

Alistair Bean & Associates - Financial Advisers

"making decisions for you, so you don't have to!"

Quarterly Newsletter – to June 2020

"It was the best of times; it was the worst of times..."



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"Alistair Bean & Assoc's Financial Services Limited"*

*Please feel you can share this newsletter with any prospective clients you feel may benefit from
our services*

PROUD MEMBER OF

Financial Advice
NEW ZEALAND

Hello

and welcome to the latest newsletter of

Alistair Bean & Associates – Financial Advisers

For those of you who receive electronic copies... press ctrl + click on the below link to view the Alistair Bean & Assoc's Financial Services Limited commercial.

<https://www.youtube.com/watch?v=txPD7ftmIEw>

In this issue:

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“Guaranteed No Fee Increases FOR LIFE!” *
for investment portfolio clients of
ABAFS Limited.
**conditions apply*

The Lay and the Technical

As always, my intention is that I will use as much of “the Lay” as possible. I’m required for legislative and compliance reasons to also use “the Technical”. Please feel you can come to me if you would like a definition of any technical term or phrase that I include in any report.

Commentary and Brief Market Summary



I have so many things to write about in this edition; so, I'll do my best to summarise, but limit commentary to a small tome.

To begin with: my thoughts are summarised by Dickens...

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope..."

Barring the poverty gap, NZ and so many other parts of the world had never been so wealthy or seen so much wealth as we did prior to the Covid-19 crisis. It was certainly the *best of times*. However, in the last 100 or so years, the world has been through crisis after crisis, then saw significant recoveries. And, we will do so again.

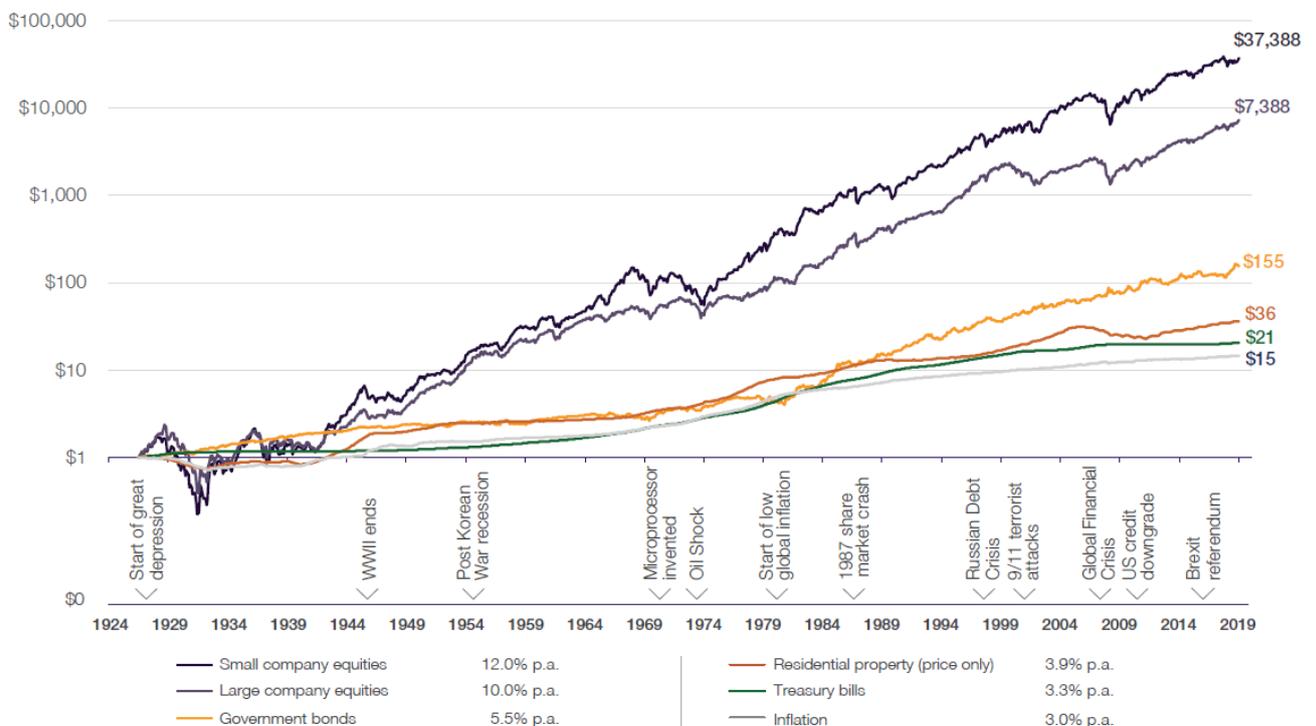
Dickens wrote of turmoil and crisis in his *A Tale of two Cities* so genuinely right on time, but also ahead of his time: particularly, his mention of *foolishness and incredulity* (much like Shakespeare, Cervantes, and many others in their commentary of the day).

Nevertheless, without creating my own masterpiece, we must look forward to the *spring of hope*.

