# The Australian Finance Podcast Episode Transcript

**Episode**: How to invest in US companies with Danielle Ecuyer
**Release Date**: 11/10/2021
**Speakers**: Kate Campbell, Owen Rask & Danielle Ecuyer
**Duration**: 59:33

### Please read this prior to using this transcript:

*Please note that there **may be human transcription errors** within this document, and we recommend referring back to the original episode for a true depiction of what was communicated in this conversation.*

*The information in this document is **general financial advice only**. That means, the advice does not take into account your objectives, financial situation or needs. Because of that, you should consider if the advice is appropriate to you and your needs, before acting on the information. In addition, you should obtain and read the product disclosure statement (PDS) before making a decision to acquire a financial product. If you don't know what your needs are, you should consult a trusted and licensed financial adviser who can provide you with personal financial product advice. Please read our Terms & Conditions and Financial Services Guide before using this document.*

### Episode transcript:

**Owen:**
Kate Campbell, always a pleasure to have you with me. Welcome back.

**Kate:**
Great to be back, Owen.

**Owen:**
We have very special guest with us today. An expert guest who has been with us a few times. I know she's appeared on your podcast, How To Money. She's had a recent chat with me on the Australian Investors Podcast, and here she's again to share some more of her wisdom. She's got plenty left in the tank, including in the new book, Shareplicity. There are two Shareplicity books. If you want to invest in international markets, which is the topic of today's conversation, pick up the second book. We'll provide links in the show notes. Danielle Ecuyer, how are you?

**Danielle:**
I'm very well, thank you, Owen and Kate. And it's great to be here.

**Owen:**
It's always a pleasure because I think when we chat to you, you do a great job of making it practical, making it relevant and making it exciting to invest. So I know you're going to have some examples for us throughout this conversation. But maybe if we dive straight into it, Kate.

**Kate:**
Yeah, absolutely. And Danny, it's great to get your wisdom onto the show. And where I wanted to start was since you've had such a wide ranging experience investing in Australia and overseas, a lot of our listeners haven't experienced... maybe March last year was the only experience of a market crash, and so many people have started investing post that point. And so there's a lot of people listening to the podcasts that have never experienced much market volatility or a significant crash. And I'd love to hear a bit about your experience; the very first market crash you ever experienced, and maybe in contrast how you went through March last year and how you'd approach a future market crash with everything that you know now, and maybe some of the things that we can learn from that.

**Danielle:**
Yeah. Great. Thank you. A bit scary, all that wisdom I'm meant to have, so hopefully I live up to it. First crash, really simple. I just started in stock broking in 1986, and it was obviously the 1987 crash. And I used to flick on my tiny television every morning and Michael Pascoe would be on talking about US stock markets, and lo and behold the S&P or whatever was down 25%. And the response was very much, got to the office, great boss. He goes, "Lads and ladettes, let's not stress out. This is not the end of the world. We're going to do some buying today."

**Danielle:**
So basically that was the disposition. And the research team where I was, we sat physically calculating PEs as share prices fell. So someone would yell out, "Borrow whatever, what's the PE?" Oh, that's looking really cheap. Oh, I guess it's more of a buy now. So it was one of the cases where the world was meant to end. We were meant to get a depression, but Alan Greenspan came in and this was the first example of where the Federal Reserve moved in to drop interest rates to boost liquidity into the markets.

**Danielle:**
I think probably one of the most important crashes I've ever lived through is Long-Term Capital Management, which was a hedge fund. Very, very famous in 1998. And LTCM was really important because it was renowned as being an expert in options and derivatives. They had two Nobel prize winning people who created the Merton and

Scholes options pricing model on their board. And they were a hedge fund that had come and made themselves one of the top performers for hedge funds. And they'd been around for about four years. And this black box of trading that they had created was meant to be infallible. And what happened is that you had the Asian Currency Crisis in 1997, and I'm going to get round to this point again, when we discuss some of the other international markets. Because it's really important that people understand that the peg to the US dollar for emerging markets actually broke and they all had high levels of US dollar denominated debt.

**Danielle:**
So as their currencies collapsed, they couldn't service the debt and you had this massive of rolling contagion effect across Asia that started in Thailand. And ultimately, that moved around to Russia. And Russia defaulted on its sovereign debt. And LTCM, this hedge fund was very highly leveraged, and lo and behold they had said Russia will never default on its debt. They started to go under. And at the time I was sitting with a... doing global emerging markets with a guy called Tim Love, who was the global emerging market strategist for Société Générale. And he introduced this concept of systemic risk to me. And this is something that has come around recently with the Evergrande example in China. And why I want to point it out was up until that point, you really hadn't had a two big to fail example in financial markets. But 1998 was probably a pivotal moment where again, Greenspan had to come in, put a lot of liquidity into the system. You had all the other major banks in America having to bail out LTCM. And it really set the precedent, what became the big 2008 crash. And ultimately what we're seeing recently.

