Paul Rickard:

Good afternoon and welcome to the Switzer Report Webinar for November. I'm Paul Rickard. Today I'm joined by, of course, Peter Switzer. Peter, welcome to the program.

Peter Switzer:

Hi, Paul.

Paul Rickard:

And our special guest, Matt Williams. Matt is the Portfolio Manager at Airlie Funds Management. Matt, thanks for joining us.

Matt Williams:

Thanks, Paul.

Paul Rickard:

Great to have you on board and we'll get to some questions shortly, but just before we do that, just let's go through a couple of important housekeeping announcements.

Paul Rickard:

Look, that's a disclaimer and, of course, what that says, we don't know anything about your personal situation, particular needs, or individual circumstances, so what we're going to say, of course, as well as brilliant financial education...

Peter Switzer:

As always.

Paul Rickard:

As always, it may not be appropriate for you and as always, if in any doubt, you should seek assistance or the appropriate information from a qualified adviser before acting on anything we say. We really don't know whether it's right for you, so you really just have to be very careful about taking and automatically assuming that's going to work for you. So that's what the disclaimer says.

Paul Rickard:

Let's just go on to the couple of housekeeping announcements. Now this is a webinar, it's interactive and, of course, we've already got some questions in but you can ask questions one of two ways during the webinar. Firstly, by clicking on the Raise your Hand icon and then using a microphone in your laptop or iPad. When requested, you'll need to click... or we'll come to you, tell you that it's your question. You'll then need to make sure that you're unmuted. So if you're on mute, you'll need to go to the unmute setting on your system. That's the first way. We'll give more priority to people who do raise their hand, because that way we can all participate in the questions. Or you can ask a question by clicking on the Q&A part on the control in front of you and typing out the question and we'll try to get to those questions as well. So two ways you can ask a question.

Paul Rickard:

Finally, just the other matter of housekeeping is that just after 12:30 PM, Eastern Standard Time, Eastern Standard Summer Time, we'll go for no longer than an hour, so if you've got other commitments or you need to do something else, we'll finish just after exactly on 1:30 PM, Eastern Standard Summer Time. So that's the synopsis.

Opening observations

- The market in October

	October	2020 YTD
S&P/ASX 200 (Price)	1.9%	-11.3%
S&P/ASX 200 (Accum)	1.9%	-9.1%
S&P/ASX 20 (Accum)	2.0%	-10.1%
Midcap 50 (Accum)	6.1%	6.2%
Small Ordinaries (Accum)	0.5%	-3.6%

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Paul Rickard:

As always, we just like to start by looking back. Maybe this, we won't expect too much looking back, but that's at least the outcome of the markets in October. We're actually up, the US was, I think, down in the month. Still strong performance in that so called Midcap 50 area which has stocks ranked 51st to a 100, that's partly Afterpay but there's a little of others in there.

Paul Rickard:

Matt, they're I guess some of the stocks you look at probably with a little bit more focus. Just describe about what your fund is and where you sort of specialise in.

Matt Williams:

Yeah, so thanks, Paul. The Airlie Australian Share Fund, which you can actually access on the ASX, its ticker is AASF.

Paul Rickard:

A?

Matt Williams:

AASF.

Paul Rickard:

AASF, yeah.

Peter Switzer:

So it's a double A business.

Matt Williams:

That's it. That's what we started, yeah. We couldn't get the triple A in. And we are a long only managed fund and it's meant to be a core, sort of a core fund, if you like. It's long only. It's pretty simple. We're pretty conservative and we do sort of focus on that top 150 kind of companies. We like to keep things... Liquidity is important to us and we're trying to be concentrated, so we're trying to have about 25 to 30 stocks in the fund only. So we're trying to get the best ideas and so Airlie is run by myself and John Sevior. We've had 25 years plus in the market and we surround ourselves with some good, smart, young analysts and we hunt for best ideas and we try and load the portfolio up on those kind of ideas.

Peter Switzer:

You pay dividends?

Matt Williams:

We do. So last year the yield from the fund was about 4% on the unit price at the beginning of the fund and that's our expectation, we'll be between three to 4% going forward, then you add franking on top of that.

Peter Switzer:

Okay, good.

Market & Sector Performance – October

	Weighting	October	2020 YTD
S&P/ASX 200 (Price)		1.9%	-11.3%
S&P/ASX 200 (Accum)		1.9%	-9.1%
Communication Services	3.9%	-0.6%	-7.4%
Consumer Discretionary	7.5%	1.5%	1.7%
Consumer Staples	6.5%	4.8%	4.6%
Energy	3.4%	-0.8%	-43.2%
Financials	27.0%	6.3%	-18.9%
Health Care	12.2%	1.2%	6.5%
Industrials	7.2%	-3.9%	-19.7%
IT	4.3%	9.0%	37.8%
Materials	19.4%	-1.2%	1.2%
Real Estate	6.9%	0.2%	-17.3%
Utilities	1.7%	-1.5%	-13.2%

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Paul Rickard:

Okay, we'll keep going just to... We want to get to the US for a minute. Just looking at the sectors again, really remarkable divergence in the performance of the sectors here, both on the Year to Date basis. IT way out in front. Energy way down the bottom and I guess it's to have done well this year, you've had to have been in at least some of the IT stocks. So maybe I could throw to you, if you had to sort of, top two or three IT stocks in your portfolio. Are you happy to comment on that?

Matt Williams:

Yeah, look, I'd actually say we've missed a lot of the IT. We're quite conservative and the buy now, pay laters have really generated the big return in that sector, and Afterpay obviously the leader in that. We've struggled to sort of fit it through our conservative process. We haven't seen it through a full cycle. So look, it may be a fault of our process or it may end up as we've seen in the past with these fads, can have a pretty big bust. I'm not saying that's going to happen but we've seen things like this happen before.

Peter Switzer:

What's the one company that you remember was so popular like this and was also a consumer facing type business that then... I know there's tech companies that have been really hot and then disappeared.

Matt Williams:

Yeah.

Peter Switzer:

But the valuations have confused Paul and I. We thought at $70, it was going too far anyway, but... and I've taught Anthony Eisen. So I hate myself for not backing my ex-student, but the bottom line is we understand why you haven't got it. The fact that they are consumer facing, first move advantage and they seem to be bolting on new and new businesses and the Westpac support, the Westpac's decisions in recent times haven't been all that great.

Matt Williams:

Yeah.

Peter Switzer:

They look more solid than the tech stocks that come and go.

Matt Williams:

Yeah, I think you're right. I think when you look back to '99, 1999...

Peter Switzer:

Yeah.

Matt Williams:

We can remember that the companies there were much more flighty and there were a lot more business to business type technology stocks. You're right, these ones are business-consumer, much more solid propositions and so I don't think the buy now pay later sector is going. It's going to be with us for a long time, but it's just whether they deserve...

Peter Switzer:

Yeah, the valuation.

Paul Rickard:

The valuation.

Matt Williams:

The valuation.

Paul Rickard:

So what are a couple of the tech ones you do like? If you could say?

Matt Williams:

Well, if I could call Aristocrat a tech business...

Peter Switzer:

Well, yes.

Matt Williams:

And that's a company that we've done well in for many years. It's had a bumpy ride, obviously, with COVID this year, but over the 12 months, it's performed relatively okay. I think more so for us, it's those stocks that have been exposed to the US economy, particularly the housing market, James Hardie, Reece, and then Aristocrat with that. They've been probably a good portion of our performance over the last 12 months.