Unlike anytime I have seen in my career as an Adviser, it has never been so clear what **not** to currently invest funds into. The obvious groups of investments are: tourism, airlines, airports, hospitality, and entertainment.

Food and medical supplies, and eventually infrastructure, seem to be the **safest** bets. But even with the prior tourism etc., they will also recover one day when the current situation improves again, as is detailed in the upward swings illustrated in the graph below.

Long term growth of wealth - shares, bonds, bills and inflation 1927 - 2019



Analysis period is for June 1927 to December 2019. All returns are in US dollars

Sources: Small company equities: 06/1927 to present - Dimensional US Small Cap Index. Large company equities: S&P 500 Index (01/1990 to present - the S&P data are provided by Standard & Poor's Index Services Group, 01/1926 to 12/1989 - S&P 500 Index Ibbotson data courtesy of © Stocks, Bonds, Bills and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated works by Roger C. Ibbotson and Rex A. Sinquefeld). Government bonds: 01/1926 to present - Long Term Government Bonds (source: Morningstar; former source: Stock, Bonds, Bills and Inflation, Chicago: Ibbotson and Sinquefeld, 1986). Residential property: 01/1920 to present - Shelter Home Price Index (source: Grebler, Five-City Median, FHCP, FHFA, S&P/Case-Shiller). Treasury bills: 01/1926 to present - One-Month US Treasury Bills (source: Morningstar; former source: Stocks, Bonds, Bills and Inflation, Chicago: Ibbotson And Sinquefeld, 1986). Inflation: US Consumer Price Index (source: Stocks, Bonds, Bills and Inflation, Chicago: Ibbotson and Sinquefeld, 1986). Represented by Consumer Price Index for All Urban Consumer (CPI-U), not seasonally adjusted. The CPI is updated with a one month lag.

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Source – Consilium Graphica

By looking closely (*sorry for the size of the graph*), you can see, after each decline, there are rapid climbs; particularly with shares of approximately 10-12%pa. In short, this is because the world does its best to adapt, cope, solve, and move on.

In the last few months, we have seen lots of oversold and overpaid prices for various investments, which saw, in many cases, these prices dramatically reduce and then rapidly increase after initial panic.

As I have mentioned previously, keeping an eye out for what makes sense is key to participating in this recovery. In recent times, we saw many share values go down with this panic, and many unadvised KiwiSaver Investors reacted, perhaps with *foolishness*, and changed their

Growth funds to Conservative funds. As a result, they locked in losses, which will last for some time.

Perhaps, they did not know what was going on. Perhaps, they required the age of wisdom to make decisions. Other examples include, but certainly not limited to, **Synlait Milk, Oceania Healthcare, and a2Milk**. Synlait Milk reduced to \$4.90, which is the price I purchased it on your behalf, and it is at \$7.10 per share as I write. **Oceania Healthcare** reduced to 40 cents but is currently at 96 cents. Also, during this time, **a2Milk** reached an end of day, all-time high price of \$21.35.

Going forward(over the next 3-5 weeks), we will see the end of Australia's financial year results to 30 June being released for all companies with the expectation of many of the investments I hold for you showing excellent results – more of my *spring of hope*; so, I suggest you watch this space.

Recently with the announcement of Rio Tinto withdrawing from Tiwai, the many positives that could result from Tiwai's monopoly on power prices disappearing. Part of the reason I have held **Genesis Energy** over the years was because it is primarily a North Island power company, where most of our population live, and, therefore, has been less affected than other power companies who were significantly reliant on Tiwai. However, this does not occur until next year; so, I suggest again: watch this space...

Further commentary in the Conclusion section.

Introducing our first Annual Review and Cocktail Evening, Wednesday 2 September 2020 –

"The year that was, is, and may be!"



After canvassing several clients, there is a clear wish you would like me to present on annual basis, which I am delighted about. Therefore, we have decided to hold an inaugural Annual Commentary from the Top.

The function will be held where it was last year: at our business premises in the public space from 5.00pm to 7.30pm. The format will be a 20-minute interview on the year that was, a 10-minute break, a 20-minute discussion on going forward, and, finally, 10 minutes of questions from you.

We will provide food and drinks and, perhaps even, some entertainment.

Well before the 2nd of September, we will send out formal invitations, and as for previous functions, we would very much like you to bring a guest.

For those of you from out of town, please let us know as soon as you can to ensure we secure a space for you and any guest you may wish to bring.