**Danielle:**
And I guess the point of what I want to make about March 2020 was that it was quite an unusual crash. It was very quick. It was very severe. And what it showed yet again was the fragility in the financial systems because of all the leverage. So in March, beginning of April, the fed started to see that the markets became dysfunctional. Particularly in the high corporate debt yield markets. So you couldn't facilitate trades. And this again is due to hedge funds, all the positions, all the liquidity, they have redemptions, they then have to sell. If you can't sell, the market gets dysfunctional and equities get dumped. So it becomes a rolling sell off. So what happens is, in those markets, it is quite scary, but ultimately the fed came in, dropped interest rates aggressively, but also came in and bought junk debt and bought mortgage-backed securities.

**Danielle:**
For me, how I managed my money in that situation, I do get a bit nervous because I'm older and there is some capital protection. So what I tend to do is that I did take some

money off the market in the beginning, once the market stabilised, once the fed had stabilised it, I went back in and bought reasonably aggressively. So I hope that gives a synopsis of where we are with crashes and the financialization, as I like to call it, of markets at this point in time.

**Owen:**
Thanks. A question just to double click on something there, you mentioned this idea of systemic risk. For listeners that don't know what that means, can you explain what systemic risk is?

**Danielle:**
Yeah, absolutely. I have a chart that I can show later on. But once upon a time we were all ring fest, thanks to Kate. And I'm going to give the example of mortgage lending here in Australia. So the banks, they lend to you and me, we have a mortgage, then we in turn pay off that mortgage. But that mortgage product is then repackaged as mortgage-backed securities. And they're one of the biggest corporate bonds that can be bought here in Australia. So if you go in and you happen to buy not only equities, but you buy corporate bonds, which I have done in the past, you are given a lot of options to buy mortgage-backed securities from not only the banks, but also Liberty, Pepper, all those other providers. Also as an investor, you can buy Commonwealth shares, NAB shares, et cetera.

**Danielle:**
So what I'm drawing is the triangle here of the exposure to the property market. So if you get a property market crash or a company that is in trouble like Evergrande in China, it means that the tentacles of the wealth effect go out... It's almost like it's not accelerated, it's multiplied. And this is the problem. There's been so many financial products that come off of one single loan. Let's say that can be amplified five times, and because all of us have an exposure to that asset, it means that the world now, when you have a lot of debt in the system, and when it's amplified out into the community in terms of our wealth, when the system starts to shake, it becomes a systemic problem. So it's not just isolated to a bank, it means that you and I and the superfunds and everyone else is exposed.

**Danielle:**
And the classic case in point was when you had... first of all you had Bear Stearns went down. And one of the reasons supposedly they didn't save it in the GFC is that they refused to bail out LTCM some 10 years earlier. But when Lehman went, everybody started to panic because they owned a lot of those collateral debt obligations, those mortgage-backed securities in the US, which had been on sold, resold five times. And to

understand that, it's worth watching the Big Short again. And then the whole banking system, people started to panic and felt their deposits were at risk. So you had potentially a run on the banks.

**Danielle:**
Now this is an extreme example, but in the case of Evergrande in China where people have been jumping up and down, is that because the Chinese economy, 30% of its GDP is related to property and everything's highly leveraged with a whole lot of shadow loans. So it's very hard to ring fence, just one problem. Now in China, they will ring fence it because Xi Jinping does not want the whole system to go down, and he wants to protect the wealth of the people because 40% of the wealth is held in property. So hopefully it's the interconnectedness now of how much financial assets we own and how much of our economy is related to finance, if that makes sense.

**Owen:**
Yeah, it does. And I think a lot of people, especially people that don't really understand how debt works in particular, because they think about the stock market as a cause of a lot of issues, but they don't necessarily understand that underneath the surface of the stock market, there's a debt market which is where things like bonds are, and that is far and away massive compared to the actual stock market. And so that's typically where the party, ends underneath the surface. So that's really fascinating. We've never covered that on the show, so thank you for being a field guide there. One of the things that I'm hoping to switch gears to is something a little bit more optimistic, Danny, which is basically in Australia, we have this problem with home buyers, which is, we love to invest in ASX shares or ETFs, even Australian property. But few of us actually invest overseas or actually go and do that.

**Owen:**
We think we want to buy Nike, Tesla, Apple shares and all that, but we don't actually go and do it. So I guess there's two questions in this, one is, why should people go and explore these opportunities overseas? And I guess the other one is, can't we just build a portfolio just here on the ASX or here in Australia? What's wrong with that idea?

**Danielle:**
There's nothing wrong, and it's all about risk management at the end of the day. And it also depends on how much money you are actually saving and growing for. But I think the example that I just gave about the property sector in Australia is really important. And I just got some statistics that I thought we could just quickly run through. So in the ASX, and people may or may not know this, if you break down by sectors, financials are 30% materials. So the iron will produces 19, healthcare is 11 and Infotech is four. If we

look at the S&P 500, it's complete reverse. You've got Infotech at 28% waiting, healthcare 13, similar, financials, 11, less than a third or about a third, and materials 2.6, doesn't even count.

**Danielle:**
I'm just going to quickly give you the returns on those markets over the last 10 years. Because again, I'm trying to frame a picture for your listeners. So on the ASX 200, everybody knows that dividend payments are really important. They're almost half of the return of your Australian share portfolio. For the typical investors that have made the most out of the high yielding, banks, material sector recently, also Telstra. So the total return out of the ASX 200 over 10 years has been 10.9%, whereas the price return is 6.4. So that shows you how important the dividends and the franking has been. When we look at the US, really interesting, so complete reverse, because obviously the big FAANG stocks have been the major performance. But if you look at the price return over 10 years, more than double 14.2% from the S&P 500, and the total return 16.6. So you do get dividend income, even out of technology shares and the S&P.

