

# Investors' Corner

Citiplace, Perth  
for ASA, March 2023  
Convenors: 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.

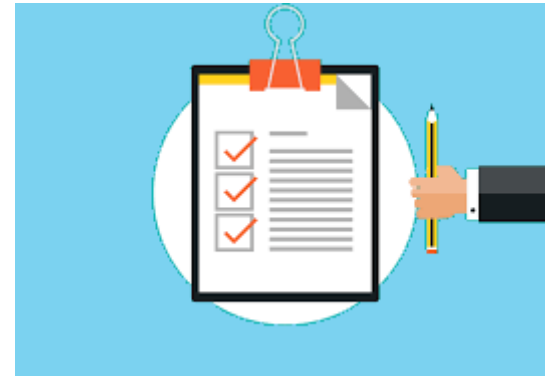
# Agenda

- ▶ Intro – welcome, emergency procedure, disclaimer
- ▶ Survey responses and your thoughts for our group
- ▶ Peter Scales – Macro-technicals
- ▶ David Brooke – Bluglass Ltd (BLG)
- ▶ Possible presentation material from the group
- ▶ Open discussion on financial news and companies
- ▶ Next meeting – 20<sup>th</sup> April
- ▶ Close ~ 11:55 am

# Announcements

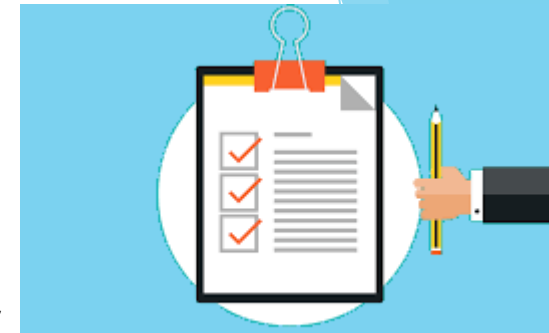
- ▶ ASA and ASX announcements and events can be found at <https://www.australianshareholders.com.au/> and <https://www.asx.com/>
- ▶ Allocation of proxies to ASA
- ▶ Investor Conference in May
- ▶ *Equity* magazine available in digital (PDF) format.

# Survey



- ▶ How would you like to see our group going forward?
  - ▶ Each group is unique and we *do not* need to become like the others.
  - ▶ For each segment in the current program, what do you like? And, what could be improved?
  - ▶ Your offers to lead new segments are particularly welcome.
- ▶ Survey results on next two slides.

# Results of survey:



- ▶ A few said its all okay now, but don't mind changes if they are popular with the group
- ▶ **Re: charts segment:** one person prefers not to have this segment, but a at least 3 others say it is a valuable part of the meeting. One suggestion is to occasionally explain how chart analysis is done.
- ▶ **Re: Materials segment:** well liked, but would like other materials too (Cu, Fe, Ni, Li, O&G, Si, Co, RareEarths), perhaps do Au & U each annually or 6-monthly.
- ▶ **Some prefer we drop:**
  - ▶ ASX & Fin News Announcements - leave it to the open discussion.
  - ▶ Exchange Traded Products section.
  - ▶ Real Estate (REITs) but that is a moot point this year.