A selection of recent company announcements

Bubs Australia Ltd

- Third quarter growth up 137% on previous corresponding period ("PCP")
- Direct sales to China up 104% PCP
- Cash reserves AUD\$36.4m
- Record sales at Chinas 618 mid-year shopping festival
- New product launches including 100% Organic Cow Milk
- Sales of Bubs Products launched at all Chemist Warehouse stores

Bingo Industries Limited

- Approval for increase in landfill from 700k tonnes to 1m tonnes and 24/7 days per week, operating hours

Aumake

- Online gross margin lift of 21% - an 87% increase on PCP
- Purchases now available by Alipay and soon for Tencent on a buy now pay later ("BNPL") platform

a2Milk

- a2Milk confirms discussion with a number of parties in relation to manufacturing capability as stated in their half-year results
- a2Milk added to S&P ASX 50 Index
- Total revenue expected to be in the \$1.7b to \$1.75b range for full year 2020

AFT Pharmaceuticals

- Distribution of product now expected to be 125 countries
- Revenue increase of 24% PCP to \$105.6m for full financial year

KiwiSaver

Claim your \$521 and don't unnecessarily change your fund!!



In the news, there have been reports of so many clients changing from growth funds to conservative funds. If your timeline for investment has not changed, then this is the worst thing you can do. In short, speak to me if you are considering doing this; so, I can talk you (and also anyone else you know) out of it if individually appropriate to your own situation! *It was the best of times, it was the worst of times...*

The KiwiSaver subsidy **cut-off date is 30 June 2020 each year.** Ensure those of you, and also any of your family members, (or, anyone you know) who regularly contribute to KiwiSaver receive your eligible \$521 free money from the Government for the year – 50 cents in the dollar for \$1,042 (\$20 per week) invested.

Remember: if you did not get it last year, simply start a \$20 per week direct credit to your fund, and you won't miss out next year.

Talk to me further if necessary. Tell friends, families, colleagues to do the same. One million KiwiSaver investors did not claim \$550,000,000 worth of Government contribution in 2018 and likely similar this year.

ABAFS10 Limited Index

The ABAFS10 Limited Index represents the total of the individual current values of the top ten holdings of all investments I manage for clients (excluding cash) and represents their percentage asset allocations as charted below to the end of each calendar quarter.

*(The investment names held are commercially sensitive, but the information is available to clients of **ABAFS Limited**.)*

**The current cumulative net value as at 30 June 2020 was
\$42.17**

Up .48% net after fees for the quarter

Past performance is no guarantee of future performance.



Conclusion



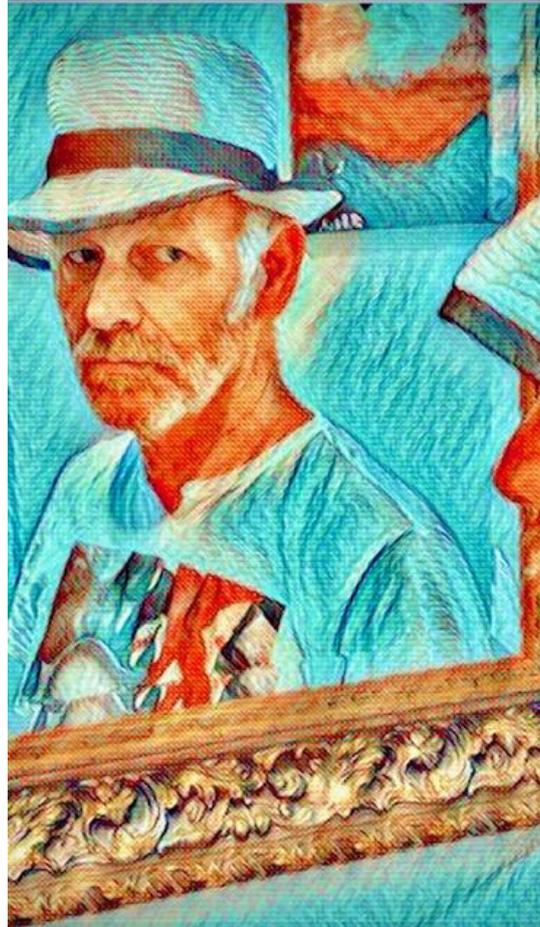
Australia's financial year ends on 30 June each year, unlike ours which is 31 March. By the end of the July, we will see the 12-month company results from Australia emerge.

I expect excellent figures for Bubs, Bingo, and Aumake in particular, which all participated in the "618" JD.com mid-year online sales event with record figures. Bubs, also, hit the shelves of Chemist Warehouse in May as well as being sold in Coles and Woolworths; so, this is likely to be positive too.

By the time I write my next newsletter, we will have had our NZ Elections. I, however, am not expecting a change of Government, going by the "vox pop" of the nation. Regardless, I think it's a pull your socks up moment for all!

Covid-19 is a regular daily headline, and it will likely remain part of our environment for some time. I hear (while I write this newsletter) Thailand announced human vaccine trials, and with the world cooperating like never before in the medical arena, research results should appear on the horizon. Here's to very much *hoping*.

Finally, while the lockdown was restrictive, we had time for many bright moments. We were fortunate to have had three of our adult children and also our grandson Max within our bubble, which meant many bonding moments and one day, I even woke up to find that I had turned into *AL van Gogh*...



Look after your health, take particularly good care, and, as always, warmest regards.

AL.

A copy of my Personal Disclosure Statement is available on Request Disclaimer:

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Riccarton Players

The Technical

No technical this month.