Peter Switzer:

Now what about Xero? I mean Xero's a great company but its valuation is pretty high as well.

Matt Williams:

Yeah, look, with Xero, we've owned in the Airlie Australian Share Fund, in the past, and it got to a valuation that we felt was factoring in...

Peter Switzer:

Huge?

Matt Williams:

Yeah, all its... growth and then some and it's up probably 30 to 40% on that price.

Peter Switzer:

Yeah.

Matt Williams:

So we've exited.

Paul Rickard:

Okay, one other question I want to ask you is probably you don't focus too much on real estate but...

Matt Williams:

Yeah, a little bit, yeah.

Paul Rickard:

But just, yeah, what are your views? There's a big divergence of opinion about, I guess, not just commercial property, retail property, how do you sort of see that playing out?

Matt Williams:

Yeah, it's a good question and still one that is playing out and I think it's going to take quite a bit of time before we get a sense of what the valuations are in retail and office. So what we've tried to do is thread the needle a little bit and look for good REITs that pay in a good yield, dividend, that we think is sustainable and they can keep doing it. And helping with us, our dividend income, that we pass through.

Peter Switzer:

Yeah, I would've thought so, yeah.

Matt Williams:

So companies like Waypoint REIT, which is the old Viva Energy REIT.

Paul Rickard:

Yeah, yup.

Matt Williams:

So it owns petrol stations. So we think much more of a defendable kind of property in this market and it's got long leases. It's got a really good tenant in Viva Energy itself. They're not going to go anywhere.

Paul Rickard:

Yup.

Matt Williams:

And it's got a 3% escalators each year, to the rent. So we think that at five and a half percent is in this environment, where term deposits are nothing, that is a good outcome. And also the other one we'd throw in there is Shopping Centers of Australasia, which is owned-

Paul Rickard:

They got hit pretty bad.

Matt Williams:

Yeah, it did, and that's where we bought it, during the crisis. It's 40% exposed to Coles and Woolworths.

Paul Rickard:

Yeah.

Matt Williams:

And we know they're doing well and then it's...

Peter Switzer:

So they have anchor tenants in...

Matt Williams:

Anchor, so that's 40% of their incomes. There's another 40% of income from services, catering, food, surgeries, more things that are much more defendable and they've only got about 4% exposure to apparel, which we know is the real problem child. So we think that's really defendable. It's trading again five and a half percent yield. It'll go to 6% in 22, so we think these are pretty solid businesses in that real estate space.

Paul Rickard:

Okay. Let's just, before we get to questions, just talk about the... That was the subject, the post-election markets. So Donald Trump today come out, he's digging in. What...

Matt Williams:

Digging in? Looks like, or like almost a concession of, he's conceding.

Peter Switzer:

Really?

Paul Rickard:

His body language was bad.

Matt Williams:

Yeah.

Paul Rickard:

There's no doubt about that. Interesting interpretation, Matt.

Peter Switzer:

Well, we should say this. Matt, you hang around with Hamish, Hamish Douglas.

Matt Williams:

Yeah.

Peter Switzer:

Because Magellan and Airlie are brother organisations or sister organisations?

Matt Williams:

Well, they're brother and sister.

Paul Rickard:

So you interpret it almost as a concession?

Matt Williams:

I think from his perspective, he was sort of laying out his history, I thought at the beginning. "We've done this well..."

Paul Rickard:

Yeah, he certainly was...

Matt Williams:

"And we're being cheated."

Paul Rickard:

Yup.

Matt Williams:

"But we're going to protest," but, he, yeah, he was very down, he seemed to be down.

Paul Rickard:

Very down.

Matt Williams:

So I thought a concession from his...

Paul Rickard:

An interesting way to start, laying out your history and how well they've done in the house and how well they've done in the senate.

Peter Switzer:

He is unique, Paul. He's so... Well, our market hasn't come off at this stage.

Paul Rickard:

Yeah, so look, I mean, we've seen the rally in the US this week, 6%. I think it's almost the best week since 1982, if I got that right. Best up week? I've read something on CNBC, I don't know if it's right. Four days in a row, first four days in a row of plus 1%.

Matt Williams:

Extraordinary.

Peter Switzer:

It's the biggest post-presidential election rally.

Matt Williams:

Yeah.

Paul Rickard:

But the market got an outcome that you can live with... long as we end up with a president, that's the only issue. But so now that gets out of the way, they're happy the democrats haven't got too much, can't control the senate, can't do much. Where does the US head now, do you think?

Matt Williams:

I don't know exactly, but I think your point is right, that the market seems very happy with the fact that it's balanced. That the democrats keep the house and the republicans have the senate and the president is most likely...

Paul Rickard:

Gridlocked.

Peter Switzer:

Yeah.

Matt Williams:

So no radical agenda sort of comes out.

Peter Switzer:

Yeah, and taxes don't change, regulations don't change.

Matt Williams:

Yeah, but what we've seen over the last how many years is that monetary and fiscal policy trumps all. Pardon the pun. It's all about that and as long as there's a stimulus package of some sort that gets delivered, I think the market will continue to do what it's been doing.

Peter Switzer:

Yup.

Paul Rickard:

So let me lean onto the first question, I think, that relates to that. So this question from James, it says, "The Australian market is in a better position... This came in earlier. The Australian market is in a better position than the USA. Will Australia grow faster than the USA?"

Paul Rickard:

I think he's talking about the market, I think, rather than perhaps the economy.

Peter Switzer:

Yeah, rather than economic growth.

Paul Rickard:

But you could interpret it both ways.

Paul Rickard:

Well, do you agree the Australian market is in a better position than the USA?

Matt Williams:

No, I'm not... Well, I don't know about that, because we don't have the kind of quality of companies that the USA has. As we know, they have some absolutely fantastic companies and fantastic companies that aren't household names that you've never heard of, as well.

Peter Switzer:

Yeah, true.

Matt Williams:

Our market just doesn't have the breadth and depth that the US market has. So a good exposure to offshore markets is absolutely essential in my opinion.

Peter Switzer:

Hedged or unhedged?

Matt Williams:

I play the long game and go unhedged, but I think that's a question for everyone's circumstances.

Peter Switzer:

The way you think the dollar's going to go, Matt? Is it... Do you care?

Matt Williams:

I've got no idea.

Peter Switzer:

Yeah, it doesn't really affect what you're investing in?

Matt Williams:

Not really. I mean, obviously, for some of the mining companies we're in, a lower dollar and a high commodity price, which is what we've had.

Peter Switzer:

Yeah.

Matt Williams:

We've had a great run in iron ore for some. These producers have just been printing cash.

Peter Switzer:

And paying dividends as well.

Matt Williams:

Yeah, yeah.

Paul Rickard:

So I mean, just coming back to that, I mean, I guess, Wendy's sort of asking the same thing. Her question is, "Do you think we'll continue to just follow the S&P 500 and have there been times when the ASX 200 has tracked its own path?"

