The Australian Investor's Podcast Episode Transcript

Episode: 3 ethical ASX compounders, ft. Australian Ethical's Mike Murray
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Speakers: Owen Rask & Mike Murray
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Episode transcript:

Owen:
Welcome to the final instalment of the three part Australian Investors Podcast miniseries on ethical investing in Australia, sponsored by Australian Ethical. I'm joined again by Mike Murray, Australian Ethical's head of domestic equities.

In part one of this series, I spoke to Dr. Stuart Palmer about how Australian Ethical use their charter to exclude about half of the companies on the ASX from the team's investible universe.

In part two, Mike walked us through how he and the analyst team research companies and identify long term compounders like Cochlear or Fisher & Paykel. You can go back to part's one and two by using the links in your podcast player.

Owen:
While you're there, don't forget to subscribe to the Australian Investors Podcast. And if you're really keen to help me out, leaving me an honest review. In this episode, the final part of our mini series on ethical investing, Mike outlines his thesis for three Australian companies that are at the time of recording owned by the Australian Ethical High Conviction ETF. These companies are Healius Limited, that trades under the ticker symbol HLS on the ASX. This is a laboratory testing and medical business that was formally known as Primary Healthcare. The second

company is PEXA which trades on the ASX under the ticket symbol PXA. This is a company which is by far Australia's most dominant property exchange and settlement platform.

Owen:
The third company is Downer Limited, which trades under the ASX ticker symbol DOW. This is an industrials business working across many industries, but has had a long standing management team that seemed to be cleaning up the business. As you'll hear from Mike, these three companies have some wrinkles, but Mike does a great job of laying out his thesis and why they own the companies. To start this conversation. I cheekily asked Mike for a forecast of who is going to win the AFL Grand Final in 2022, and who might get the Wooden Spoon.

Mike Murray:
That's a very unfair question to ask of a Sydneysider, and so I'm going to give you a prediction with absolutely no basis. And I mean, Sydney, right? It's going to be the Swans who are going to win. And my wife barracks for Hawthorn, she's a former Melburnian, I'll give them the Wooden Spoon, but please don't ask me too much about the players.

Owen:
Okay. Well, I'm a Hawks supporter too, so maybe your wife can come down and we'll go to the Grand Final together. But that's interesting. We'll check back in 12 months and see what's happened, but all jokes aside, today we're talking about basically the Australian Ethical, the first ETF, been in the managed fund space for a very long time, been in super for quite a long time as well. And now we're seeing you guys branch out into ETFs, exchange traded funds. The fund is listed on the CBOE. AEAE is the ticker code. I'm hoping you can tell us a bit about it, mate. The Australian Ethical Australian shares high conviction ETF, what's your elevator pitch to investors? If I can give a few minutes, tell us a bit about it.

Mike Murray:
Yeah, look, and one of the things about us that makes us special is that we only do ethical investment and we've been doing it for a long time. And we've particularly got a long track record in active Australian equities management. I think we see ourselves as experts in this sphere of ethical invest investing. And we adopt a true to label approach. Because we only do one thing, people know, have come to know through time what we stand for. They're not getting greenwashed. They are getting a portfolio that aligns with their values. The step to launch AEAE on the exchange is an evolution rather than a revolution. We've already got a superannuation fund. We've already got an SMA, we've already got a selection of managed unlisted unit trusts.

Mike Murray:
And this is our first offering in the listed channel. And we think that's a really important channel. We're certainly seeing wide levels of uptake, expecting wide levels of uptake. We're seeing good levels of uptake so far in that space. And one of the words we use is democratising ethical investment because ETFs are all about access. You can invest in that with a very small minimum just by calling your stock broker, it's a very transparent structure. It's a portfolio of reasonably liquid securities that people can trade in and out of. They they can simply see the

price it's trading in real time and make that decision in real time without filling out a whole lot of paperwork. That's why we're in that space. And we think it's going to bring ethical investment in an authentic way to a much bigger audience.

Owen:
And I think it makes a lot of sense too, because I spoke about this issue with Stuart is that it's very hard to find listed vehicles where you can get active ethical exposure, plus that track record of investing. In fact, I don't think you can get it yet. This is the first vehicle that you can do that, so I think it makes a lot of sense. And particularly the demographic that's really drawn to ethical and sustainable investing is seeking easier ways to get exposure. I think it makes a lot of sense from a business perspective, if I judge it from the outside, as well. As I've alluded to with you off air, this episode is mostly talking about companies that for one reason or another, have been in the portfolio, out of the portfolio.

