

Investors ride their luck

How novices can saddle up for their share of prizemoney



Shares by a nose

Anthony Keane finds why stocks pip Melbourne Cup winners at the post

HAVING a punt is a big business in both the world of shares and horseracing. More than \$4 billion worth of shares is traded on the Australian Securities Exchange every day, while Australians are expected to spend more

than \$550 million betting on tomorrow's Melbourne Cup. But which winners deliver the biggest financial bang for your buck? Your Money has analysed the payouts from the past 10 Melbourne Cup winners and

compared them with the best performing share on the All Ordinaries index for each of the past 10 years. Anybody lucky enough to put \$100 on each of them every year since 2001 would have made a \$12,030 profit on the horses and a \$13,184 profit on the shares. Of course, bookmakers would argue that picking a winner in a field of less than

30 horses is more likely than a field of 500 shares that make up the All Ords. Financial experts say shares offer tax benefits and other positives for investors. They stress that trying to pick one winning stock is more like speculation rather than sound investing and unlikely to be successful. "It's been a pretty horrific 10-year period for shares and

they still win despite that," says financial strategist Theo Marinis, managing director of Marinis Financial Group. The best financial gain from the Melbourne Cup was 40/1 winner Viewed in 2008, and the best annual share performance was a 4205 per cent gain by Sandfire Resources in 2009 as the market bounced back from the global financial crisis.

Resource stocks dominated the share gains, not only for the All Ords but also the larger companies that make up the ASX20 and ASX50 indices. Fortescue Metals Group and Rio Tinto were notable winners but both also suffered heavy falls during the GFC. None of the major banks were star performers in any given year although most were solid, paying out a high income.

Marinis says people need to stop thinking of investing as a form of gambling. "Investing is about buying and holding, riding out the volatility and achieving returns in the long term," he says. "Trying to time the market is like trying to pick a winner at the races. Investing is doing what the casino does, not what the punter does." For example, a blackjack dealer will stick strictly to the

casino's rules about whether or not to draw a card at a certain time, regardless of what the other players hold, he says. "They have crunched the numbers and worked out long-term averages," he says. "The punter doesn't work on that - the punter speculates. Wealth For Life Financial Planning principal Rex Whitford says there are big differences between gambling and investing.

"The longer you play the casino, the greater your chance of losing. But the longer you invest with a sound strategy, the better your chances of winning," he says. Unlike a wager on a horse race, share investors can "bet on the whole pack and win something" by buying index funds that hold many different shares, Whitford says. The ASX has examined the share price growth of companies over the 10 years to September this year, and found a mixed bag of results, even among the major companies.

Winners include Newcrest Mining rising 865 per cent, BHP Billiton climbing 309 per cent and Origin Energy increasing 342 per cent. Those who suffered losses have included AMP dropping 78 per cent, Telstra falling 41 per cent and Tabcorp sliding 72 per cent, the ASX found.

HAVING a punt is a big business in both the world of shares and horseracing. More than \$4 billion worth of shares is traded on the Australian Securities Exchange every day, while Australians are expected to spend more than \$550 million betting on tomorrow's Melbourne Cup. But which winners deliver the biggest financial bang for your buck? Your Money has analysed the payouts from the past 10 Melbourne Cup winners and compared them with the best performing share on the All Ordinaries index for each of the past 10 years.

Anybody lucky enough to put \$100 on each of them every year since 2001 would have made a \$12,030 profit on the horses and a \$13,184 profit on the shares. Of course, bookmakers would argue that picking a winner in a field of less than 30 horses is more likely than a field of 500 shares that make up the All Ords. Financial experts say shares offer tax benefits and other positives for investors.

They stress that trying to pick one winning stock is more like speculation rather than sound investing and unlikely to be successful. "The ASX has examined the share price growth of companies over the 10 years to September this year, and found a mixed bag of results, even among the major companies. Winners include Newcrest Mining rising 865 per cent, BHP Billiton climbing 309 per cent and Origin Energy increasing 342 per cent. Those who suffered losses have included AMP dropping 78 per cent, Telstra falling 41 per cent and Tabcorp sliding 72 per cent, the ASX found.

None of the major banks were star performers in any given year although most were solid, paying out a high level of income.

Marinis says people need to stop thinking of investing as a form of gambling. "Investing is all about buying and holding, riding out the volatile periods and achieving strong returns in the long term," he says. "Trying to time the market is like trying to pick a winner at the races. Investing is doing what the casino does, not what the punter does."