**Ideas for new things on next slide.**

# Ideas for new things



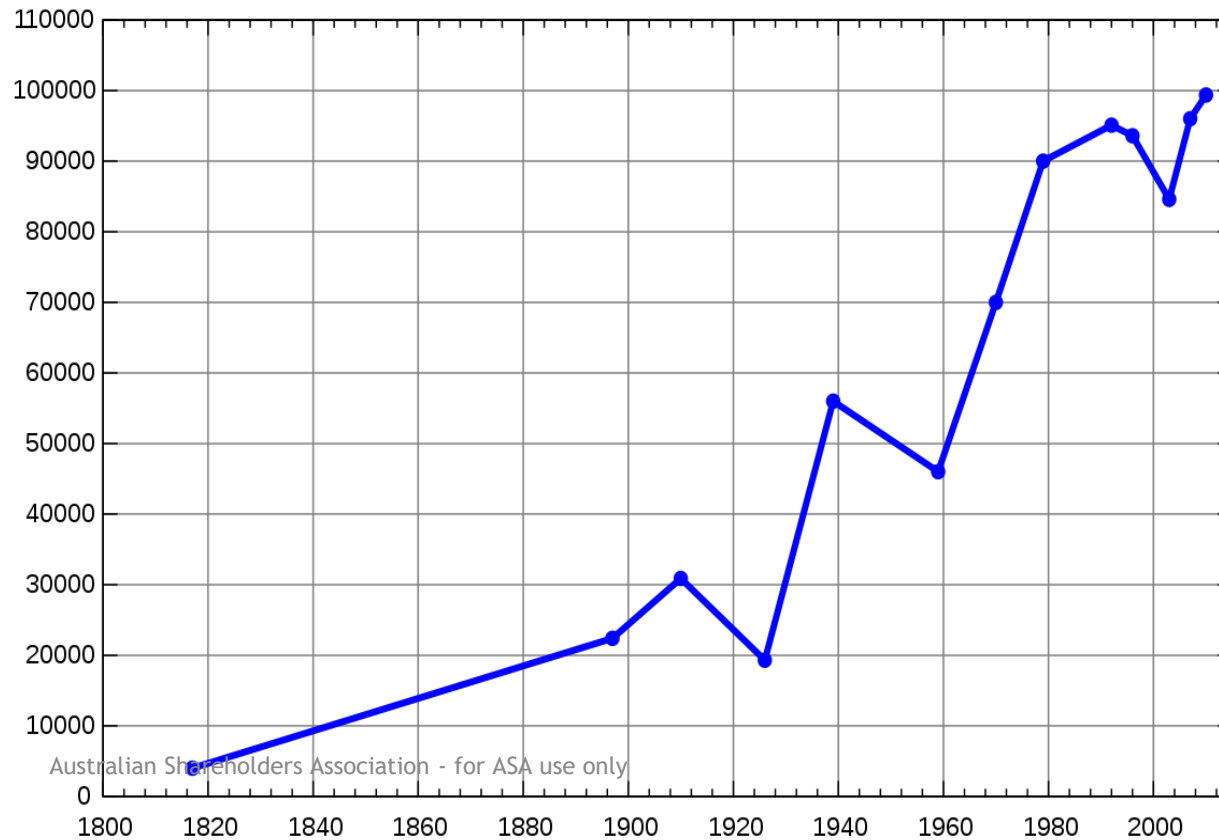
- ▶ **Tipping competition** — SoR does this now, do we want to? How would we do it innovatively?
- ▶ **Guest speakers** — This takes time to coordinate, is there someone who would like to take this on, eg. Finding a guest to deliver a 30 minute segment by a guest in some meetings.
- ▶ **Theme for each meeting** — announced in advance, such as: a sector (Mining(materials), Energy, Financials, ...); value vs mgmt. team vs charts; Exchange traded products (REITS, ETFs, LIC/LITs).
- ▶ **Revolving chair** — this would be good to cover illness & holiday disruptions.
- ▶ **Name change:** “Investors Corner” do you like it?

## General thoughts:

- ▶ Allocate time by agreement with presenter, and then keep to it.
- ▶ Chair needs to keep open discussion reasonably focused.



# Peter Scales Macro- Technicals



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# David Brooke Bluglass Ltd (BLG)



# Your recent observations

- ▶ What has interested you in the financial press recently?
- ▶ Do you know how to access AFR, WSJ and FT of London free online?

