**Danielle:**
So why I think it's important for investors to consider when they are investing, and you don't necessarily have to go overseas to get that exposure because ETF products now in Australia are providing much better diversification to global stocks or to the US market and to things. But the point is that when experts manage their portfolios, they don't basically have too much exposure to one sector or to one country. So your super funds would be investing across a spectrum of assets. So they would not only hold Australian Shares, they would hold infrastructure assets, and you've seen so many examples of how much demand there is for Australian infrastructure assets. So unfortunately every time a super fund or private equity fund goes and buys them, the retail investor like you and I are actually now not able to buy that asset, but they also invest overseas.

**Danielle:**
And I think the point is, it's not like you have to, but why wouldn't you want to be part of some of the biggest, most amazing best companies in the world that are going to be able to grow outside of the natural business cycles? And that's the bottom line. It's about diversifying your exposure to those companies that you know that you use. And people say to me, "But isn't the US really risky?" And you go, "Well, I don't know. If you can buy cryptocurrencies, which are unregulated, have no transparency, have potential for high levels of regulation yet you say you can't buy something like an Apple which has a market cap that is greater than many countries DDP and more cash than you can

poke a stick at, and is going to continue to grow and will not go under. And if the US is in problem, then the whole world is in problems."

**Danielle:**
I think the problem is, many people in their own countries get natural bias. And I guess I just wanted to open people up to how wonderful the investing opportunities are, particularly into the US. I'm not so bullish about other countries around the world, but we'll get to that. But just to me it's like, if you're young and you have the opportunity, why wouldn't you put some money there?

**Kate:**
Yeah. It's amazing when you start to look beyond our borders. And Australia is really is such a small part of the overall financial market, but as you said, we sometimes get a bit scared about leaving our country, and we think that other countries are inherently riskier when it's almost a risk not to invest in a broader array of companies because we get really focused on our large dividend paying companies in Australia.

**Danielle:**
Yeah. And there is a risk with that because they've underinvested over the years, and you're seeing that the banks are being fundamentally challenged by fintechs. And I think you can continue to assume that that is going to happen. Our banks are very exposed to property, and that's a phenomenon that's across the world. It's not peculiar to Australia. But I guess it's a thing. You can go and buy smaller cap stocks in Australia that might give you some exposure to some of these secular things, but by definition because they're smaller, newer, they're typically higher risk. And that's the thing; if you can buy a great company that gives you exposure to the cloud or to cyber security, but it's been around a lot longer and it's got a proven track record, to me that is a better risk adjusted assessment than buying a small cap that might do well for a couple of years, but then might have lots of problems.

**Kate:**
And you talk a lot about... in Shareplicity 2 which is an excellent book and I'd encourage our listeners to check it out about different lessons that people can learn about investing in international markets. And I'd love if you could share some of those with our listeners and maybe some examples or strategies to illustrate each point.

**Danielle:**
Yeah. It's a really, really good question, because you often hear everybody saying, "Oh, it's time to buy Europe, so cheap, or Japan. Japan's coming back and there's going to be a new government and they're going to start spending and Japan's the place to go.

And oh, but China, of course. We have to buy China because it's the biggest growth engine in the world." Two points is, I do have some charts that I can actually show on this. But the first point I wanted to make, when we did global emerging markets, it's really important to understand that no single investor can possibly stock pick across the globe. So I am never ever advocating you as an individual investor should say, "I'm going to buy that company there, that company there, that company there." That's way too hard. Even if you look at the likes of Magellan and Charlie Aiken that try and do that, it's a higher risk strategy to selectively pick 10 companies from around the world.

**Danielle:**
So how we used to do it doing global emerging market strategy, the way I would approach it, you either do it from a macro point of view. So you take a top down approach. And in emerging markets, it's always like GDP is growing so rapidly and they've got an emerging middle class and it's going to grow a lot faster than the mature economies, therefore you invest there. Alternatively, and this is my preferred, is you look at sectors and themes. And sectors and themes are a much easier way to ride a growth wave. So I would say to people, don't try and stock pick globally. I don't have an issue with stock picking in the US if you are so inclined, but I wouldn't say start going off and trying to pick... just buying Taiwan Semiconductors over in Taiwan. And then you buy Toyota in Japan or SoftBank or something like that.

**Danielle:**
I just think that's a recipe for giving yourself a nervous breakdown. But if you do want to look at themes, I think that's a great idea. And that is something that we will come to and the book discusses a lot. But I'll just quickly show a couple of charts, if you don't mind. In terms of is my little-

**Owen:**
For anyone that's listening to this, Danny is sharing her screen.

**Danielle:**
Yeah. I just wanted to... I'm trying to [crosstalk 00:20:37].

**Owen:**
A PowerPoint slide too, got it going on.

**Danielle:**
Yeah, no, I just wanted to go back. This is from BCA and I was very privileged to actually be able to see this presentation. But basically for those that are listening, people love to talk about emerging markets as being the place to put your money. I hear

it so many times. I spent eight years of my life broking emerging markets to major funds in the UK. And whilst I was lucky when I did it at a great time, the charts that are currently up are really interesting because they show that the economic growth does not necessarily translate into equity returns for the markets. And if you can visualise, it does the real GDP per capita for Korea, Taiwan, Singapore versus the US, for example, and the GDP for China and Vietnam.

