\$37/oz (Dec 1970)
@ US\$1.1146 / 1A\$
= A\$34/oz
x 400oz
= **A\$13,400 per 400oz bar**

A\$18,700 paper money

1990:



= 1.0 x



Gold = US\$386/oz (Dec 1990)
@ US\$0.7733 / 1A\$
= A\$499/oz
x 400oz
= **A\$199,700 per 400oz bar**

A\$194,000 paper money

2024:



= 0.8 x



Gold = US\$2,700/oz (Nov 2024)
@ US\$0.66 / 1A\$
= A\$4,090/oz
x 400oz
= **A\$1,636,000 per 400oz bar**

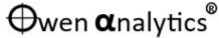
A\$1,375,000 paper money




Sydney Real Estate vs (US) Tech

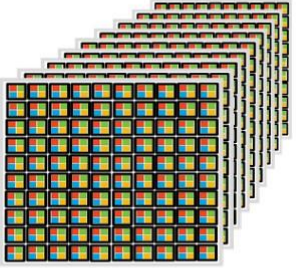
Median Sydney House:


Microsoft shares






Microsoft



( = 1,000 shares)

Mar 1986 IPO price US\$21
 = US\$0.073 split-adjusted
 @ \$0.6648 / 1A\$
 = A\$0.11 per share
 = **896,000** shares per house

1986:




A\$98,300

paper money

= 896,000
MSFT shares

Dec 2000 share price US\$43.38
 = US\$21.69 split-adjusted
 @ \$0.5540 / 1A\$
 = A\$39.15 per share
 = **7,330** shares per house

2000:




A\$287,000

paper money

= 7,330
MSFT shares

Nov 2024 share price US\$420
 @ \$0.66 / 1A\$
 = A\$636 per share
 = **2,160** shares per house


2024:



A\$1,375,000

paper money

= 2,160
MSFT shares

( = 1,000 shares)

⊕

House price data: ABS 6416, P Abelson & D Chung (2004), N Stapledon (2007)

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Thoughts on real estate

- 1) Is Real Estate, as an investment asset class, attractive given its low relative capital growth over 50+ years and its very high transaction costs?
 - ❑ stamp tax - extortionate
 - ❑ broker fees - exorbitant
 - ❑ Maintenance and management costs - high
 - ❑ Rent has no franking credit
 - ❑ Surely these consume the first couple of years and last couple of years of capital gain, and the capital gain + income is low compared to other asset classes.
- 2) Has the \$AUD devalued far worse than we thought?



Close

- ▶ **Our next meeting:** Thursday, 19th December, 10 am, Citiplace.
- ▶ **Other ASA groups:**
- ▶ 28th November, Thursday, 10 am — Nedlands Discussion, contact [Kevin](#)
- ▶ 22nd November, Friday, 10 am — Perth South of the River (Bull Creek), contact [Peter](#)
- ▶ 3rd December, Tuesday 10:15am — Perth Member's Meeting & Investors Forum in State Library auditorium, contact [Kaye](#)
- ▶ 17th December, Tuesday, 10 am — Stirling Discussion (Tuart Hill), contact [Chris](#)
- ▶ 18th December, Wednesday, 10 am — Busselton Discussion, contact [Bernie](#)

<https://www.australianshareholders.com.au/learn-connect/local-meeting-groups/>