# Periodic Table of Commodity Returns 2022
















Performance ↑

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2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
26.23% 	11.35% Pd	187.05% 	103.67% 	56.25% Pd	18.59% Pd	54.20% Pd	47.89% Ag	442.80% 	72.49% 
7.19% 	6.91% Ni	-2.50% Pb	60.59% Zn	40.51% 	17.86% 	34.46% 	26.02% Cu	160.61% 	43.13% Ni
1.70% Pd	4.82% 	-9.63% 	59.35% 	32.39% Al	6.91% 	31.55% Ni	25.86% Pd	55.01% 	19.97% 
0.17% Zn	3.91% Zn	-10.42% Au	45.03% 	31.19% 	-0.44% 	21.48% Pt	25.12% Au	46.91% 	14.37% 
-1.00% 	3.80% Al	-10.72% 	20.96% Pd	30.49% Cu	-1.58% Au	18.31% Au	24.82% 	42.18% Al	10.90% Pt
-4.19% 	-1.72% Au	-11.75% Ag	17.37% Cu	30.49% Zn	-8.53% Ag	15.21% Ag	19.73% Zn	31.53% Zn	6.71% 
-5.44% Pb	-2.24% 	-17.79% Al	14.86% Ag	27.51% Ni	-14.49% Pt	11.03% 	18.66% Ni	26.14% Ni	2.77% Ag
-6.72% Cu	-5.52% 	-19.11% 	13.58% Al	24.27% Pb	-16.54% Ni	3.40% 	15.99% 	25.70% Cu	2.76% 
-11.03% Pt	-11.79% Pt	-20.31% 	13.49% Ni	13.09% Au	-17.43% Al	3.36% Cu	14.63% 	22.57% 	-0.05% Pb
-14.02% Al	-14.00% Cu	-26.07% Pt	11.27% Pb	12.47% 	-17.46% Cu	-4.38% Al	13.15% 	20.34% 	-0.28% Au
-18.63% Ni	-15.51% 	-26.10% Cu	8.56% Au	6.42% Ag	-19.23% Pb	-4.66% Pb	10.92% Pt	18.32% Pb	-5.89% Pd
-22.20% 	-16.00% Pb	-26.50% Zn	1.16% Pt	4.66% 	-22.16% 	-9.49% Zn	10.80% Al	-3.64% Au	-14.13% Cu
-28.04% Au	-19.34% Ag	-29.43% Pd	-1.88% 	2.99% Pt	-24.54% Zn	-18.02% 	3.25% Pb	-9.64% Pt	-16.27% Al
-35.84% 	-31.21% 	-30.47% 	-8.69% 	-0.36% 	-24.84% 	-25.54% 	-1.29% 	-11.72% Ag	-16.34% Zn
-39.56% 	-45.58% 	-41.75% Ni	-13.19% 	-20.70% 	-54.70% 	-38.50% 	-20.54% 	-22.21% Pd	-48.34% 

## Legend

	Aluminum
	Coal
	Copper
	Corn
	Crude Oil
	Gold
	Lead
	Lithium
	Natural Gas
	Nickel
	Palladium
	Platinum
	Silver
	Wheat
	Zinc

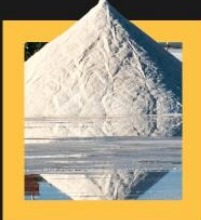
Source: Bloomberg and U.S. Global Investors