Peter Switzer:

Well I've done some homework on that. I remember when I took my show to New York. The old Sky Business Program around 2010 and on that decade, Australia had completely nailed America. The US market from January 2000 to 2010 was down 16%, Dotcom Crash. Australia was actually up 48% over that period of time. So we can go in different directions. I don't think the catalyst for that kind of disparity is going to be there. I don't think America's going to have a Dotcom Crash rerun. And remember, we were criticised for being a bricks and mortar economy and it kind of saved our companies in many ways, that's why our market went up in this normal kind of way. But we can go in different directions. I don't think that's going to be the case. I think we will follow the US until there's some great disparity that stops us from doing it.

Matt Williams:

Yeah, I'd agree with that.

Paul Rickard:

Okay, let me go to some more questions. So I'm going to go to this one from Michael.

Paul Rickard:

Is that right? Do I need to click that? So, Michael, you should be unmuted... You... No?

Peter Switzer:

No.

Paul Rickard:

That's a paper question, okay.

Peter Switzer:

Paper question.

Paul Rickard:

I can't work this. Okay, this one's got a microphone here. Okay. So question is from Michael, your view on the price of Qantas. In other words, do you think there's value in Qantas... We all know the re-opening trade is there.

Matt Williams:

Right.

Paul Rickard:

Is too late to get on the re-opening trade with Qantas?

Matt Williams:

It's certainly lighter than what you would have liked. Qantas has been one of our holdings in the Airlie Australian Share Fund and it's been a bit of... Back in March, it was quite a painful holding. But we're adding to it selectively over the period. Look, I think Qantas is well set up for, I think, what we're going to see in Australia next year, is real boom, mini-boom, and a boom in domestic tourism. There's lot of pent up demand. I think people want to get out and about, particularly in Victoria. So as the borders open up in the next two months or so, I think things will look pretty good for Qantas domestically. Then we think about a vaccine six to eight months later, if indeed that does occur, then Qantas will be again well set up for the pent up demand for international travel that'll come. But I think that's a much more '22, '23 type story.

Peter Switzer:

Matt, do you know the percentage of revenue they make, domestic versus overseas?

Matt Williams:

Well, traditionally, the revenue is more evenly split, but in terms of profit, they make a lot more domestically, historically, than they would overseas.

Peter Switzer:

Because a lot of expansion has been like their Jetstar brand into Asia, they've pawned off all of this stuff to Emirates, haven't they? So they don't make as much on the Kangaroo route like they used to in the old days.

Matt Williams:

That's right.

Peter Switzer:

So it's cheaper Asian type Jetstar. For the domestic, particularly their business class, they've done very well.

Matt Williams:

Yeah, and we think with Virgin, it's not ideal that Virgin is recapitalised, but I think Virgin will be rational. And so I think the profit pool, the domestic profit pool will be very attractive and Qantas will again have the lion's shared of that.

Paul Rickard:

I think what you're saying, below all that is we're all going to be paying a lot more for airfares, right?

Matt Williams:

There's a good chance of that, yeah.

Peter Switzer:

Yeah. Good chance of that, yeah.

Paul Rickard:

Yeah, so let's just lock up the travel, so the question from Ang and Flight Centre, versus Webjet, versus Corporate Travel, versus Qantas, do you have a... You want to play the re-opening trade. You see upside in all those or do you think, how would you, which of those do you prefer, if I put you on the spot?

Matt Williams:

Yup, again, Qantas and we do not own in the fund any of those other names and the reason being is that they've had to recapitalise. So there's a big hole they've got to come out of in terms of their earnings per share, their profits. And they're going to be spread over a much larger equity base and, also, they're exposed to the international reopening more so than Qantas. So really Flight Centre, Webjet, in particular, it's all about international for them. And so again, as I say, that's few years down the trail.

Peter Switzer:

Matt, I interviewed John Gusic during the week for our podcast, and I hear he's happy that the share prices bounced back faster than he expected.

Matt Williams:

Yeah.

Peter Switzer:

But he actually said that on the local trade for Webjet, that they will get profitable just by the borders opening up, straight away. One thing staggered me and will stagger you, before the Coronavirus, they had 10,000 retail investors. How many you reckon they've got now?

Matt Williams:

I was going to say they'd probably tripled that.

Peter Switzer:

65,000.

Matt Williams:

Yeah.

Peter Switzer:

Yeah, and that's why I want to ask this question. A lot of fund managers have been a bit cheesed off that all these, I think, young people have poured into the market when the market sold off, thinking that these stocks are good value. I guess, the short term, they might be stung, but in the long term, they probably will eventually get rewarded.

Matt Williams:

Yeah, absolutely, and I'm certainly not cheesed off that young people are in the market. I think it's fantastic. They've got an interest and they're learning and they'll learn. You learn by making your mistakes as well and you lose a bit of money and you learn from that, so I think it's a fantastic thing and some people have come into the market will realise, "Well, I can't do this all day and I'd rather have someone like yourself or myself to do it for me."

Peter Switzer:

Yeah.

Matt Williams:

And hence buying an ETF, buying a managed fund is a way for them to now... Now that they've had, got exposure to the market, to continue that exposure.

Peter Switzer:

Yeah.

Paul Rickard:

Okay, I think we've done the travel stocks. Question here from Shawn, "Please give us your thoughts on the Aussie banks for 2021, particularly the four majors." So which one do you like best? What do you think about banks? You want to...

Matt Williams:

Yeah, look, I think as a sector, I think, it's probably the best way to play. They do move just in medium term, probably a lot together. We think there's a chance that they have a good... and they've had a good month, relative month.

Peter Switzer:

Yeah, pick up. Yeah.

Matt Williams:

Because of this deferrals is not as bad, the mortgage deferrals, the bad debts cycle that was really feared, what we could have had back in March is now obviously way better than that. And so we think the banks could have a pick up, just a relief rally just on that.

Peter Switzer:

Are they value stocks, Matt, or are they cyclical stocks?

Matt Williams:

Oh, they're definitely cyclical, they're cyclical stocks.

Peter Switzer:

They're reacting cyclically but they're being ignored in this cycle because of the rescue program that they've been forced to pay part of.

Matt Williams:

That's right.

Paul Rickard:

Yeah.

Matt Williams:

And low interest rates are not good for them.

Paul Rickard:

Is there are you prepared to sort of... which of the four or... do you prefer and don't, or at least prefer?

Matt Williams:

Yeah, I definitely prefer Commonwealth Bank and it is the most expensive but it's the really... It is the quality play in the market and I think in tough times, you stick with the quality player.

Peter Switzer:

With the analysts Paul, CBA down 4% was priced to perfection. WBC, Westpac, up 12.3%. NAB, up 3.9%, and ANZ up 11.4%

Paul Rickard:

Yeah, I mean, I thought the Westpac result, I've been a fan of Westpac, of Commonwealth and Westpac. You play at both ends of the market. But I have to say, I thought the Westpac result was pretty dreadful.

Matt Williams:

It was.

Paul Rickard:

It was even worse than I thought they could do so...

Peter Switzer:

Oh, yeah. But doesn't that make them a buy then Paul for a long term play?

Paul Rickard:

Well, the only thing I hope is that this cleared so much out of the place and they're repositioning but some of the fundamentals, the mortgage, so it went backwards. They're talking about how long it takes to process a mortgage application. Where have those people been the last few years?

Matt Williams:

Yeah, that is extraordinary.

Peter Switzer:

Right?

Matt Williams:

Yeah, yeah. That a bank can't do what a bank's supposed to do in mortgages.