**Danielle:**
These are all countries that everybody has global emerging markets having best investors have gone to. But you see if the chart goes more or less from left to right GDP growth happening, but then you look at the long term share market performance, it's been dreadful. It's highly cyclical. It goes up and down. And basically they have not one single... According to BCA, emerging market has outperformed the developed markets consistently over the last 40 years. So the reasons why are things like you don't have the transparency, you do not have the governance, you have major families that control a lot of these companies that are not only always working in the best interests of the stakeholders. But also too, I think we've seen something of sovereign risk that's started to emerge with what's going on in China.

**Danielle:**
Now, I do know a lot of people and fund managers like to invest in China. But I think for me, my investing experience there is just a disaster. I owned an ETF in the US, KWEB which is quite a well known one, and it doubled. And silly me thinking, oh, I should really sell that. Before I knew it, Xi Jinping is cracking down on all the major companies, and the thing halves overnight. And I'm like, "Oh, I'm probably going to sell it at the bottom." Sure enough, I sold it at the bottom. I'm happy with that decision because it's a bit like buying cyclical companies. You've really, really got to pick the upswing when the markets do rally, because it's not like buying the S&P which does go up and down. But if you were to look at the chart, it starts at the bottom on the left hand side of the chart and steadily works upward to the right hand side of the chart, which means you make money. Another example is just if we-

**Owen:**
Danny.

**Danielle:**
Yeah.

**Owen:**
Can I ask a question just on this?

**Danielle:**
Yeah, sure.

**Owen:**
Because it looks like you've got basically two lines, one shows, GDP which is the growth of the country's economy going up pretty strong. And then you have the stock market not going up nearly as strong. Is this why you're saying that you don't necessarily use this as an indicator to help you invest? Is that why you're saying... And then you prefer to focus on secular things instead?

**Danielle:**
Yeah.

**Owen:**
Okay.

**Danielle:**
Yeah. I think the reason why people buy the likes of emerging markets is because they have been like China, one of the high growth engines of the world.

**Owen:**
That doesn't necessarily translate.

**Danielle:**
Not into stock market performance. Probably a better way to have played that would have been buying Apple, Nike, Estée Lauder, LVMH. You'll hear a lot of fun managers talking about... in my day, they'd buy Unilever. So if you want to play the likes of the emerging markets, you can do it through multi nationals, because they sell into those countries, for example. Whereas if you were to go in and buy an Indonesian bank, you are taking a lot of risk on board, for example. That's not to say there aren't good companies in emerging markets. There are. But inevitably you're taking on more sovereign risk, more political risk, risk of obviously the pandemic has proved to be really, really problematic in emerging markets. Vietnam's had to close down all the manufacturing facilities and you're seeing supply chain problems for the likes of Nike.

**Danielle:**
What I'm saying to people is that if you invest overseas, don't make it too complicated. It's not like you have to be in emerging markets. It's not like you have to be in Japan. It's not like you have to be in Europe. And there was just another case here of... This is just

a chart. I didn't do it again. It's BCA. And it's just basically shown that you've had really, really poor performance out of particular European financials and Japanese financials, their banks. And a classic case in point of when you're listening to... we'll get to this when we discuss things to learn when you invest. But we were told Japan was going to be the growth engine of the world in the late 1980s, and they were building golf courses and this, that. And in the end of course it spectacularly blew up and we all know the story after that. And it's a country that has ageing demographics. They've got big structural problems.

**Danielle:**
Europe is similar. And why people say by Europe is because it's cheap. It's cheap on a PER basis, but it doesn't necessarily mean you should go and buy it. And so I think that's really just what I was trying to show in these, that you have to be selective. And I'll get to where you are selective in a second.

**Danielle:**
Now, what was the other question? Where you can buy some examples of international in Australia? This is not a by recommendation to everybody, but I just wanted to give a really good example. So there's an ETF called QUAL, and it's the VanEck MSCI World ex Australia Quality ETF. And that has a reasonably low expense ratio, 0.4%. It has a dividend yield of almost 1%. And funnily enough, if you look at the top 10 holdings in it, it captures a lot of those big US, what I call value, growth stocks. So Microsoft, Apple, Alphabet, and the like. So there is a case in point where you don't actually even have to go buying US dollars, setting up a US dollar trading account. You can actually buy an ETF in Australia, which will give exposure to some of those secular themes that we might start to touch on.

**Kate:**
Yeah. That's that's really interesting because I think I saw a question come through from a listener the other day and they were talking about the FAANG, Facebook, Apple, Amazon, I'm probably going to forget the rest-

**Danielle:**
That's all right.

**Kate:**
... companies and whether they should actually... because there were so few in there, should they buy each one of them individually or should they buy one of those ETFs that focuses on those major US companies?