www.usfunds.com



U.S. Global Investors

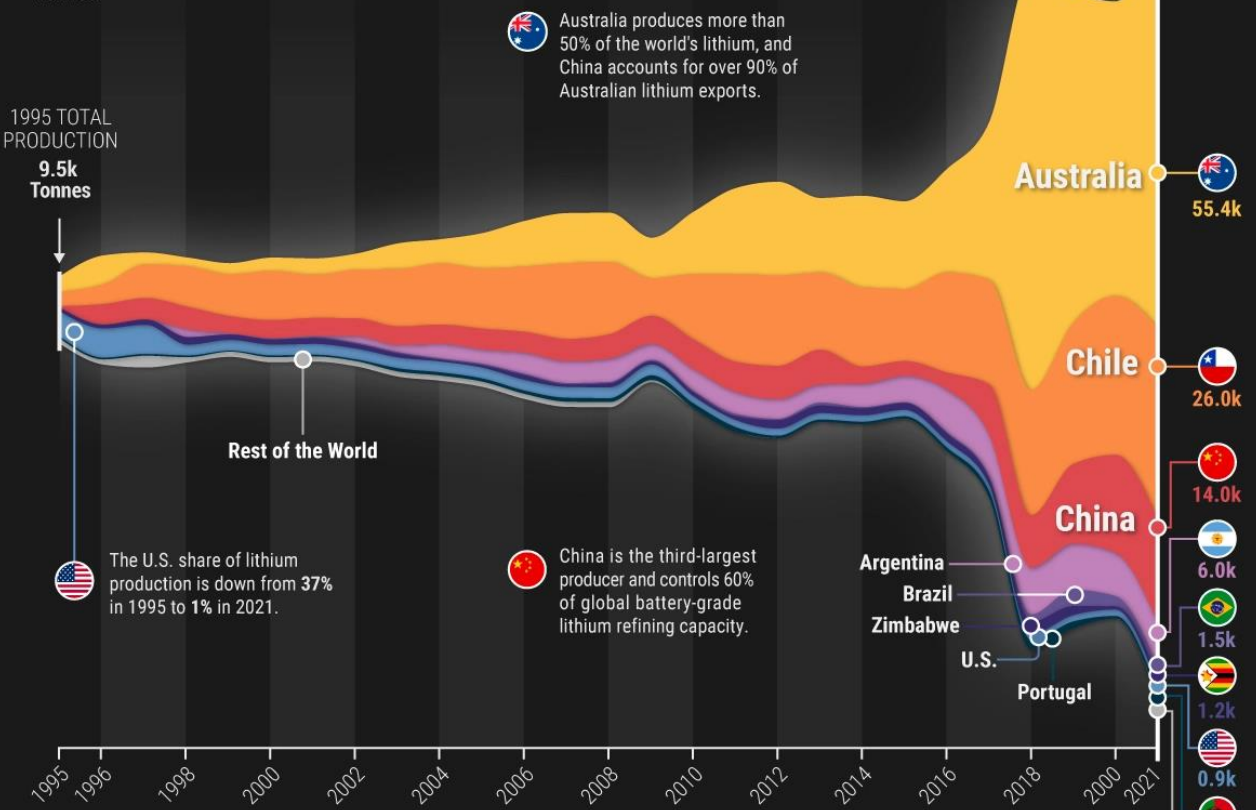
# Lithium



## 25 YEARS OF LITHIUM PRODUCTION

Global lithium production has quadrupled since 2010.  
Which countries produce the most lithium, and how have they changed over time?

