



STUART + CARLYON

Financial advisers for your lifetime goals

Solid investments in a pop-up economy

In our business we are obliged to attend many presentations, but few are so consistently well-researched and presented as those of Kerr Neilson of Platinum Asset Management. Economics has been dubbed the “dismal science” yet Kerr Neilson always manages to find the bright clouds and the silver linings.

He reminds us that in a world where economic conditions have sputtered and share markets have fluctuated wildly over the past 10 years, great strides are being made in developing countries due to technology. The internet and mobile phones enable the fast flow of information to areas that haven't yet had ordinary telephone lines.

For these countries, development is similar to the transformation that was wrought by the arrival of railways in the mid-1800s, connecting remote areas into one vast economic network. However, there are modern-day lessons we can take from this railroad bonanza.

Railways themselves did not turn out to be the dominant technology. The massive boom in rail road companies saw share prices evolve, over the decades, into a slow fizzle. The same worries now surround internet and social media companies that have millions (or billions) of subscribers but little revenue or profit.

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The challenge for these new businesses is two-fold. First: can they evolve and adapt to new environments over time or will they implode? Think how the once-hot MySpace was superseded by Facebook.

Second: can they seriously earn a good return on their mammoth investment? Can they monetize their obvious appeal? Since floating, Facebook has been scrambling to introduce more money-earning pop-up advertising, and this year's share market darling, twitter, has been quickly trying to turn chit-chat into cash. Neither has really got there yet.

So despite the talk of booming shares (Wall St's Dow Jones index passed the 16,000 mark this month) the true challenge for investors in the tech sector is to identify the companies that capitalise on new business concepts and have staying power.

Platinum has chosen to separate fact from fantasy by investing in companies that enable the internet by producing the physical technology. Thus we may see a stream of dot-coms go boom and

bust, but the system still requires Ericsson, Cisco and Microsoft to drive whatever they do. As Kerr Neilson points out, these three somewhat unexciting companies each enjoy revenue, profits and high market share.

In the e-commerce space Platinum invests in proven companies such as Google, eBay, and Zillow: the most viewed real estate site in the US. And, who would have thought? – they also invest in courier giant FedEx. After all, internet shopping has boomed and someone needs to deliver all those parcels.

There is a world of opportunity and it is exciting that the funds we use, like the Platinum International Fund, are involved and will contribute to growing your money.

Africa – the economy gets mobile

Here's a compelling statistic that goes back just over a decade. In 2000 there were less than 10 million fixed phone lines in all of Africa. Today there are 12 million. That doesn't sound so impressive does it? But where there were 16 million mobile phones on the entire continent in the year 2000, today there are more than 700 million mobile phone subscribers! (Source: Platinum Asset Management).

The interesting question is always the “so what?” question – and here Africa is rich with answers. Let's look at agriculture for a start. The website e-agriculture lists examples of how mobile phones are having an impact on farmers' lives. Here are two examples:

- Small businesses can now bank their money every day instead of handling large amounts of physical cash, and people are able to deposit money immediately without the risk of theft or needing to travel to a bank. Some 80 percent of Ugandans are farmers, but with mobile money, distance from traditional banking facilities is now no longer a barrier to taking control of their finances (from Ericsson).



- As Cameroon's cocoa and coffee farmers struggle with difficult environmental conditions and global competition, an information scheme introduced a year ago using mobile phone text messaging is helping them cope with the effects of climate change and find fair prices for their crops. Farmers say their telephones are no longer just gadgets for making and receiving calls, but an essential tool to learn new farming methods, update their skills, and boost production and sales (Source: Thomson Reuters).

Despite the huge advances digitally, the gap between the rich and poor in many African countries remains significant, particularly in countries with scarce resources or with corrupt elite rulers. However there is plenty of evidence to suggest that increased usage of mobile and internet technology is going hand in hand with demands for truer democracy. More and more, we think Africa will win – deservedly – investment from the rest of the world.

Continuing the African theme... A film to see

By the way, we highly recommend the film, Captain Phillips, which is about the holding to ransom by Somalian pirates of a container ship. Piracy of the Somalian coast began with local fishermen being deprived of their livelihood by Chinese and Korean fishing trawlers, and it is said that piracy has had one good effect: it is protecting the fishing waters. But the movie which shows the ship, as slow as an old bison being hunted down by fast and nimble pirates, is a gripping and realistic ride. Tom Hanks is convincing in the lead with amazing performances by Somalian actors – it's a nail biter to the end.

Christmas giving

It's Christmas and for many of us the headache of gift-buying gets no easier. What's an appropriate present for the partner who has everything? What do young people really want? And now that DVDs and CDs or even books are streamed on-line – is this the end of actual gift-wrapped presents?

In the spirit of a modern St Nicholas, we conducted a very unscientific survey in the office about what gifts are most appreciated.

- The guys - both in their 20s: gadgets (preferably the latest iPad), DVDs and vouchers.
- The ladies - you know us, forever young: pamper items rather than everyday items. So a beautiful scented candle, a book or a magazine, or anyone's handiwork.

Incidentally if you want to take pressure off gift buying, Donna's family has made it a fun thing with each family member buying a present value at \$20 or less, which is then put under the tree. A number is then selected and a round-the-table game starts. Often the gifts are silly but it does encourage hilarious interaction.

Feeling more adventurous? Here are some starters from the internet.

- A movie pass and a box of Jaffas or a small container of gourmet popcorn.
- Adopt a polar bear via World Wildlife Fund – the recipient gets a cute polar bear soft toy and an adoption certificate. See <http://shop.wwf.org.nz/categories/adpot-an-animal/adopt-a-polar-bear>.
- An IOU voucher for time or service (time being a scarce commodity).
- Create your own product. We found on one enterprising blogger's site, drawings of his clever Christmas ideas – one that tickled our fancy was an Ornament Gun. "This product is a fun way to decorate your tree very fast! The ornaments simply load into the gun and then they are shot at the tree."

Susanna's favourite was a gift subscription on a USA site: www.avocadoofthemonthclub.com.

- What do you get the health-conscious foodie who has everything? A gift subscription to three months or six months worth of avocado, whereby each month you receive a 3-pound package of Californian avocados.

The subscriptions worked out pretty expensive but we can imagine the delight at receiving an enjoyable treat, month after month. What a lovely gesture. Perhaps for anyone with a productive garden you can do an adaption of this idea.

Festive Greetings

We wish you and your family happy holidays – keep safe. Putting on her Surf Life Saving hat, Susanna says there is a handy website that gives you information on a beach as to whether it's patrolled, the weather conditions, what activities it is suited to etc. www.findabeach.co.nz.