**Danielle:**
Yeah. That's a really good question. I think you need to know the companies quite well. For example, they've all got exposure. I'm not a big fan of Facebook personally. I don't own it. I don't really want to own it. I don't really like the company and what it stands for. We're yet to see whether Zuckerberg's metaverse is going to take off. I think there are signs that the omniverse, which is working... is an environment where you can work in a 3D capacity in a virtual world as a company. So architects are doing it, car designers are doing it, et cetera, and it's all done in the cloud. When you look at the other ones, you've obviously got Amazon. You could question how much more is going to come out of the retail side of the business. But AWS is a huge growth engine, the cloud services businesses. You've got a transition of the CEO there.

**Danielle:**
So some people are saying, "Well, Bezos is gone. Is that the end of the company?" Personally, I don't think so. But I think at the moment, going into the type of cycle that we are with potentially rising costs due to the pandemic, supply constraints, higher energy cost, they might have possibly some issues around whether their sales slow down or whether there's pressure around margins. Microsoft and Alphabet, Google and particular seem to come out as the two chicken dinner winners in this sector. Basically because Microsoft very much is geared into... it obviously has the SaaS revenues from its software business. It has an amazing cloud business, Azure, which competes heavily with AWS. But they also have their fingers in a whole lot other pies. And it's perceived as more, a value growth stock.

**Danielle:**
So you're not buying an expensive software service like Atlassian by way of example, which is a lot more expensive and doesn't declare any profits. And then the Google story is very compelling because you've got a major search engine. You've got a huge growth hub in advertising, and you've also got the emergence of YouTube, which is proving to be an incredibly profitable advertising/streaming service, which may come and compete with the likes of all the other streaming businesses, which are also held in the likes of Apple and also Amazon. So I guess the answer to the question is, it's up to you. You can potentially own them indirectly or an ETF will serve that purpose as well, but you will capture more of them.

**Owen:**
Can I switch gears again and just talk to you Danny about some of the mistakes that you've seen people make. And this may or may not be specific to international markets. Just in general, what are people doing and what do you see rhyme or repeat time and time again?

**Danielle:**
I think the narratives on the macroeconomic front overwhelm people a lot, and I've been really thinking about that a lot lately because investors are being hit left, right, and centre with all these different stories. Are we going into stagflation. Is interest rates going up? Are we going back to the 1970s? Or how high are interest rates going to go? And I think that's really, really hard because fear is a powerful motivator to not do anything and to also sell at the wrong time and also to stay out of the market. And the more I think about this, the more I realise that a lot of the forecasts A, can be wrong. We didn't have the 20% contraction in GDP growth in Australia as a result of the pandemic and the world didn't end after the GFC.

**Danielle:**
And if the pandemic has showed me one thing, it's how resilient companies are, how much they can be dynamic, change and adapt, ditto with humans. And I think the lesson to be learned is, be careful of the macroeconomic narratives. And you see it in the likes of fiat currencies are collapsing and you have to only buy gold or you have to buy cryptocurrencies or whatever. Investing in shares is really, really about understanding your company and understanding their business model and what they are doing. And whether or not you're buying a company that's into a secular trend or whether or not you're buying a company like an oil company that is geared into the movement in the oil price, which they can't control. And one example I wanted to give was that people forget... Everybody's like buy the oil sector. Oil is going to a hundred dollars. Who knows, may not.

**Danielle:**
OPEC might decide to come out and say, "Well, actually we're going to decide to lift production." And it's been the perfect storm. Excuse the expression. Hurricanes have hit in New Mexico. You've got political interference in terms of the Russians and the pipelines and the gas in Europe. You've got stronger recovery as a result of the pandemic. But at the end of the day, as an oil company, you're dependent on how much you can extract the oil and the external price which you can't control. Woodside's share price is the same as it was in 2004. And if you had bought it in 2009 around then it was $74. That's not a great investment by way of example. So I guess what I'm saying to people is really understand the company that you are buying, and try and risk adjust it. Does the company have a history, because does it have good management?

**Danielle:**
Because the other thing that investors tend to do is they look at the share prices and they take their view on how good a company is from the share price. And that's, again, a

really, really big problem because if a share price is going up because momentum traders, because the chart looks good, it doesn't necessarily mean that the company's going to be around in two years time and you're going to make a lot of money. So I think the thing is, there's a lot of noise out there for investors. There are people that like to be either mega bulls, perma bulls or perma bears. But if you're constructing a portfolio, I want people to really try and understand what they're buying. Unless they're buying an ETF, which is then a completely different kettle of fish, because you're buying an index. So you're buying the whole of the ASX 200, or you're buying Nasdaq, or you're buying a secular thing like decarbonization or cyber security. And that's the case of where you don't have to decide who the winners are and who the losers are.

**Danielle:**
And just as one point, I think it's really important that when secular themes, it's much easier to work out who the losing companies are going to be than who the winning companies are going to be. And for example, I sold out of a lot of cyclical stocks ages ago. I think Owen, we discussed, and I could have with Kate as well, how I sold out of insurance stocks years ago. I sold out of Origin, I sold out of AGL. And a lot of those were made on my views on the secular themes of what was going to happen in the world. Now, whilst I mightn't have got the top of the market, the point is my money had been redeployed in other stocks that have performed much better.