### Mine Production of Lithium 1995-2021



### Lithium Consumption by End-use 2021



Source: Visual Capitalist



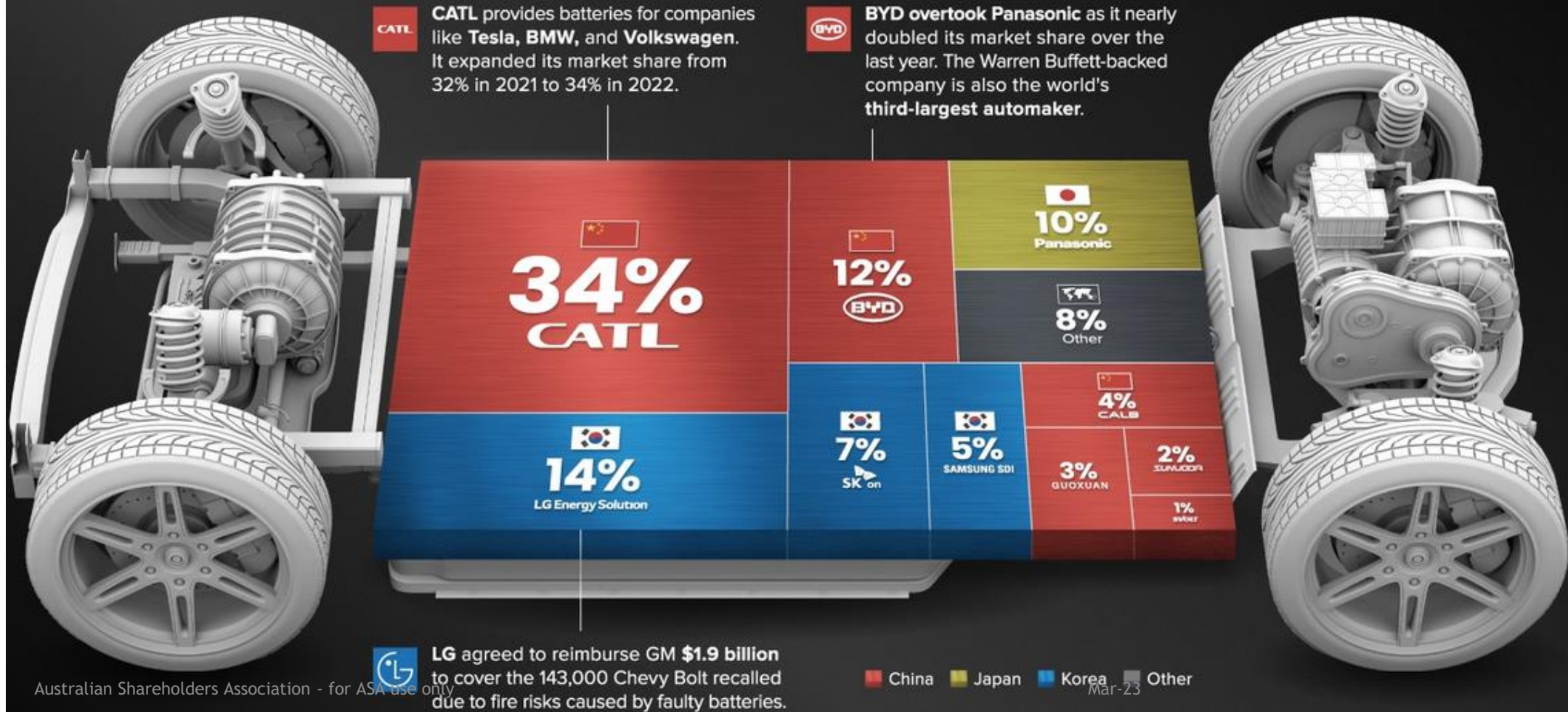
The Top 10

# EV BATTERY MANUFACTURERS

in 2022

The EV battery market is expected to grow from \$17 billion in 2019 to \$95 billion by 2028.

Here are the world's biggest battery manufacturers in 2022.



Source: Visual Capitalist presentation of Bloomberg data.

# Visualizing China's Dominance in Battery Manufacturing

With the world gearing up for the electric vehicle era, battery manufacturing has become a priority for several countries. However, having entered the race for batteries early, China is far and away in the lead. Using the data and projections behind BloombergNEF's [lithium-ion supply chain rankings](#), this infographic visualizes battery manufacturing capacity by country in 2022 and 2027 (projected), highlighting the extent of China's battery dominance.