Paul Rickard:

Yeah, it's a real castigation of either the previous management or these so called high flyers that were going to fix it. And you end up all these years later still taking Westpac a month to work mortgage applications.

Peter Switzer:

Well, the irony is that this, the turnaround on responsible lending is linked to a court case involving Westpac and their clients were drinking too much Shiraz and eating too much Wagyu beef. Thank God, to Justice Perram.

Paul Rickard:

So I mean maybe that's... you've seen in the market result the last two days, Westpac massively underperformed the other two banks. But you know, maybe it's about $2 to the NAB is where I think they'll probably get to. They might be worth buying and so... but I have to say, I have egg on my face from Westpac, because I thought they couldn't get any worse and it is worse. So anyhow, but they're going to be cheap at a point. So we know they're an oligopoly, we know they eventually all get these things right, so...

Matt Williams:

They've just got a few headwinds.

Paul Rickard:

Yeah.

Matt Williams:

You know, that's going to stop them from being the great investments they were in the past.

Paul Rickard:

Yeah, it just does show what a huge cost, once you get tangled up in these compliance issues, the focus just goes. So much time and effort from management is spent on mismanagement and all the energy comes off the actual business. It's just so...

Peter Switzer:

And Paul, probably, the best people to go to to work out what bank you want to invest in, are mortgage brokers, because these people work with banks all the time. And the ones who are the crappiest clearly have problems and the business won't be going their way because the mortgage brokers will send the money to the banks that process things properly and quickly.

Matt Williams:

Yeah.

Paul Rickard:

Okay, let's go to something else that's pretty topical. From Chris, about the implications for Australia-China trade with Biden as president. Matt, is it, Biden as president, probably a good thing for the whole China, the tension in the China, Aussie-China trade dispute? Or is that too long a bow?

Matt Williams:

Well, I think he will cool the temperature down, I think, Biden. But I think he's going to be pretty tough as Trump was on China, because I think that's a, it's a bipartisan sort of issue, the US and China. So how that then relates to us, I don't think it really does too much. We've got our own sort of issues there. I don't really know how this finishes and does it get worse, and you certainly hope that for both countries that the trade tensions dissipate.

Peter Switzer:

Cool down, yeah. Well, I read something brilliant this morning, Paul, which of course I wrote, and the thing I think is that a lot of the Chinese nastiness we're receiving on the trade front was because of the Prime Minister's closeness to Trump. And Trump always wanted his allies, like Morrison, to be vocal about supporting him. Where Biden might claim more old fashioned quieter game, I think the democrats are just as tough on trade, but I don't think they'll call the Beijing leadership out like Trump did and therefore it might be possible to get negotiations. Because you might be invested in TWE...

Matt Williams:

Luckily not.

Peter Switzer:

Yeah.

Matt Williams:

Yeah.

Peter Switzer:

But a lot of people would have been and it's a curve ball, kind of a Trump connected curve ball, why they're hitting us as hard as they are right now.

Paul Rickard:

Yeah, can we go to Chris, because Chris wanted to ask that. He has a second question... Anyway, Chris, I hope we've dealt with that. I've got a question which I think we can go to Bruce. Yup. Do I need to anything... Okay, Bruce, you're being unmuted.

Bruce:

Can you hear me?

Paul Rickard:

Yup, got you. We can hear you just fine, yup.

Bruce:

That's good. I had a query regarding Westpac, because you talking about them a few minutes ago. With respect to their Capital Notes 7 offer.

Paul Rickard:

Yup.

Bruce:

What's your understanding of that and what's your thoughts of its value?

Paul Rickard:

Yup, okay, so I'll answer that. I've got a few questions that I was going to come to that. So that's their Capital Notes 7. It's paying a rate of 3.4%, bank bill plus 3.4%. I think that's pretty attractive by hybrid standards. I think that's going to be pretty well bid. There are two other offers out there at the moment from Bendigo and Bank of Queensland, which are at 3.8% but they're smaller and they don't quite have the same rating. And NAB also will probably come with an offer next week, so they've already flagged that.

Paul Rickard:

But I think the hybrid market was down at a margin of under 3%. We now get supply, prices ease. I think in this current climate, 3.4%... and remember you only get 0.7 of that, but it is fully franked but effectively, 3.4% return compared to the term deposits and the cash rates stuck at 0.1 of a percent for three years. I think there's going to be a lot of demand for that, so I'd be pretty positive on that as finding a good audience. Only caveat on that is of course, these are fairly complex securities and it's worthwhile to make, don't invest in something that you don't understand...

Peter Switzer:

Yeah, because if something goes wrong, you could end up with Westpac shares.

Paul Rickard:

Yeah, I mean do you want to comment on that? Is that something that you want to comment on, Matt or...

Matt Williams:

Yeah, we don't normally play on the notes market, but, yeah, they're certainly that I don't think people always understand where they're ranking, where their risks are when they're buying those instruments. So it's important to at least have some broad understanding of where you are in those.

Peter Switzer:

Yeah.

Paul Rickard:

I mean if you want to find out more and you're not familiar with anyone listening, ASIC on their Moneysmart site has got quite some good stuff, so that's Moneysmart.gov.au. You can go there and they've got quite a good educational piece about how hybrid securities work and I would recommend that. But overall, I think the Westpac offer's generous. I just, my only caveat is there should be one from the NAB next week. They've said they're doing an issue so you might want to keep some firepower up, question mark.

Paul Rickard:

Okay, so there's a lot of questions on that, so thanks for that, Chris. Let me move on to a question from Peter on CSR. That's a company I find really hard to get a handle on. Do you have a... Matt, you're probably one you look at?

Matt Williams:

Yeah, not one we currently own but we've got a long history of looking at the business and look, again, I think going to our sort of view that Australia's going to do pretty well next year, with interest rates so low, housing and construction will continue to do okay. It reported last week and had a good strong run on the back of that report. So whether the shares are sort of good buying here, I'm not really so sure of. Our bigger exposure in that market has been Reece, the plumbing player. We just feel that it's got a, it's exposed to new building.

Paul Rickard:

Reece is REH?

Matt Williams:

REH.

Paul Rickard:

Yeah.

Matt Williams:

It's exposed to new residential, but it's also, its biggest business is sort of repair and remodel. Just things go wrong, so repair, so that's a steady business always there, and then people doing renovations. We think that's just a more steady kind of player than sort of new construction.

Peter Switzer:

Yeah, analysts think CSR has 8% upside and if you believe that next year will be a strong year, I think the government will be encouraging construction, residential construction that... what is it? What's the HomeBuilder?

Paul Rickard:

Home maker, isn't it?

Peter Switzer:

Whatever that government policy is has really worked and a few developers in the quarter-acre block space, particularly in Victoria and they've just shot the lights out. So I think the government will keep encouraging that and therefore I think CSR will be a beneficiary and the building boom in the US is still strong as well, so I think 8% is believable.

Paul Rickard:

Okay, let's go on to some medical stocks. So first one up is on ResMed, which has had... Reported, well, this week? Was it last week?

Matt Williams:

Last week. Yeah.

Paul Rickard:

Yup, had a bit of a bounce.

Peter Switzer:

And quite a bit of advertising Resmed is now doing on our TV...

Matt Williams:

Yeah.