**Kate:**
Yeah. And if someone's sitting here right now and they're completely paralysed by whatever the latest headline is. There's been a lot just the week we're recording, but if you listen to it in 12 months time, there's going to be another big news story out there. What would you say to someone who's just completely paralysed by the macroeconomic story and they just can't take any action?

**Danielle:**
Yeah. That's really, really good because I know people that have never invested post the... they sold pre GFC and they've never come back in again. I think we have to just take the view that it's not in any politician's interests or any central banker's interests to implode the whole world basically. And you buy companies, for example, Alphabet, Google has 120 billion of cash on its balance sheet. So you buy companies that you know if the proverbial hits the fan, they're not going to disappear overnight. They've got strong balance sheets, they've got resilient cash flow, and they are actually going to survive. And by way of example, a strategist said, they saw the pandemic a bit like a wall and not because of... I'm not talking about the death and everything like that, but it's the level of disruption to the economy and the supply chains and all of those things.

**Danielle:**
And we're seeing the really good companies make the most of these situation. It might be cutthroat, but they're taking over the weaker companies, they're expanding, they're making strategic acquisitions or they're investing somewhere else. So try and realise that there's always going to be these big headlines that are either really bullish or really bearish and the world's about to end. But unless interest rates are going a lot higher, which I highly, highly doubt it, really you're just going to have an opportunity cost of not investing. And that's basically the bottom line. We all need to grow our earnings over time, and it still is one of the easier ways than trying to save up for a deposit on a property, particularly when housing prices are as elevated as they are.

**Kate:**
Yeah. Definitely experiencing that in Sydney right now.

**Danielle:**
Yeah.

**Kate:**
Certainly crazy. And one of the other things I love talking to you about is, you're always really up to date with all the different global trends that are happening. And I think they're quite an exciting way, and a good way for people who are getting started with investing to explore some different areas. And I'd love to know a little bit about some of the global trends that you're really excited about over the next decade. And if investors are getting started and maybe potentially interested in investing in a thematic ETF, how can they learn a bit more about these trends?

**Danielle:**
Yeah. Apart from my book.

**Kate:**
Absolutely. That is a great resource to start with.

**Danielle:**
I'm going to give an example, and I'll state this categorically. This is not a buy recommendation to everybody. But I am looking in a stock in the US that I tripped over and it's called MSCI. And of course, MSCI is the company that constructs the indexes of which fund managers work on. And I just gave the example of a VanEck ETF. It's the MSCI Quality ex Australia. This company is very much pushing itself in the direction of providing data analytics for the finance industry, providing index construction across ESG and climate change decarbonization. They're providing analytics for major fund

managers, pension funds to analyse the emissions of companies. And why I wanted to cite this example, it's a wonderful example of a company that in my opinion has hooked into three massive secular trends. And anyone that's been following me knows I am a strong advocate and bull on global de-carbonization and addressing climate change. I think you are seeing massive amounts of money continuing to move in this area. And what is a separate category now will become the norm in 10 years time.

**Danielle:**
They are also huge on data analytics. Data analytics is very much part of what a lot of companies are doing at the moment, helping other companies interpret data so they can market better to their clients, whether it's the consumers or other businesses. The third leg is that they are very much involved in the likes of fund management and ETF markets. So there are three secular trends that I'm very bullish on. That's a company that has an incredible growth record. It's performed very strongly. I'm hoping that it's going to come down more if we have more of a sell-off. And I think it's one of those companies that I talk about in the books. It's only $50 billion currently, which might sound big in Australia, but it's relatively not that big in the US.

**Danielle:**
So looking at the scenes, I think the largest one we have is clean energy de-carbonization electric vehicles. I'm sure your audience has probably been told all about Tesla, which is probably one of the shining lights in that area. There are ETFs that you can buy in that space, and you can also look at it in terms of trying to capture different aspects. So there's the materials that go into the production of clean energy products. So you're talking lithium in Australia, uranium's had a recent run, although I'm not convinced that that's going to play such a big role. But then you also have... over in the US, you've got a number of players in the hydrogen space and also in the likes of photovoltaics, batteries, et cetera. I think that's a really big theme. And you can look at it as holding a lithium ETF or a clean energy ETF.

**Danielle:**
The other ones that I really like, digitalization is still massive. I think the likes of fintechs, digital wallets, absolutely massive, and people will have the opportunity of potentially once Afterpay's overtaken by Square. I don't know how long those deposits will be traded here in Australia for Square, but I think you're going to see continued growth in that area.

**Danielle:**
The other major ones, healthcare is still massive. We've got some great healthcare companies in Australia. They tend to be a little bit more highly valued according to some

commentators. But I think healthcare across the globe, particularly life sciences is still a mega growth trend. Again, there are ETFs in that area. And obviously the likes of cybersecurity is huge. As we move to, I think more hybrid work models, and as much as everybody thinks we're going to return to normal, I don't think normal is something... This pandemic is going to be with us for a while yet. And I think that cyber security, the cloud, improved software services, digitalization, really all of those trends. And if you want to catch them easily, that's why people gravitate towards the big tech, those mega giants, because they capture them very easily.

