

Share Talk Feast at Didmarton

UKSA members' feast

It was billed as a feast of investment ideas and Christmas food and it was.



Kings Arms Didmarton

A full house of UKSA members never stopped talking about shares from 10 am to 3 pm and it is questionable if some had time to savour the wonderful food provided by the Kings Arms, but all agreed the sooner the next seminar was organised the better. I led an in-depth analysis of what had happened to a typical portfolio from April to November 2014. Members explored why some were losers and others winners and drew out many interesting facts about each company and in particular added to their knowledge of the sources of information.

Do not look for winners - look for losers

The conclusions were various but there was general agreement that the art of successful investing was to avoid losers rather than seek to pick winners so look for some of the following characteristics - but few firms will have them all. If they seem to have then be suspicious as to why others have not found them.

Cash in the bank

Positive cash flow

Low borrowings relative to NAV

NAV close to market capitalisation

PE in range 10-15

Profitable with improving margins

Paying a dividend – ideally c 5%

Steady dividend growth

Ideally with a PEG and then a low one

Steady growth in sales

Reliable product/service with limited market

Volatility

But when the ideal company is found, beware. Why have others not invested in it? But of course for the major institutions there are many companies with potential below their horizons.

Bad news can create winners

Attention was drawn to companies which have recently taken a hard hit in the marketplace and so register as losers. These may offer prospects for recovery and capital gain. They should not be ignored but approached with caution. Equally it was considered that newer companies showing positive growth in sales could have a part in a portfolio looking for substantial capital gains but they also represented a huge level of risk. Maybe 6 in 10 would fail to achieve the results expected but the other four offering spectacular gains could more than compensate for the awful failure rate. The key was to limit the choice of higher-risk shares to one's means; to be able to absorb total selection failure. Interestingly some members kept separate AIM and high-risk portfolios to help them manage their risk.

Self managing cuts costs

There was general agreement that to run a portfolio successfully personal targets needed to be set. Generally it was felt that a to justify the effort and time of self management, a well run but cautious portfolio had to do better than the FTSE 100. Some argued that it ought after costs to achieve an annual growth rate equal to rate of inflation times average market dividend rate times 2.5%, say currently about 7.5% per annum but it should always exceed any change in the FTSE 100, up or down, by the growth expected. Others took a simpler view. They just wished to improve the total value of their portfolio each year. An important point is that by self managing and seeking to reduce the buy/sell spread they can also save 2% p.a. tax free. Letting others manage your money can lead to hidden costs equal to the after-tax dividends received.

Throughout the discussion, to which all those present contributed, specific companies were considered in some detail.

Catherine takes the wine

At the end of the day Ted Moss organised the annual forecasting of key market indices for December 2016. This done he announced the winner of the annual 2015 forecasting competition. The winner was not present and in accordance with tradition the next best forecaster present won the bottle of wine, meaning that Ted Moss then awarded to Catherine Moss.

Peter T Wilson

The day lived up to its Share Talk name

Date of next Didmarton Share Talk one day seminar is MARCH 1ST 2016