Owen:
I asked you to provide three examples of companies, of Australian companies that we can talk through. And we can understand the opportunity from a business case. We can understand the history of these businesses and why they came to be in the portfolio. As in, why do you see that as an opportunity? And you've brought three companies to the table for us today, which are Healius, PEXA, and Downer. And I'm hoping that you can take these one at a time, tell us about the company, tell us ... We spoke in the last episode about business models, why those matter, what's appealing, what's good, what's not. Even things like how you and the team went about researching these companies. I always find scuttlebutt's really interesting, like how you actually got boots on the ground. I don't know if you're happy to start with say Healius, tell us a little bit about the company. It's had a name change. I know it's in diagnostic imaging. I'll let you do the rest.

Mike Murray:
Yeah, sure. Healius, it's a company I've covered for a long time. I was, before I started managing this fund, became head of equities, I was the healthcare analyst in the team, but it also way back when I was at AMP Capital, I was also a healthcare analyst and spent a lot of time getting to know companies of all shapes and sizes in the healthcare sector. And Healius used to be called Primary Healthcare. And it was run by a fellow called Ed Bateman and various family members. In some ways it was run a little bit with a private company mentality. And it got a lot of support from the share market. And in those days, its core business was running medical centres and it was an aggregator or a builder really of medical centres, which it rolled out.

Mike Murray:
It didn't actually really deliver for investors. It got a lot of support, but it turned out that like a lot of attempts to roll up service oriented businesses in healthcare, it doesn't always deliver the economies of scale that were expected. And also it was quite capital intensive. It had a few other fleas on it. Some of the accounting practises, the way they treated goodwill was heavily scrutinised by the market. And I think it really lost the faith of the market and it certainly was

criticised for its governance practises. I mean, we do spend a lot of time looking at the healthcare sector, partly because it's a sector that aligns very well with our ethical orientation.

Mike Murray:
Another thing is that we think that's a sector that it has natural tailwinds through time. And we see economy spending more and more on their healthcare systems through time. And as technology comes, new technology comes available, there's a natural case to take up that technology. The overall spend in health does grow beyond the rate of the natural economy. If I put the ethical hat on for a moment, one of the things we're always looking at is the balance of healthcare outcomes between the patient and the commercial outcomes in the business. That's certainly something we've got a lot of confidence in now in this company under the current management team of Malcolm Parmenter.

Mike Murray:
And there's really, I think the culture of the company has changed a lot, much more towards the model of a Sonic, which has really been at the forefront of clinical excellence in pathology. Anyway, what this company's done through time is it's actually transitioned from being a primary care medical centre business, it's actually out of medical centres now, and it's mainly a pathology business, an imaging business, day hospital business. And when we became interested in the company, it was when it was going through a period of pain a few years ago, its balance sheet was stretched. It had some very aggressive targets out in the market around turning around the medical centres, which it really had to walk away from.

Mike Murray:
It did a capital raising. And I think a lot of times what we're looking for in situations as an active investor, is where we see a company with a fundamentally attractive business that's being obscured for some reason. And so the valuation's not necessarily reflecting that. And it's a great example because we've got a really good company, Sonic, in Australia that is now a world leader in pathology. And yet we were looking at Healius and we're scratching our head thinking, "Oh, this, this fabulous domestic, the second largest pathology player in Australia. The stock's very weak. What would it take really to turn this business around and also turn the perception of this business around?" And that's how we came to get involved with it.

Mike Murray:
Everything certainly wasn't perfect at that time, but they did put in place a different management team, I think the culture of the business has changed and they're doing a lot of things around the operational performance. I mean, sometimes in investing, you get lucky and I hate actually to use this example because obviously COVID, there's nothing lucky about COVID. COVID, it's a terrible curse on the world, but in terms of being exposed to a pathology company that came to play a huge role in COVID testing, really just cemented their position and the importance of what they do I think.

Mike Murray:
And so clearly pathology companies have benefited enormously, both in a profit sense, and also I think these businesses are businesses that are regulated by government in terms of prices they can charge. And I think there's a great awareness now of the systemic importance of the service they provide. There's just a few observations to get us going on how we came to get involved.

Owen:
I noticed that about one in three pathology samples are through Healius. I just looked at Sonic Healthcare and basically the way the company has performed alongside Healius, both look like they were late nineties IPOs on the ASX, at least from the data that I have. And it's in some sense, both have performed well, but it's been a tale of two stories in terms of Sonic seems to just be executing just based on ... I'm just basing this purely on the share price, which is obviously flawed, but multi bag returns there. Do you see the shift towards the day surgeries and the pathology and radiology as a key catalyst to improve those economics and be more almost like Sonic in that way?