Paul Rickard:

Yeah, I keep seeing their ads now, so what... I really like ResMed, but is it getting too expensive? What do you sort of feel on this stock?

Matt Williams:

Yeah, look, we've got this wrong. We should have owned it. We have in the past, but not relatively recently and it's just, it's always looked and felt a little bit of expensive for us but we've been wrong on that. Great company, great quality business.

Peter Switzer:

Well, Matt, this is a classic example of a company that you always buy on the dip.

Matt Williams:

Yeah.

Peter Switzer:

Look, every time it's dipped down in markets and some crappy story turns up in the newspaper and not long after, they report brilliantly and it goes up again. So you have to wait, ladies and gentlemen, until the next time it comes off the boil.

Paul Rickard:

One of the concerns the market has had is competition in their market and you get mixed reports from...

Peter Switzer:

The competition.

Paul Rickard:

Well, there really is, they really have serious competitors or not, you have a sort of concerns on that one or...

Matt Williams:

Well, yeah, I mean it's not a bad industry structure really, when you're good, you don't... You know, Respironics and ResMed are the two main players and sure you do have people sniffing around the edges there. But it's not a bad market structure. It's the articles you get where, you know, a new device or a whole new surgical method will make this obsolete. I've seen a million of those come and go in the past. And you're absolutely right, when you see those articles or scare tactics come out, it's a good buying opportunity.

Peter Switzer:

Yeah, yeah.

Paul Rickard:

I'm not sure, is it Ricky Ponting who fronts the ads? Isn't that Ricky Ponting? Who's the guy... TV commercial, I'm not sure who...

Peter Switzer:

Ricky? No, Gil, Gilly?

Paul Rickard:

Maybe it's Gilly, is it? I don't know, someone does, someone will correct me. Okay, all right.

Paul Rickard:

Can I have a question here, Jon or not? No? Okay.

Paul Rickard:

All right. So I was going to... I was kind of looking for another medical question, but let's move on to something...

Peter Switzer:

There's a question about Healius there.

Paul Rickard:

There's a question about Healius. That's a dog or has been a dog of a company. Coming back on your radar or...

Matt Williams:

We're relatively...

Paul Rickard:

That's HLS, Jon.

Matt Williams:

Yeah, we're a relative recent purchaser of this. When they sold the medical centers, and it's in the dip, just in the dip they've sold that. And the medical centers solved two problems. One, the medical center business was a problematic business and took up a lot of management time and effort and capital and, secondly, they had a bad balance sheet.

Peter Switzer:

Okay.

Matt Williams:

So they sold that to private equity and the balance sheet's now in good nick.

Peter Switzer:

And what's the business they've retained?

Matt Williams:

So they've got pathology and imaging.

Peter Switzer:
Yeah.

Matt Williams:
Which as we know very-

Peter Switzer:
Was their core before the other...

Matt Williams:
No, medical centers was actually the core and then they moved into that.

Peter Switzer:
It was Primary then, was then, was it?

Matt Williams:
Primary.

Paul Rickard:
Yeah, Primary Health.

Peter Switzer:
And the doctors hated them from the very beginning.

Matt Williams:
That's right.

Peter Switzer:
All their doctors.

Paul Rickard:
No, they didn't...

Peter Switzer:
All the GPs I know who worked for them hated them.

Paul Rickard:
Ed Bateman used to run them. He had a... He may not have hated them but he had a way of...

Peter Switzer:
Yeah, he was better with...

Paul Rickard:

Managing the relationship,

Matt Williams:

He had a tough management style, I think. It would be a...

Paul Rickard:

Yes, but...

Matt Williams:

We think they can improve their pathology and imaging businesses and so it looks okay to us. It's won't get rich quick off it, but we think it's a good medium term opportunity.

Paul Rickard:

Okay, all right. Let's go on a couple of industrial stocks. So this one is from Max. "What are your thoughts on Qube?" It's had a very good story, that's Q-U-B, Jon, I think. A story on Moorebank and appears to have very good management. Not a company I spend a lot of time focusing on, Qube. I don't know. Has it come across your radar, Matt?

Matt Williams:

It has, it has over the years, but not a current holder. It's always looked a little bit of expensive to us for the quality of the assets. Moorebank is going to be a successful venture, we've got no doubt, but it's taken a long time...

Peter Switzer:

Hasn't it?

Matt Williams:

And the rest of the assets aren't... We don't think worth the price that imputed in that share.

Peter Switzer:

Analysts say 6% up, but... I've also found Qube a little bit hard to understand with the whole Moorebank thing and Chris Corrigan and Chris is always a little bit hard to work out exactly what's going on. He's always successful at what he does but...

Matt Williams:

Yeah.

Peter Switzer:

It would have been probably get smart to buy it during the crash, but the Moorebank thing's gone so long.

Paul Rickard:

Okay, question here from Shernavaz. She's got one or a double question, but I'll do one of them Shernavaz. Got a view on Brambles, which it reported well during early of the week or last week. I forget what it was... or reported not as bad as maybe as feared. Is that what we've heard from Brambles?

Matt Williams:

It's not a bad quarterly result and probably not surprising, given that a lot of it's customers being the retailers and the fast moving consumer good companies. Your Procter and Gambles, your other types of companies like that are having a good time of it in the pandemic offshore. So probably not that surprising but, geez, it's been a... It's been one of those Aussie companies, right, where you get a new management team every five years. You get a new story. You usually get something written off that the other management team has done and the show sort of goes on. And it's just, hasn't ever to my view hit its proper straps.

Paul Rickard:

Well, I think if we widened the chart on the share price, to five years, I think we'd find it hasn't really moved out of a very tight range. Yeah, it's sort of been there, it's like, it's probably 10 years we'd find almost.

Matt Williams:

I think it's a sign.

Peter Switzer:

It was, the analysts think it has a 17% upside which would probably take it around near its...

Matt Williams:

But you look at there, you'll see the management cycles, within those charts, right? You've had a CEO who's promised something, hasn't delivered, new CEO and so the market gets angry and so forth.

Peter Switzer:

Yeah, but you're right. They really should be doing well, shouldn't they? Like imagine the pallets that are being pumped out to all the retail outlets and I know people have been buying online, but they haven't ever really delivered on their promise.

Paul Rickard:

Okay, let's go on with some oil stocks. We've got a lot of questions about Woodside. So this is from Peter. I'll take... and I can't understand why it's saying, "Will Woodside recover?" Now that's probably a stock you've no doubt looked at many times. Is that in your portfolio?

Matt Williams:

No.

Paul Rickard:

No. Any interest in Woodside?

Matt Williams:

No, well, never say never, but it's a big capital program. They've always got big capital program and, look, if the oil price goes up...

Peter Switzer:

Yeah.

Matt Williams:

Woodside will go up.

Peter Switzer:

That's right.

Matt Williams:

It's as simple that.

Peter Switzer:

Yeah.

Matt Williams:

And I don't know what the oil price is going to do.

Peter Switzer:

No, but, I guess my argument is it'll probably be higher next year than this year. And I think Woodside goes up as a consequence. Don't think it will go high as the $35 stock it was before the Coronavirus. But maybe in two years time, if the oil price goes to $60, $70, then it will.

Paul Rickard:

And does Magellan, Airlie, have a view on oil prices? Do you have any sort of-

Matt Williams:

No, we don't spend too much time and it's too hard to predict.