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## BATTERY MANUFACTURING CAPACITY BY COUNTRY

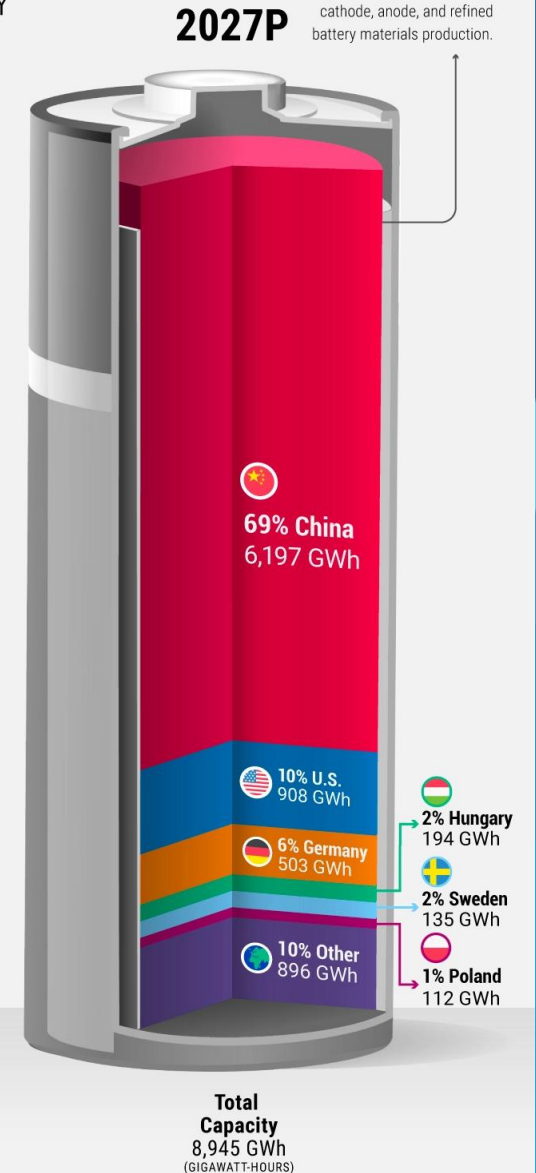
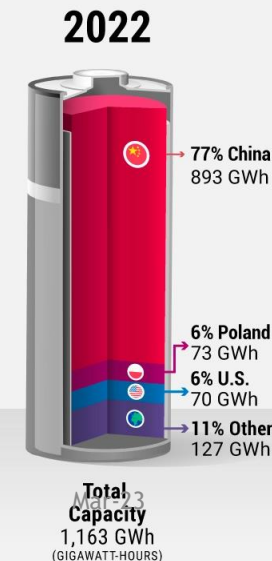
Global lithium-ion battery production capacity is [projected to increase eightfold by 2027](#).

Here's a look at the top countries for battery manufacturing in 2022 and 2027, based on BloombergNEF's lithium-ion supply chain rankings.

Six of the top 10 battery manufacturing companies are headquartered in China.

U.S. battery production capacity is projected to grow over 10x by 2027.

China's dominance is supported by its control over cathode, anode, and refined battery materials production.



# Tipping competition thoughts

- ▶ **Performance** — A comp where our combined portfolio beats the ASX 200 Accumulation (XJT).
- ▶ **Possible rules for including a company in the portfolio:**
  - ▶ **Skin in the game** — Own enough to make up at least 1% of your personal *or* SMSF portfolio with *intention* to hold for at least 6 months
  - ▶ **Prepared to *promote* it** — Do a *short* pitch to the group for your stock on why it will perform well over 12 months.
- ▶ **Coordination & reporting** — Someone in the group to coordinate the tips and report briefly on performance of the portfolio *quarterly(?)*.



# Close

- ▶ **Next meeting:** Thursday, 20<sup>th</sup> April 10 am, Citiplace.
- ▶ **Other ASA groups:**
  - ▶ 21 March — Stirling Discussion (Tuart Hill)
  - ▶ 23 March — Nedlands Discussion
  - ▶ 24 March — Perth South of the River (Bull Creek)
  - ▶ 4 April — WA Member's Meeting (State Library)
  - ▶ ECU Joondalup — new, see Len Roy if interested.