Mike Murray:
Yeah. Look, it's an interesting comparison. I mean, they certainly have followed very different strategies through time. Healius with that domestic focus, and also with that background very much in the medical centres. Where Sonic, really a global specialist in pathology. I think it's certainly the case that we see pathology as the jewel in the group. That's what got us attracted to Healius. We didn't actually want them to divest their medical centre business, which they have divested. In some ways I would've liked to see them turn that business around. I thought there was value to be created in that business, but they did get an attractive price for it. And it also did reset the balance sheet in a positive way.

Mike Murray:
And they have recently bought another pathology business, which they think it is strategically on ... It's more of a clinical pathology business, which I think is on strategy for them. Then the day hospitals have actually probably done a bit better than I would've expected. One of the things that worried me about day hospitals is just how scalable they really were, whereas one thing we know about pathology is you can get a lot of operating leverage, very high margins, very scalable business. And Sonic have shown that. Look, Healius has certainly lagged in terms of the operational performance of its pathology business. And that's in some senses, that's an issue for them, but in a another sense, that's the great opportunity.

Mike Murray:
If we look at pre COVID, Healius was doing about 9% margins in its pathology business, and Sonic was doing about 13. And interestingly, the margins in both companies have been under pressure because there's been a huge expansion in one of the cost lines around collecting pathology samples. And that part of the value chain had become quite competitive. And I think there was too much capacity in that space, and we're seeing some of that wind back, but we were looking at it with glass half full and saying, "Well, we know that pathology is a fantastic

business. It's got great recurring earnings. It grows above average because healthcare sector grows above average through time." Government, yeah, government's a risk because they can reprice, but we're comfortable with the pricing outlook for the business.

Mike Murray:
We are looking at this margin in Healius and really seeing the opportunity rather than the risk, that 9% margin. They've got a programme in place to increase that by around 300 basis points by 2023. Look, it's an ambitious target. They're not getting full credit for that in the share price. But what we do know is that any incremental margin improvement in this business flows through to the bottom line. If you can get a point or two on your margin, you can see a dramatic increase in your profitability and a subsequent fall in your P/E. And it's not as though the market is giving them a lot for this at the moment. You still look at the P/Es, or the companies respective P/Es and you take out the COVID earnings and Healius are still on a sub 20.

Mike Murray:
I think it's on a sub 20 P/E on a look through basis and so it's at a discount to Sonic and it's got that operational upside and it's got a strong balance sheet. They're the things that position us that way. I mean, we definitely do look for within some of the more growth sectors that we play in, we do have a bit of a value hat on. Healthcare's a big part of our sector exposure. But when you go through and look at our names, something like a Healius is really a turnaround name.

Owen:
It is.

Mike Murray:
It's not a name you think of as a like a high P/E medical device company.

Owen:
Yeah. It's a fascinating one. And it's one of those compounders, right? If you've got it in your portfolio, it's the type of business, if it can execute, then it's going to compound for many years because you've got that structural tailwind plus the reversal in that performance or that execution. That's a fascinating one. As interesting as Healius is, I'm probably most interested in your second company, which you've brought to us today, which is PEXA. Trades on the ASX under the ticker code PXA.

Owen:
It's a recent IPO because it was spun ... I guess you could call it an IPO. I don't know if it was officially called an IPO because it was spun out of Link, Link Group, which is basically the share registry, financial admin business. PEXA is a really interesting story. I remember when it hit the ASX, it was a big hoo-ha about it because it was a massive, massive listing and it had been called for a very long time. Maybe before we get to the basically IPO, I'd really find it interesting if you could explain it in your own terms, what the business does and the genesis of the business through to now.

Mike Murray:
Yeah, sure. And look, Link is the major shareholder in the company currently. That continues to be an important strategic stake. People are speculating over what might happen to that stake now that Link is itself subject to corporate interest. But look, PEXA, simple terms, stands for Property Exchange Australia and the genesis of the business in 2010, COAG formed PEXA to provide national e-conveyancing, which is effectively a platform for digital settlement of property transactions. And so if you think about the many different parties like conveyancers and lawyers and all the different people that ... Banks that would have to be typically involved in a property settlement transaction, that used to be very paper based.

Mike Murray:
It was very complex, took a lot of time. There was real opportunity there, as digital technology has progressed, to get that all on the one platform and really as a huge efficiency dividend to be realised from doing that. But quite quite a lot of operational complexity to achieve that. When you think about this business and the model of the business, that's always ... We've thought about is something like the Australian Stock Exchange, or even some of the, like a RealEstate.com or a Domain Group, any of these businesses where you do get these network effects from people ... Ultimately it makes sense for there to be one or two very dominant platforms that provide this huge efficiency dividend and payoff to those companies that disrupt those industries or early innovative innovators in those industries. Think of Seek, can be enormous through time.

