

# Edgar's half century of client care



The cream of the stockbroking business gathered in Sydney last week to celebrate their achievements; notable among them was Ian Edgar (inset), described as the 'father figure' of CommSec Advisory, who was inducted into the Stockbrokers Foundation Hall of Fame after 46 years with the Commonwealth Bank and two decades as a mentor to young professionals

The latest entrant to the Hall of Fame has seen great change

CHRISTOPHER NIESCHKE

After nearly five decades in finance, Ian Edgar says he still most enjoys helping clients.

This year's Australian Stockbrokers Foundation Hall of Fame winner is a client adviser with CommSec, the latest role he has held in his 46 years at the Commonwealth Bank of Australia.

"The beauty at the moment is trying to assist clients with their goals. I know it's maybe a cliché, but some people need help," he says. "Some people are self-directed and they're fine but other people need assistance and when you help them and you can see their portfolio is performing, it's a pretty good feeling."

In presenting the award, Bryan Richmond, a business development executive at Chi-X and a former colleague of Edgar's for a decade, cited his generosity in helping others and his strong ethics and values.

"In the past two decades, while being the father figure of CommSec Advisory, Ian has spent an immense amount of effort in sharing his wealth of experience and knowledge with everyone around him," Richmond said.

"He has mentored countless numbers of young stockbrokers and positively influenced every one of their careers. Many of these mentees have gone on to pursue different positions outside of CommSec Advisory and still continue to return to Ian for his guidance."

"Ian's loyalty and strong ethical values towards both his colleagues

and clients have allowed him to continue to succeed year after year in a dynamic industry that is well known to seeing a lot of failure."

Edgar joined the CBA at 17, straight out of school. "To be frank, they paid a little bit more money than Bank of NSW at the time. It's as simple as that," he says.

It was a different world, and Edgar started in the Parramatta branch doing a job that no longer even exists — a signature verifier.

"The withdrawal slip slid down a chute at Parramatta branch and a little bell at the bottom would go 'ding' and I'd go and pick it up and I'd check the signature against the signature card and, if it matched, you beauty, and if it didn't match well, there was somebody else that would have a look at that," he recalls.

His career took him to head office at Sydney's Martin Place as a "senior cadet" and then as assistant board clerk, a job that also involved looking after then bank's impressive wine cellar.

He got his first taste of financial markets at CBA's international division, trading spot and forward Australian dollars, and has remained a dealer or a broker ever since. "There's an old motto in the Financial Markets Association. It's 'once a dealer, always a dealer' and it's no different to stockbroking. It sort of it gets into your blood and that's that. It's very difficult to do anything else," he says.

The job led to stints in London — where he was based when the Australian dollar was floated in December 1983 — and to Tokyo with his wife and young family. He was also in Australia when banking was deregulated opened up to foreign entrants, and so increased competition.

"You were competing against the next fellow in a different bank

Digging deep as annual events find \$8m for charity

The Australian Stockbroking Foundation started 24 years ago when then Qantas chairman John Menadue was trying to raise money for the Matthew Talbot Hostel, an inner-Sydney homeless men's refuge.

Menadue approached Jeff Wilson, now head of Wilson Asset Management and at that time a stockbroker, to see if there was an industry fund that could help with the refurbishment of the hostel in Woolloomooloo.

There wasn't, but he and ASF chairman Danny Dreyfus decided to organise a brokers

and it wasn't just the other Aussie banks. It was the global banks. They were all here in those days," he says.

Edgar moved to stockbroking when he was asked to join CommSec to establish its advisory business. While he hadn't worked in broking, he had had experience in establishing a couple of dealing businesses within the bank. "Stockbroking was a bit different to what I was used to but it's just another asset and I learned pretty quickly."

The CommSec business had been established on the discount broking model that had been successful in the US, but the bank found some clients still wanted advice.

Many Australians who had never previously owned stock found themselves as shareholders as government businesses such as Telstra and the Commonwealth Bank were privatised and busi-

nesses including AMP and National Mutual were demutualised. "A lot of ordinary Australians found themselves shareholders for no other reason than the fact that they had an AMP insurance policy. And so, CommSec was around and targeted the average Australian to give them access to the share market," Edgar says. "In those days, it was very much the domain of the bigger boys and they were very expensive. Affordable stockbroking was a godsend to a lot of people."

Edgar was initially running the advisory business but stepped back in the early part of the century so he could concentrate more on clients, a part of the job he enjoys most.

CommSec established its full advice business at a time when discount brokers were becoming prevalent and fewer shareholders were seeking advice. Edgar says CommSec Advisory is only a small

part of the overall business, with about 25 staff out of the several hundred staff at CommSec.

And he says there will always be demand from some clients for advice. "There are many people that use CommSec for the non-advice that are self-directed — many people. It's well-known for that but there's a need for the advice part of it, too."

For instance, he had a client who was a very active and interested investor, but when he died his wife had no idea what to do with the share portfolio, so sought advice.

"Or a chap out west might have sold his business and now he's got a lot of money and the planner or the financial advisory team suggests putting some in various different asset classes, one of which is equities and he says 'I don't know what to do — how am I going to use this \$2 million?' That's where we can step up to the plate," he

says. The rise of superannuation and in particular self-managed super funds have made Australians a lot more interested in and knowledgeable about stocks than they were in the past, Edgar says.