Peter Switzer:

So can you guys don't speculate on things that are impossible to work out? That's unusual.

Paul Rickard:

Okay, well what about the other question then so... I mean Woodside we know, huge capital spending, it's got some great resources. It's-

Peter Switzer:

It pays a dividend.

Paul Rickard:

It pays a dividend. It's a great Australian company, which is underwhelmed. But it's still a great Australian company. Let's go to the ones who are a little more directly exposed, I guess, to the oil market. Maybe Santos and Origin, do you have a... How do you rank Woodside versus Santos and Origin? Do you have a particular favorite there?

Matt Williams:

Look, not overly, but we sort of... We've been in Origin and been wrong because we've had this view... and again the oil prices impacted that stock... but we had the view that if energy markets were a good solid sort of base to that company and the oil... and they would do leveraging from their AP LNG project in Queensland. And so it was just a simple debt down, equity up story for us. Unfortunately, the oil price has come down and wholesale electricity prices have come down so we've got it totally wrong.

Peter Switzer:

Yeah, and the politics always annoys me. Certainly Paul, I should say, the analysts, they're more optimistic than we are. Looking up for Santos, Santos is... Where are we? Santos, up 30.8% and Origin up 48% but that's, yeah.

Matt Williams:

That sounds good. But I think it needs the oil price to be up.

Peter Switzer:

Exactly. It needs the oil price up.

Paul Rickard:

Okay, let's go on to a question here from... Probably this one's for you Peter. "Do you think Megaport, which is MP1 is now a buy at these reduced levels?" It's not greatly reduced.

Peter Switzer:

No, it's not greatly reduced and I'll have a quick look to see what the analysts think. I think they think that it might a 5% upside. Well, it... We'll see Megaport. I did look it up. Yeah, there it is. Up 1.8%, so they kind of think it's pretty well where it is. My view is it's had a big, big rise. Yeah, it's come off the boil. I think across 2021, Megaport's share price will be higher. It's in the right space. It does look the right things for the modern industry demands and a cloud based growing economy. But I think the market's got onto it and I'd be buying on a much more substantial selloff if I wanted to get more exposure to Megaport.

Paul Rickard:

Okay, question here from Sandro. "What's behind the recent drop in PPH after the recent results announcement?" Market expecting much better results, so I'm not really on top of what's going on PPH.

Matt Williams:

Yeah, I can.

Paul Rickard:

Yes.

Matt Williams:

It's a stock we follow, not currently own, but it's quality business and...

Paul Rickard:

Just a matter of Pushpay Holdings, just what's...

Matt Williams:

Yeah.

Paul Rickard:

I'm not familiar with it, maybe you can just explain a bit.

Matt Williams:

So it provides sort of software for churches, believe it or not.

Peter Switzer:

That's right.

Matt Williams:

Church is predominantly the business and so it provides the software for churches to accept donations and tithes or whatever they're called. And it's rolled out in the US, where obviously, as we know, church, there's some big churches.

Peter Switzer:

It's got Hillsong written all over it, that kind of thing, isn't it?

Matt Williams:

Yeah, that, and it...

Paul Rickard:

And US is the biggest market?

Matt Williams:

Biggest market and it's done very well. It's a New Zealand based company and the result the other day, they gave an update and the market didn't like the fact that they hadn't grown the customer numbers much. And obviously, and this stock is very highly priced on a PE of plus 40.

Peter Switzer:

Yeah, analysts think 43% downside for PPH.

Paul Rickard:

And it's had a big rally this year of post COVID because of obviously the whole giving nature in churches for people not...

Matt Williams:

That's exactly right.

Peter Switzer:

Yeah.

Paul Rickard:

Wanting to pull out cash.

Matt Williams:

Lay out cash, exactly.

Paul Rickard:

All these things change, so...

Matt Williams:

Yeah, yeah.

Paul Rickard:

So you've owned in the past, not at the moment.

Matt Williams:

Haven't owned in the past, but it's one we've followed and wished we had pulled the trigger on earlier but I'd be... if it was 40, 43% down I'd be very... Obviously, I'd be very interested in it. I think it's a good quality business and so it's...

Peter Switzer:

So what's... As the dip deepens, that might be the time you go in, but...

Matt Williams:

That's right.

Peter Switzer:

But at this point in time it looks a bit early, doesn't it?

Matt Williams:

Yeah, it does, and the other factor that's happened last week is one of the major shareholders, in fact, one of the founders, a member of the family has stepped off the board and they own 16% of the company. So there's a lot of speculation that they will sell. They have sold in the past.

Paul Rickard:

Okay. Question, we always get these to the question of about gold from Simon. I'm not sure that I agree with this Simon, but I'll ask the question. "Is it time to sell all, buy gold, and go live in the bush?" Well, it's probably always time to go live in the bush...

Peter Switzer:

Sure, yeah.

Paul Rickard:

But what do you say to someone who's worried about markets and excessive optimism, I guess some people might characterise it as given where the US is and given our markets?

Peter Switzer:

But isn't he showing excessive pessimism. He wants to sell it, sell all his stocks, buy gold, and sit in the bush?

Paul Rickard:

Well, he's worried about excessive optimism. Do you... Are you a gold, do you have any gold in your portfolio?

Matt Williams:

No, and it's like the buy now, pay later. It's something we've really missed but I think that given all the money printing in the world that's going on, I don't think it's a silly strategy to have some gold in your portfolio. Simple as that.

Paul Rickard:

Yeah, okay. What do you say, Peter?

Peter Switzer:

I think when we talked about it about a year ago, that was the best time... Well, there was an even better time before then to buy gold. I think Matt's right. Holding gold now because of the amount of money supply out there, kind of makes a bit of sense. But I've written something for Weekend Switzer Paul, and I've got you to proofread, you've seen what I've written. The people who've played gold have had some really bad times in their life, where they've bought high and the price is really high now and they've waited a long time for that to come back. And I just think, I would rather be in CBA over the next 10 years, than gold.

Paul Rickard:

I was interested in your take that gold was much higher in 1982 than it is today. Is that right?

Peter Switzer:

Yeah, yeah. It was higher and when you look at the chart, I must admit...

Paul Rickard:

We probably can't get a 20-year gold chart.

Peter Switzer:

Because I don't understand gold, I haven't become a gold bug, but I get terrorised by gold bugs occasionally, so I actually looked at the charts for the first time and it's really instructive. If you get the timing right, gold's fantastic. You get it wrong and you don't get any income and you could buy a crappy stock that doesn't go anywhere, but you're still getting 4%, 5% dividend, but with gold you don't get any dividend until the capital gain comes through.

Matt Williams:

Well, I tell you what Australia has done well recently is some mid cap gold companies that have gotten really good management have turned up 10 years ago. And you look at things like Saracen and Evolution and they've been the things to be in.

Peter Switzer:

Oh, Northern Star, great company.

Matt Williams:

Northern Star, and these management teams have ripped up the rule book that used to occur in these companies where they'd just blow all the profits that they'd make by trying to expand in dud projects. And these guys have been much more disciplined.

Peter Switzer:

Yeah.

Matt Williams:

So you can be in those companies and you'll get a dividend at least.

Peter Switzer:

Yeah.

Paul Rickard:

Okay, let's go to a question here from Leo. About a2 Milk and TWE.

Peter Switzer:

Good question.