Mike Murray:
And I remember when Seek listed and the place I was working at at the time, we sold it way too early because we just really underestimated the ability for that business model to continue to be able to charge a healthy premium for what it does. And even when we first looked at Link, we've followed Link for a while, but we first looked at it because Link ... When we first looked at PEXA, we followed it for a while because Link had the stake in it. We were asking questions about PEXA and then they actually tried to .. Part of PEXA became available for sale earlier than the IPO.

Mike Murray:
The sale fell over, but we had a look at it at that time and we were really keen. And it fell over, I think on valuation. And they couldn't get enough people interested. What a different time that was to now where people falling over themselves for these style of businesses. It's something that we had an early look at and I think it ... Or maybe I'll let you ask the next question, but there's some introductory comments.

Owen:
The business is in my opinion, almost like a natural monopoly here in Australia, because not all states have mandated e-conveyancing if I'm not mistaken. The states that it does operate in, it's basically gobbled up everything because of its unique positioning inside of Link and with the RBA and settlements with the various states. Let's break it down. During the the separation, the spinoff, if you like, they did talk a lot about the UK opportunity, which I think is a little bit nascent.

It's still a bit early. It's my opinion. Allow you to rebuff that if you like, but let's start at home. What do you perceive to be the risks here at home for PEXA if there are any?

Mike Murray:
Yeah, sure. And you raise a very good point. It has had different rates of penetration in different states, but at the end of the day it's got about an 80% market share in Australia.

Owen:
It's massive.

Mike Murray:
It's in an incredibly dominant position. And some people would argue it's in an unassailable position. Now, I probably wouldn't go that far. It's still, there's the ability to be regulated. And there is certainly a desire by government to have more than one player in the space. There is more than one player, and there's a desire from customers to be able to use different players. That's what they call interoperability. Now, there's a whole lot of technical work that has to happen to make that possible.

Mike Murray:
And I think there's different views around the place about how feasible or not feasible some of that technical development is. But what I think what we would say is they're starting from an incredibly dominant position. They have a very attractive value proposition. With all these platform businesses there's a lot of barriers to entry. It is pretty hard for other people. There will be other competitors. We don't assume that they get to a hundred percent market share, at the same time we do assume that they maintain a very high market share in Australia. And one of the other things is they tend to get around CPI from a pricing perspective.

Mike Murray:
Again, that's a pretty attractive combination when you ... I think your incremental investment to bring on a new customer is probably not very much typically in this style of business. I think there's other things that are going on too, that we haven't placed a lot of value in, and probably fairly because they haven't really shown us they can commercialise this. But if you think about some of the access to data that is available to them, the ability to build product and commercialise around that is part of their strategic journey. And I think they're well placed to do that. I don't know that they've figured out exactly how that's going to work. And it's a little bit like the UK too. The UK, I think they've got 14 FTE's or something.

Mike Murray:
It is small, but they're talking to all the right people, certainly as part of our research we talk to a lot of the players over there. The banks are key gatekeepers over there and try and understand how achievable this is and regulatory experts and so forth. We certainly wouldn't say that's a lay down misère, right? Like when we value the opportunity in the UK, I think we give it a 30 or 40% chance of success. But the payoff is huge. It's probably twice the size of the opportunity in Australia and the need is there, right? Because like in all these spaces, we are finding that

actually these products, they do add real value. These platforms in a lot of walks of life, would all much prefer to do it this way than in the old paper based way and very time consuming and-

Owen:
For sure.

Mike Murray:
... administration heavy way. Yeah, there's some of the things that we like, and that's how we value value it up.

Owen:
Yeah. We looked at this, realised that there are about 1.5 million property, like residential property transactions in the UK. There are a few businesses vying for that position like PEXA has here, over there. But like you said, in terms of the payoff, I think the key is what's the probability that they would reach some sustainable business or market share? I think to hear you say that, that's actually really interesting because if they can, if there's a 30% chance or 30% probability that they're going to get that payoff, then you'd expect them to take that every day of the week. PEXA is a really interesting business. I'm sure we'll hear more of that over time throughout the Australian Ethical publications, but the last company is a company that you actually brought up in the previous chat that we had because it was screened out.