"I was walking around Hong Kong back in the 80s and you'd see the Chinese talking to their stockbrokers. They talked about shares. You didn't hear that in Australia. Now, it's all the time! Young people talk about it; they talk about their shares, they talk about their products they've got, they're talking about having a little punt. Good on 'em."

In the 20 years he has been in broking, Edgar says he has seen regulation and compliance tighten up. "There's far more rigour around what stockbrokers do these days than twenty years ago. I think that's a good thing. We're in a position of trust," he says, particularly when it comes to knowing and understanding the needs of clients.

"You always had to know your client. But, the documentary evidence that you know your client is now more structured and rigorous these days than it was back then. In this day and age, there's certainly a lot more process around it and a lot of compliance work done around making sure that you are adhering to what your client is actually after."

Edgar says he enjoys helping the younger people who join CommSec. He says he can help bridge the gap between what they've learned at university and the job itself.

He has simple words of advice: "One would be listen to the client; really listen to what the client is talking to you about. Do your due diligence; don't take any shortcuts there and make sure you get in and thoroughly learn what you're talking about. And be ethical."

## Fundamentals don't fail, says APP's Wright

The winner of the Researcher of the Year award says covering a wide range of stocks gives him an edge over more specialised analysts.

For the second year running, Russell Wright of APP Securities was the top researcher, with the judges saying he was "a clear winner".

It might seem that analysts who specialise in a particular sector, such as retail or insurance for instance, might do better, but Wright covers a broad number of stocks across the market.

Wright says analysts who cover a particular sector can be concerned about staying close to the companies in that sector so can be reluctant to put a "sell" recommendation on stocks.

"But if you're a broad analyst with a long history of experience and pedigree, you know which ones are a buy and which ones are a sell, and it doesn't concern you to piss them off by calling it a sell," he says. Being too close to a company can also cause analysts to lose objectivity and "be led down the garden path with inappropriate information", Wright says.

The award was decided on a combination of four areas: what analysts were recommending at the time of an earnings downgrade by a company; what they were recommending before a takeover being announced; what they were recommending one year ago on the 10 best performing shares in the ASX200 from 1 July last year; and what they were recommending on the 10 worst performing.

Of course, researchers don't always get it right, as Australian Stockbrokers Foundation chairman Danny Dreyfus noted when he presented the award.

For example, on January 29 Morgan Stanley identified Aconex as a "key pick (as a) structural growth story" and rated it a buy, but later that day the company announced a profit downgrade, resulting in a share price fall of 45 per cent.

And sometimes when analysts do get it right, the timing is wrong. A Deutsche Bank analyst upgraded his rating on UGL from hold to buy on the morning of October 7, stating "the risk/reward is appealing". But before investors

had a chance to act on that advice and buy the shares at \$2.14 each, the company went into a trading halt and Cimic announced a takeover bid at \$3.15. Wright says that in his 25 years as a researcher he has made his share of bad calls, but none last year. He says he made three standout recommendations over the past 12 months: a buy on travel insurer Cover-More when it was trading at \$1.13 before it was taken over by Zurich at \$1.94; a sell on Aconex before its profit downgrade; and calling out Blackmores and Bellamy's as "hugely overvalued".

**'I only look at fundamentals and that allows me never to be led astray by whatever is a hot item at the moment, like an Amazon or a Facebook'**

RUSSELL WRIGHT  
APP SECURITIES

He uses a fundamental value methodology when assessing a stock. "Fundamental value — it means you look at the returns you'd expect to receive over the lifetime of ownership of the stock rather than just hope to sell it for a higher value because you think it's a hot potato," he says.

"I cannot ever recommend internet stocks and in the internet boom I could not value them on the basis of turnover. I only look at fundamentals and that allows me never to be led astray by whatever is a hot item at the moment, like an Amazon or a Facebook. I could not possibly buy these stocks."

Another advantage to the fundamental value methodology is that because it values everything with the same method, it can be used to compare stocks in different sectors.

"I can compare BHP to NAB. I can determine which ones at a relative value is more appealing. Most other broking firms cannot do that. They don't have a unified approach to valuation methodology," Wright says.



APP Securities researcher Russell Wright

THANK YOU TO OUR SPONSORS

Ascot Securities

THE AUSTRALIAN

MIntegrity  
Building Market Integrity. Tick by Tick.

Wilson  
Asset Management

sky NEWS  
BUSINESS

Wilson Parking

acer

ASX

ANZ

@ATEVENTS

iress

Goldman Sachs

MACQUARIE

ORD MINNETT

Morgan Stanley

Pershing  
A BNY MELLON COMPANY

Morgans  
IN ALLIANCE WITH CIMB

Shaw and Partners  
Wealth Management

ANTIPODES  
GLOBAL INVESTMENT PARTNERS

BlueSky  
Alternative Thinking

CADENCE

MAGELLAN  
EXPERTS IN GLOBAL INVESTING

PERENNIAL  
VALUATION  
MANAGEMENT

PRIMARYMARKETS

UBS

W|A|M Microcap

WATERMARK  
FUNDS MANAGEMENT