**Owen:**
I find that, pardon me, that example of MSCI is a really interesting one. There are a few companies in that space that I've come across over my years. Like Morningstar is an example, S&P, many of these companies that are investible like Standard & Poor's, S&P, Moody's, et cetera. And do you know what, what's really funny for me, Danny, as you talked about the market crash and all the lessons learned, is that during the global financial crisis of 2008, 2009, these were the same organisations that were really conflicted, and yet here we are today, they're still super important to the global financial system. And companies like MSCI have... even in the face of pretty much every type of scrutiny that you could think of, they've survived. So it's a really interesting company that you brought up and it's really relevant. So I had to just pull that one out because I like that.

**Danielle:**
Yeah. They're not a ratings agency though. You're right. It is in that sector, but I actually think it's a very different company because if you... You're absolutely right. It is with S&P, it is with Moody's, et cetera. And I think that unfortunately, obviously the ratings agencies got really heavily compromised. I just like the fact that these guys, a bit like BlackRock who's set up Aladdin, which is this software to help companies analyse ESG and rate companies.

**Danielle:**
And because there's such pressure from pension funds and investors to ensure that they're not going to get landed with a whole lot of stranded assets, they're all crying out for data that can really quickly scan and say, "Well, is BHP really doing what it's doing? And if it is doing what it's doing, what's its scope to emissions doing?" So I guess that you're right. But they're also companies that in spite of all these crisises, as you said, they haven't disappeared and it's almost like you have to wipe out the whole financial sector to get rid of them, and that's basically not going to happen. So to me, they're ones that are... if you got a rising interest rate environment, they've got an inverse correlation to that. They should not be affected.

**Kate:**
And one of the other places that Owen and I often suggest that listeners go when they're getting interested in investing in specific companies is having a look on Twitter and potentially following a few people like yourself. And I mean, even we have an account on there in that space. And one of the things I want to talk to you about, because I know you're fairly active on Twitter and as a female, there's not that many, especially Australian females in the investment space that are active and posting and sharing their thoughts. And there can often be quite a downside for doing that. I'd love to hear a bit about your approach to sharing your ideas online. And if any listeners are thinking about potentially going into the investment industry or sharing their ideas online, how can they get started there?

**Danielle:**
Really good question. Well, maybe stand back and observe a little bit. Gosh, I think if I look back at some of my earlier tweets, I must just look like the biggest numpty. I was so basic. And even now I feel like I need to go to the school of social media marketing. But look, I think at the end of the day, investing is very personal. There is no right or wrong. I think the hardest thing for people is confidence and belief in themselves and getting over the fear. And I always say there is never a question that is too silly, because I learned ages ago, and I can't remember if I said to you, Kate, when I was an analyst, I'd go to meetings with these big CEOs or it might've been Owen actually, "entrepreneurs". And they tell me all this stuff and I'm sitting there going, "I don't understand a word of what they're saying." So either they're super smart or I'm stupid.

**Danielle:**
And I usually worked out if I didn't understand what they were saying, then something was awry. And I think people have to have the belief in themselves that as I said to my son, he said, "Mommy, you don't understand," poor Nick, I always use him as an example. "You don't understand Cardano." And I'm like, "Okay, I don't understand Cardano." You are missing the opportunity of a lifetime. And I said, "That's fine. You've put me in the dinosaur bracket. But if you can't understand it to your poor mother, then you don't understand it as well."

**Danielle:**
And I guess that's the point. We all have to learn, it's a process. No one comes out of the womb knowing about investing. It's a journey. And it's a journey that if you develop a passion for, I think it's fantastic. I'll give you an example, because I follow markets and I follow businesses in renovating a house, we were very proactive about trying to short circuit the supply chain constraints. So we ordered everything for the house upfront and

early and people said to me, "Well, why did you do that?" And I said, "Well, because the pandemic is affecting things." So I guess for getting started, just observe, read. It is a process of learning along the way. And you can never be right all the time. That's just basically the bottom line. Investing is about finding what works for you and your risk tolerance and what you can sleep well at night with.

**Kate:**
That's certainly right. Even the so-called world experts don't get it right all the time. And they often have articles where they'll call out the next crash or the next X, Y, Z thing. And then a year later, it will come out that, oh, they didn't get it right that time.

**Danielle:**
Absolutely. Jeremy Grantham is all over CNBC this morning. It's the biggest bubble we've ever seen, ever, ever, ever, ever, ever. And maybe yes, maybe no, but if you own the right companies, they're the ones that will get through, even if there is an adjustment in valuations.

**Owen:**
It goes back to your point earlier on about not necessarily listening to the story or the narrative, it's very romantic to think that we have the opportunity and we're the ones that can listen to this expert and get an edge when it's so soft in the case that none of that really matters if you're investing for 10 or 20 years. I got to admit that the idea of just lurking on Twitter or any of the social media platforms is really important to just soaking it up. And I remember that you brought up how if it doesn't make sense, I think we spoke about that in the past.

**Owen:**
I've got to admit, when I first started interacting with some of Australia's best investors, as a researcher, I would go and interview them. I remember thinking these guys and these girls, they're doing probably a worse job than I would do if I was doing that. I was [inaudible 00:50:52] all of these people. And then I was thinking, jeez, they must know something that I don't know. What do they have that is like a black box or a crystal ball? And then you actually go and talk to them and you're like, "Actually, hold on a second. This doesn't make any sense. I'm just going to stick to what I'm doing." And it took firsthand exposure to see that, but I'm glad you brought it up.