Paul Rickard:

The question is "Have they reached the bottom or not yet?" So let's start with a2 Milk. It's up today, I think it's about 65 today, I think from memory, or a bit higher. So in your portfolio?

Matt Williams:

It is, with and we've bought it since this sell off has begun, I think it looks interesting. We're hoping it's considered a New Zealand company in the echelons of China. But we think, taking a longer term view, we think, again, buying a good company on a really heavy sell off with great balance sheet, it's still winning market share in China.

Peter Switzer:

It's best of breed, isn't it?

Matt Williams:

Yes, that's...

Peter Switzer:

Okay, it is best of breed.

Matt Williams:

So that one, yes, and TWE, we've had a really good look at...

Paul Rickard:

Okay, just on a2, I have to admit, I had waded into a2 Milk on Tuesday, was it? Wednesday, Wednesday, had a little dabble, so...

Peter Switzer:

Yeah, okay.

Paul Rickard:

But, yeah, I think it's a really good company but, as you said it's just caught up in this China thing for the time being, as we said. Let's go to TWE and I'm hoping it's also, it is a New Zealand Company, but I hope the Chinese think of it that way. TWE?

Matt Williams:

Yeah, looking very interesting, but so many unknowns about exactly how this tariff situation plays out and for how long, but definitely very interesting and I think you'd have to keep it on your radar to look at.

Paul Rickard:

I mean, it's still a great company, right?

Peter Switzer:

Very good.

Matt Williams:

Look Penfolds is...

Paul Rickard:

Are you happy with the management there at TWE though?

Matt Williams:

Yeah, I think the new CEO, he inherited a sort of a story that needed re-calibrating and it's certainly been re-calibrated faster than what probably the market expected. But Penfolds is the last great Australian brand being held in Australian hands on the market, at least.

Peter Switzer:

Yeah, if you take a long term view, you'd have to suspect that the problems of China aren't going to persist forever, but I really wish I knew...

Paul Rickard:

They do look like they want to punish us though.

Peter Switzer:

I know, but I really wish I knew the broker that the Beijing leadership uses to buy Australian stocks because one day TWE's going to be bought by the Chinese and the share price'll go up.

Paul Rickard:

Well, I mean, I guess, next time, we'll be more careful about that, doing a favor for President Trump.

Peter Switzer:

Yeah.

Paul Rickard:

Anyhow, okay, a question on Washington H. Soul Pattinson, which is a company a lot of people won't go in to...

Peter Switzer:

It's done pretty well hasn't it, but it's hard to...

Paul Rickard:

I don't know whether it's on your list or not, Matt, but...

Matt Williams:

Oh, look, I've had a long history with this company and it's got great assets.

Paul Rickard:

Just go through the key assets for the listeners.

Matt Williams:

Yeah, so the major assets are New Hope Coal, and I think this is part of the potential issue. Particularly in the listed market, in the institutional space that I manage money for, and TPG Telecom, so they basically own...

Peter Switzer:

Yup.

Paul Rickard:

And own some Brickworks.

Peter Switzer:

Brickworks, as well.

Matt Williams:

Yeah, sorry, and Brickworks as well. So they're the three big investments and New Hope has got challenges as we all know in the coal space at the moment. TPG is again in a tough industry and so I guess we've always asked the question why, what's the future for this kind of conglomerate structure. But look, it has done pretty well and it's not trading at a massive discount anymore that we thought, when you look at Brickworks and Soul Pattinson together, there's still value to be had though if they collapse those two businesses together.

Peter Switzer:

Yeah, and there is a big appetite to buy Brickworks, isn't there? There are buyers out there who've been trying to rescue Brickworks from these guys. Wasn't there a takeover bid at one stage for Brickworks?

Matt Williams:

Oh, geez, you're showing your age, Peter, that was a long time ago.

Peter Switzer:

Oh, yeah.

Paul Rickard:

You'd think, is the market... I mean, because of the, it is a conglomerate, it is all part of the one stable... A lot of funds don't have it on their radar, because they're worried about governance? Or is that me sort of, perhaps, miscolouring what the real situation is? I mean if... At the right price people will look at it or...

Matt Williams:

Oh, definitely, I think at the right price people will definitely look at, but I think the coal, the big investment in coal, particularly makes...

Paul Rickard:

That's a negative for some folks, right?

Matt Williams:

Yeah, well, for some people in this day and age it's... Look, and it doesn't help that coal is going through, it's really down in the bottom of the cycle, the coal price, which is impacting. And so I think it makes it easier for people not to look at it.

Paul Rickard:

Okay.

Matt Williams:

As they perhaps... and potentially miss an opportunity.

Paul Rickard:

I just got a question from John on the new Westpac bank notes, that's the Westpac Capital Notes 7, John. I think I answered that earlier, but I think they're going to look pretty attractive so a 3.4% but don't invest in something you don't understand and make sure that you really... if you're going to look at those, you need to really know what you're doing. So that's positive.

Paul Rickard:

And then a question from Michael, says, "Should we switch from the WBCPC to the new Westpac notes?" Michael, typically, that won't work, because the market will come back to about the same price by the time you pay brokerage, hit the bid spread, lose out for a month. I wouldn't suggest that's a right strategy. So typically the market will put those things about to almost the same yield so, I'd be surprised without looking at WBCPC whether you can actually do that sort of trade.

Peter Switzer:

Effectively.

Paul Rickard:

Very careful going into that. Okay, question here from Steven. He says, "When do you expect BA to pay dividends at pre-COVID level?" I think he means CBA. So I'll throw that one over to you, Matt, they were paying $4.31, $4.32, $2.98. Know those numbers, because we just did a chart a minute ago.

Peter Switzer:

Yeah.

Paul Rickard:

For this year.

Peter Switzer:

Yeah.

Paul Rickard:

When can we, do you think, the bank's might look at pre-COVID levels again?

Matt Williams:

I think it'll be a while. I think the... You got two factors, the head winds that we all know in the market in terms of low interest rates, asset growth not being what it used to be and the need to build regulatory capital. And then overlay that with APRA telling you what your dividend is at the moment.

Paul Rickard:

Do you think the APRA, the banks currently limited to 50% of their statutory profit, that should go next to year? Is that the expectation?

Matt Williams:

That's the talk but whether boards will follow suit with that or will... it'll be interesting to see.

Peter Switzer:

It's going to depend on the strength of the economy and the business they're doing. If they're still struggling and are part of the rescue program, the dividend won't improve much, but I think you're right. If they're telling us that interest rates are going to be low for three years, then dividends are going to be low, but I reckon they'll grow each year as long as we get incremental improvement of the economy. But the $4.31, I think probably three years would be the best case scenario.

Matt Williams:

Oh, best, and I think, back in the day, five years ago 80%, 70% payout ratios were the norm, not anymore.

Peter Switzer:

And what happened with CBA, remember that it was a $90 stock, when it was $4.31, so on a percentage basis, if you're getting in now, very few of the people listening now would have bought at $90. Probably more likely around $60, that's where it was in 2016. You got it at $2.

Paul Rickard:

Yeah, not quite, but not many. But I think the market is for the Westpac, ANZ and NAB, looking at dividends issued about 90 cents. So back up from around 60, both ANZ and Westpac this financial year were 60 cents, Westpac was only 31 cents.