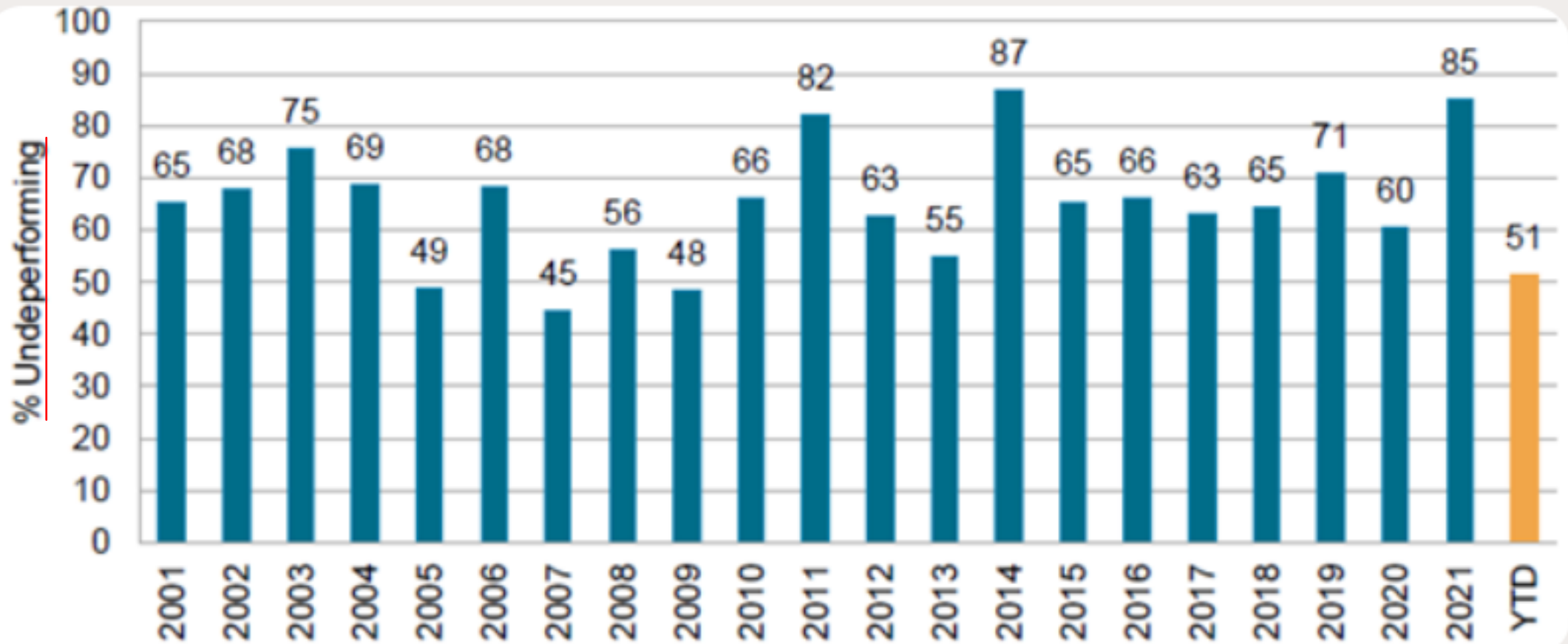


# What is SPIVA

- ▶ **“S&P Indices Versus Active”** - published by a division of S&P Global for the last 20 years.
- ▶ I.e. how have actively managed funds around the world performed, over both the long and the short term, against the relevant index (e.g. S&P500, ASX All Ordinaries).

Most material here is from S&P Dow Jones Indices and from BetaShares Australia.

# Percentage of Large-Cap Domestic Equity Funds Underperforming the S&P 500 Each Year



Source: S&P Dow Jones Indices LLC. Data as of 30 June 2022. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

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## Percentage of US and Australian active funds underperforming the broad sharemarket (to 30 June 2022)

	Time period			
	1 year	3 years	5 years	15 years
US Large Cap Funds underperforming	55.4%	85.9%	84.5%	89.4%
<u>Australian</u> General Equity Funds undersperforming	47.9%	50.3%	77.2%	82.9%

# Quotes from SPIVA

- ▶ “The mid-2022 US Persistence Report found that within each of the reported domestic equity categories, among all the funds whose performance placed them in the top quartile for the 12 months ending June 2020, *the percentage of funds that managed to remain in the top quartile over the next two years was... zero. Not a single fund that was in the top 25% in the year ending 2020 remained there for the following two years.*
- ▶ “Turning to the Australian market, the Australia Persistence Scorecard (June 2022) showed that less than 10% of Australian equity funds in the top quartile as of 30 June 2020 remained there at 30 June 2022, while *none* of the [ASX Listed] funds in the International Equity, Bond or A-REIT categories remained there.

# SPIVA Conclusions

The conclusions, which SPIVA states are ‘robust across geographies’, include:

- ❑ Most institutional managers underperform most of the time.
- ❑ The tendency for underperformance typically rises as the observation period lengthens.
- ❑ When good performance does occur, it tends not to persist. Above-average past performance does not predict above-average future performance.