For example, a blackjack dealer will stick strictly to the casino's rules about whether or not to draw a card at a certain time, regardless of what the other players hold, he says. "They have crunched the numbers and worked out long-term averages," he says. "The punter doesn't work on that - the punter speculates.

"Trying to time the market and missing it by just one day can be worse than staying in it. I have economics and accounting degrees and I don't know what's going to happen."

Wealth For Life Financial Planning principal Rex Whitford says there are big differences between gambling and investing in shares.

"The longer you play the casino, the greater your chance of losing. But the longer you invest with a sound strategy, the better your chances of winning," he says. "You don't get a compound return from a horse win and you can't get a franking credit from a horse win."

Unlike a wager on a horse race, share investors can "bet on the whole pack and win something" by buying index funds that hold many different shares, Whitford says.

The ASX has examined the share price growth of companies over the 10 years to September this year, and found a mixed bag of results. Winners include Newcrest Mining rising 865 per cent, BHP Billiton climbing 309 per cent and Origin Energy increasing 342 per cent. Losers have included AMP dropping 78 per cent, Telstra falling 41 per cent and Tabcorp sliding 72 per cent.

"It's been a pretty horrific 10-year period for shares and they still win despite that," says financial strategist Theo Marinis, managing director of Marinis Financial Group.

The best financial gain from the Melbourne Cup was 40/1 winner Viewed in 2008, and the best annual share performance was a 4205 per cent gain by Sandfire Resources in 2009 as the market bounced back from the global financial crisis.

Resource stocks dominated the share gains, not only for the All Ords but also the larger companies that make up the ASX20 and ASX50 indices. Fortescue Metals Group and Rio Tinto were notable winners but both also suffered heavy falls during the GFC.

PROFITABLE PUNTS

YEAR	HORSE	ODDS	PROFIT ON A \$100 BET	PROFIT ON A \$100 INVESTMENT	COMPANY	RETURN
2001	Ethereal	\$10	\$900	\$296	Woolcash	up 296% (36c to \$1.39)
2002	Media Puzzle	\$6.50	\$550	\$408	CUDECO	up 408% (11.8c to 50c)
2003	Makybe Diva	\$8	\$700	\$1446	FMG	Fortescue Metals up 1446% (0.5c to 7.9c)
2004	Makybe Diva	\$2.60	\$160	\$840	Paladin Energy	up 840% (5c to 47c)
2005	Makybe Diva	\$4.20	\$320	\$406	St Barbara Limited	up 406% (40.7c to \$2.06)
2006	Delta Blues	\$18	\$1700	\$2900	CUDECO	up 2900% (16c to \$4.80)
2007	Efficient	\$17	\$1600	\$926	OM Holdings	up 926% (8.9c to 9.25c)
2008	Viewed	\$41	\$4000	\$163	LINC ENERGY	up 163% (72c to \$1.88)
2009	Shocking	\$10	\$900	\$4205	SANDFIRE RESOURCES NL	up 4205% (8.5c to \$3.66)
2010	American	\$13	\$1200	\$1594	Mucral Resources	up 1594% (3.6c to 61c)
TOTAL PROFIT			\$12,030	\$13,184		

Resource stocks dominated the share gains, not only for the All Ords but also the larger companies that make up the ASX20 and ASX50 indices. Fortescue Metals Group and Rio Tinto were notable winners but both also suffered heavy falls during the GFC. None of the major banks were star performers in any given year although most were solid, paying out a high income.

Marinis says people need to stop thinking of investing as a form of gambling. "Investing is about buying and holding, riding out the volatility and achieving returns in the long term," he says. "Trying to time the market is like trying to pick a winner at the races. Investing is doing what the casino does, not what the punter does." For example, a blackjack dealer will stick strictly to the

casino's rules about whether or not to draw a card at a certain time, regardless of what the other players hold, he says. "They have crunched the numbers and worked out long-term averages," he says. "The punter doesn't work on that - the punter speculates. Wealth For Life Financial Planning principal Rex Whitford says there are big differences between gambling and investing.

"The longer you play the casino, the greater your chance of losing. But the longer you invest with a sound strategy, the better your chances of winning," he says. Unlike a wager on a horse race, share investors can "bet on the whole pack and win something" by buying index funds that hold many different shares, Whitford says. The ASX has examined the share price growth of companies

over the 10 years to September this year, and found a mixed bag of results, even among the major companies. Winners include Newcrest Mining rising 865 per cent, BHP Billiton climbing 309 per cent and Origin Energy increasing 342 per cent. Those who suffered losses have included AMP dropping 78 per cent, Telstra falling 41 per cent and Tabcorp sliding 72 per cent, the ASX found.