Peter Switzer:

What's your best guess? You're good at banks, what's your best guess for CBA?

Paul Rickard:

I think probably about back towards about 300ish, 350. I think CBA's, I mean, I think they've over provisioned for what's happening. But as you say, if the economy goes worse again, then the provisions won't look enough, right? So we sort of are banking on more of the optimistic scenario.

Peter Switzer:

So $3 is a possibility for next year?

Paul Rickard:

I think $3, I don't think CBA will go to $2.98. I think we could look at $3, maybe a bit higher next year.

Peter Switzer:

Okay.

Paul Rickard:

Their first dividend was paid before the restriction came in but...

Peter Switzer:

He was Matt Comyn's mentor so, you know, Matt should know what he's doing.

Paul Rickard:

So I'm a bit more bullish but it's, I think you're right. I think it's to get it back to the $4.31, and the other banks for a $1.60 or a $1.80 in some cases, we're a way away from that, right?

Matt Williams:

Yeah.

Paul Rickard:

It's at least a couple of financial years, and we're even more away. We need to get through this current crisis. Okay, another, sort of stock in the... is Baby Bunting. So this is from, Shabir. I don't know whether Baby Bunting got too caught up in the whole thing, but they're not really too exposed to the...

Peter Switzer:

China?

Matt Williams:

No.

Peter Switzer:

They would buy a lot from China.

Paul Rickard:

Yeah.

Peter Switzer:

They really have thrown off the negativity that was around a couple of years ago, haven't they?

Matt Williams:

It's amazing all the charts are so similar and you buy anything in March, you've done well, haven't you?

Peter Switzer:

You're a genius.

Paul Rickard:

Yeah, but one of the few stocks, as some of the other retailers are actually up year to date.

Matt Williams:

Yeah.

Peter Switzer:

I like the fact that they're well above where they were going into Coronavirus.

Matt Williams:

Yeah.

Paul Rickard:

I think, are they a bit small for you, where you look? Or...

Matt Williams:

I, look, well, never say never, but, yes, in some respects and look, it's just one I haven't, I have never managed to sort of get on top of.

Peter Switzer:

And I think there's a big of speculation in there that so many Australians are spending so much time at home when they're supposed to be working and they probably are building babies there as well at the same time.

Paul Rickard:

Okay.

Peter Switzer:

Speculation but highly likely.

Paul Rickard:

Okay, I want to get to you Peter and just thoughts for tonight, but Steven says, "Will interest rates rise in the US, following the election?" I guess, he's talking about bond rates, rather than the cash rate? What do you think the prognosis there is? Well the Fed has told us they're going to be ultra low for an ultra long period what do you...

Peter Switzer:

Well, before, look, the market... The yields have been rising, haven't they? Which I think has been a good sign that the economic outlook was improving, but when the Coronavirus infection rates started to increase, yields started to fall again. So I think if you get a strong economic rebound across 2021, I think bond yields will rise. But if the infection rates and uncertainty and all that sort of stuff prevails for another six months, well, yields could come off. But those yields, remember, if you came a bit of a bellwether when the yield curve was going negative, it was telling us a recession's coming. Now at the moment, if yields are on the rise, they'll be sort of saying, "Well, no, we're getting over the recession." I think that's what the general direction but the infection rates have kind of annoyed the market and that's why yields have come off.

Paul Rickard:

Yeah. Matt, have you got any...

Matt Williams:

Ah, look, I think you've got to take the central banks at their word and they've come through with the goods over the last five to 10 years and so I can't see that interest rates are going to go up meaningfully.

Peter Switzer:

It's not the only reason to worry...

Paul Rickard:

We've now got the Mario Draghi in Australia, so whatever it takes the local central bank and...

Peter Switzer:

Yeah.

Paul Rickard:

The whole yield curve is being totally distorted by what the central banks are doing, but that's the way it is and they seem determined to play their part in the recovery so I can't see... I could see the yield curve from US steepening a little bit more, particularly if, you know, a little bit depends on when Biden ends up with the senate and all those sort of things. But at the moment that doesn't look like it's going the happen so I think we're stacked back to where we were.

Peter Switzer:

And who do you think is the happiest man in America, because Donald probably won't be president? Jerome Powell. There's a guy...

Matt Williams:

Yeah, yeah.

Peter Switzer:

Who Donald has terrorised... he played ball and it has helped. I think Trump's monetary policy views were actually right. But I've never seen a central bank boss be so terrorised by a political leader ever.

Matt Williams:

Yeah.

Paul Rickard:

Okay, well, we're almost out of time. I think we might wrap it up there. Peter, we've got, I guess we've got employment data on the States tonight.

Peter Switzer:

Yeah.

Paul Rickard:

No one's been talking about it. People have missed to sync the cycle there.

Peter Switzer:

Look, Paul, I've got...

Paul Rickard:

Although we're worried about the election and what Donald had today and whether it was conciliatory or... what did you describe it as? It's almost...

Matt Williams:

Giving up. Almost conceding.

Paul Rickard:

Yeah, almost, yeah.

Matt Williams:

Almost.

Peter Switzer:

Yeah, look, Paul, the monthly numbers are very hard. The thing is that the unemployment numbers have been very good. Like the October number was, unemployment fell to 7.9%. We know that the September quarter, the annualized growth was 33%, which is, how do you understand that kind of thing? Jobless claims have been coming down. I don't think anything's going to rattle the markets, coming from those job numbers tonight, but...

Paul Rickard:

Okay, but it says anything is going to be election focused, for sure.

Peter Switzer:

Ah, for sure.

Paul Rickard:

Yeah, okay. All right, look, we're out of time. Matt, thank you so much for joining us.

Matt Williams:

Thanks.

Peter Switzer:

Thanks, Matt.

Paul Rickard:

And of course, your fund trades under the ticker of AASF, did I get that right?

Matt Williams:

That's it. Yup.

Paul Rickard:

Care for the...

Matt Williams:

AASF.

Paul Rickard:

AASF

Matt Williams:

And it's an ETF, it's an exchange traded fund. It's a listed managed fund.

Peter Switzer:

Yup.

Paul Rickard:

So you can, it's a bit like MGE, you can buy it on market, you can sell it on market.

Matt Williams:

That's it, yeah.

Peter Switzer:

It's an actively managed ETF.

Matt Williams:

Actively managed, yeah, ETF.

Peter Switzer:

And so there's no difference between the NTA and...

Matt Williams:

That's right.

Peter Switzer:

Yeah.

Matt Williams:

There's no discount. Unlike a LIC.

Paul Rickard:

Okay. And that's available on the ASX. Thanks for joining us. Peter, we'll be back with the Switzer Report tomorrow. You can read all about the US tonight and your prognosis for the next week.

Peter Switzer:

Yeah, or I've got to say, I was happy that I went... Stuck my neck out and said, buy, before the election. I thought I'd make a big mistake saying that, but got it right, got it right.

Paul Rickard:

Yeah, well, it's been a huge week in the US, up over 6%, so we'll how that continues. All right, thanks for joining us on our monthly webinar. We'll be back, of course, next Thursday with our Boom, Doom, and Zoom show, 12:00PM Eastern Standard Time, Eastern Standard Summer Time and on that note, I'm going to thank Matt and Peter again and wish you all a good afternoon.

Paul Rickard:

Happy investing. Enjoy the weekend, thanks for joining us.