# Artificial Intelligence for Investment

- ▶ ChatGPT - a transformative new technology
- ▶ ChatGPT (Chat Generative Pre-trained Transformer) is an artificial intelligence (AI) trained by a group called OpenAI to interact with people in a conversational way. The dialogue format makes it possible for ChatGPT to answer followup questions, admit its mistakes, challenge incorrect premises, and reject inappropriate requests. It is freely available to try out at <https://chat.openai.com/>
- ▶ I had a conversation (over the Internet) with Chat GPT. Here is a transcript of that conversation.



(Mark Dixon) Do managed investments consistently outperform index funds?



(ChatGPT) No, managed investments do not consistently outperform index funds. While some managed funds may outperform the market in a given year, the majority of actively managed funds do not outperform their benchmark index over the long term.

Studies have shown that, on average, the returns of actively managed funds are not significantly higher than those of passively managed index funds, and they often underperform their benchmark index after accounting for fees. Additionally, because actively managed funds have higher fees than index funds, their returns are often lower, even when they do outperform the market.

It's also worth noting that past performance is not indicative of future results, and that no investment strategy can guarantee a return. Ultimately, the decision between managed investments and index funds should be based on an individual's investment goals, risk tolerance, and investment timeline, rather than the expectation of consistently outperforming the market.



## What studies showed that difference in performance?



Some of the more notable studies include:

- S&P Dow Jones Indices' SPIVA (S&P Indices Versus Active) scorecards: These annual reports track the performance of actively managed funds versus their benchmark indices, and they consistently show that a majority of actively managed funds underperform their benchmark indices over various time periods.
- Russell Investments' annual analysis: This analysis compares the performance of actively managed funds to passively managed index funds, and it consistently shows that a large percentage of actively managed funds underperform their benchmark indices over various time periods.
- Morningstar's Fund Market Reports: These reports provide data and analysis on mutual funds and exchange-traded funds, and they have consistently shown that a large percentage of actively managed funds underperform their benchmark indices over various time periods.

These studies, along with many others, demonstrate that actively managed investments do not consistently outperform index funds, and that passively managed index funds are a cost-effective and reliable investment option for many investors.



## How about individual stock picking?



Individual stock picking refers to the practice of selecting individual stocks for investment purposes, rather than investing in a diversified portfolio of stocks through an index fund or a similar passive investment strategy. While some investors believe that they can outperform the market by carefully selecting individual stocks, the majority of studies and data show that individual stock picking is a difficult and challenging task, and it is not likely to lead to consistent outperformance of the market.

Studies have shown that a vast majority of individual investors, as well as professional money managers, are unable to consistently outperform the market through individual stock picking. Additionally, individual stock picking often involves higher fees and higher risk, as compared to passive investment strategies like index funds. This is because individual stocks are often subject to greater volatility and are more susceptible to company-specific risks, such as changes in management or regulatory issues.

In summary, individual stock picking is a challenging task, and the majority of studies and data suggest that it is unlikely to lead to consistent outperformance of the market. It is often associated with higher fees and higher risk, compared to passive investment strategies like index funds.



**Does that apply to ASX too, or only to the US markets?**



The results of the studies and data on individual stock picking apply to the stock markets of many countries, including the ASX (Australian Securities Exchange). The data suggest that individual stock picking is a difficult and challenging task, and it is unlikely to lead to consistent outperformance of the market in any stock market. This holds true for both the US markets and the ASX, as well as for many other stock markets around the world.

The stock market is a highly efficient marketplace, and it is difficult for individual investors or professional money managers to consistently generate returns that are significantly higher than the market average. This is due to a number of factors, including the prevalence of market-wide information, the presence of numerous participants with access to the same information, and the tendency of the market to rapidly incorporate new information into stock prices.

In summary, the results of studies and data on individual stock picking apply to the stock markets of many countries, including the ASX, and they suggest that individual stock picking is a difficult and challenging task that is unlikely to lead to consistent outperformance of the market.