**Danielle:**
Yeah. It's so true. Someone supposedly sat down, a big investor wanted a one on one meeting I think with someone who's on Twitter, I was told this story. And he said, "Okay, now I've got you in the room. Tell me the secret."And I go, "What secret?" The secret of

the stock market. And he goes, "I hate to tell you, there isn't one. There's lots of different avenues; you can have momentum trend charting analysis. You can do your value investor or growth investor." I mean, you name it. There's tags all over the place, but guess what? There's no silver bullet here. Although ETFs, I think are sold as that proposition. That's my humble opinion. They're packaged up as a wonderful low risk investment for people starting out. And I think that people need to understand ETF prices go up and down, like the share markets.

**Owen:**
That's all investments indeed. There's one more question I have for you, Danny, which is basically, we just talked about social media and how you can use that without having an active profile. You can just follow great people like yourself. What are some other finance or investing resources that you think our listeners should take notice of? And obviously, we're going to do a big plug for Shareplicity 2, but also Shareplicity 1. If you're looking for a guide for investing in any types of shares basically, ASX and US shares, get Shareplicity and you'll quickly discover that there are so many things that you can do as an individual investor. So obviously, I think you're going to talk about Shareplicity a bit, but are there any other resources in addition to that?

**Danielle:**
No, you gave a great plug. I think we'll just leave it there. I'll just do my little plug, they're in the books.

**Owen:**
[inaudible 00:53:06] they are.

**Kate:**
Very bright and colourful.

**Danielle:**
They are bright and colourful. Look, in Australia, I have my main source of looking at companies and broker research, is called FNArena. And I find that a really valuable resource. I discovered that about five, six years ago. I had tried Morningstar, not for me. I am on the CommSec platform, so I do get access to Goldman Sachs research. I do read articles on Livewire, but I'm fairly selective at this stage. I had the IFR, again, some articles I find really interesting, others that I don't. I do follow on Twitter. Really in the US, it's a much, much bigger pond. My primary sources; I have a subscription to Bloomberg, CNBC Pro, which gives me access to interviews, et cetera. I follow for technology, a lady called Beth Kindig, who I think is an absolutely wonderful

explainer/analyst for technology companies. And she has a free newsletter. So if you follow her on Twitter.

**Danielle:**
I listen to Cathie Wood's, macro economic, more so than necessarily her company's stuff. But I think some of her work is very interesting. I think that if you're interested in a company like Tesla, you can't go past Rob Maurer, who does Tesla Daily, who is completely approaches from a very transparent and independent fashion, as opposed to a pump and dump style. And I also, read an economist called Lyn Alden occasionally. And for the really more big picture stuff, which I still like looking at, I look on LinkedIn, I follow Viktor Shvets, who I worked with. He's one of the strategists at Macquarie Bank, who wrote a book called The Great Rupture last year. He's a mega thinker, a mega brain. But I find his work very interesting. It's actually quoted in Shareplicity 2. And I also follow Mike Howell, who was my global strategist at Bearings. He was Solomons before that. He runs CrossBorder Capital, and he looks at global liquidity analysis across the globe.

**Danielle:**
So if people are looking for more Ray Dalio types of people, that's where Mike Howell and Viktor Shvets fit in. Some of their work is not behind paywalls. So I've tried to give people examples of stuff that's accessible. And I think if you are again receptive and listening a lot, and also bear in mind, there's nothing wrong with realising that understanding an overseas market like the US can give you insight into the Australian share market as well. It's very obvious, you watch the trends over there and they're replicated back here a lot of the time. So it's again, if you have the time and the interest, I just encourage people to read. If you can pick up on any of the research that comes out of Morgan Stanley, I love what they do. I own the shares. I think that they do amazing stuff, but again, it's progressive and it's into secular trends and things that I like. And the only thing I'll say there is just be aware of personal biases and confirmation bias.

**Kate:**
I think that's a great list, and there's a lot of resources in there that we haven't heard before on the show. So I think there'll be plenty to pack out the show notes with the people to investigate when they have a chance.

**Danielle:**
Great. Excellent.

**Owen:**

Yeah. Danny, it's always a pleasure to chat to you. So we'll put all the links in the show notes to Shareplicity and Shareplicity 2. And you're on Twitter as well so we'll put links to find you there. I can't remember. Are you on Instagram?

**Danielle:**
Yeah. Shareplicity. I'm on Facebook, Shareplicity. LinkedIn, [French 00:57:06], Danielle Ecuyer and I have a website shareplicity.com.au. So everything like your stuff will be uploaded there as well. And I try to put out a monthly newsletter. It's a little bit overdue at the moment.

**Owen:**
Aren't we all overdue with something. Yeah. No, We really appreciate your time today to talk to us about US investing, about the things to be mindful of, the key lessons from crashes. You've even thrown in some ideas there to get us started on the ETF front with QUAL. You talked about MSCI, Tesla, digital worlds, healthcare so many great things in this episode. So I know I have to go back and listen to it to let it all sink in. So thank you once again for joining Kate and I. And Kate as always, it's a pleasure to be with you.

**Kate:**
Thanks, Owen. And thanks, Danny.

**Danielle:**
My pleasure. Thank you so much for having me. It's been great fun.