Owen:
Then it could come into the portfolio, which is Downer. And it trades on the ASX on the ticker code DOW. This is a business that I've ... When I was studying at Monash University here in Victoria, I saw the Downer utes getting around and everyone doing the maintenance and all that type of thing around the place. I'm interested to know, because I don't know a lot about the business. I've got to be honest. Can you tell us a bit about the business, what it does? And then we can bring everyone up to scratch, including myself on how it got into the portfolio.

Mike Murray:
Yeah, sure. Look, it's a contracting company and what that means is that contractors effectively, typically you think of them as an outsource service provider and they bear a portion of the risk of delivering let's say it's the maintenance of a particular building or might be a construction project they have to manage or build, and you pay them an agreed rate for that. There's different commercial models about how you set that pricing. Downer's had a bit of an up and down history, pardon the pun there. And look mainly that's a result of like a lot of ... Where a lot of companies lose their ways when they become very quisitive, particularly in the contracting space.

Mike Murray:
Sometimes you can buy a contract from someone or a book of contracts and they can be full of all sorts of risks that aren't necessarily identifiable in the due diligence process. And really that's where Downer has struggled historically has been exposure to fixed price construction contracts. Interesting story, one of my first jobs was as a management consultant on the Evans

Deakin train manufacturing site in Maryborough in Queensland. And that ended up ultimately being owned by Downer. But that was my real, my introduction to fixed price contracting in the train sector.

Mike Murray:
What I learned very quickly was that most train builds in Australia lose enormous amounts of money. They're really a loss leader for hopefully what turns out to be a reasonable stream of maintenance earnings. And I can still remember Downer on their Waratah contract going back a long time now, but they had a huge issue with that contract and they lost a lot of money and they were trying to build trains in China. They had a lot of problems. I think they were the first Australian trains that were trying to be built out out of China.

Mike Murray:
It was almost a company breaking experience for them and a full credit to Grant Fenn, who's the current CEO of Downer and became the CEO, or was the CEO at that time and turned that project around and turned the company around, really. A very technically difficult turnaround situation. They're a contractor. And I mentioned in the earlier episode that it's not ... They used to have quite a big exposure to the mining sector and we wouldn't have invested in them under our charter, our ethical charter. Historically we don't typically invest in mining companies, or in many mining companies or mining exposed companies, but they've moved out of that business.

Mike Murray:
And actually one of the things from an ESG perspective that's quite interesting is that they've got a very strong franchise in maintenance of power distribution and power networks. And this is actually turning into a real opportunity for them because as we move to a less carbon intensive, and more renewable generation, there's a lot of money that has to be invested in those, a lot of upgrades that have to have to occur in those power networks. Downer are actually talking about this more and more as an opportunity. Why I'm interested in this business is it's one of those business models that's actually changed quite a lot.

Mike Murray:
As they've moved out of mining services, the capital intensity of their business has dropped. Because we think about that mining contracting business, you've got to own and maintain this really expensive fleet. Then you've got to argue like hell with the big mining companies to get paid. And often you end up in court. They've moved out out of that, and they're much more in the government sphere now and the lighter footprint, urban services, managing roads for government, managing as I mentioned, power distribution, managing water and facilities management. Some of that came out of Spotless. Government's probably a 90% or something of their work in hand. We see that as a very stable revenue stream.

Mike Murray:
Really, the big change is out of fixed price construction contracts. Construction is not a big part of their business and the risk they're taking on in those contracts I think may be something like, when I looked at their book last, it might have been 1% of the overall book was on what we call

a fixed style contract. They're some of the things that piqued our interest in the company, in the sense that it's still trading like a contractor from a valuation perspective, but it's it's actually changed its spots quite a lot.

Owen:
I was going to ask you, and I think you answered it there with the government contracts, which is basically one of the things you talked about in the previous episode was the repeatability in earnings in businesses. Because one of the things that if I look at a company like Downer, I'm thinking, how do I get conviction in the forecasts and understanding the business from that perspective? In terms of having surety that the company's still going to be generating X number, amount of revenue next year, so on and so forth. How do you get that conviction in the company as well?

Mike Murray:
Yeah. And you're spot on and a big part of it is that exposure to government work. Look, another one is you just get to a size where the ability for one single contract to influence the outcome of the overall company is less. There's less ability for that to happen, just because of the scale in the business and the different sorts of activities that you're undertaking. Then I think part of it is also backing management. I mean, I think that after what this company has been through and what I remember, what Grant Fenn went through with the losses that occurred on that Waratah contract, they learned some very hard lessons. It's been a big focus of their journey to estimate risk better.

Mike Murray:
And in that sense, contracting companies are a little bit like insurance companies. You've got to have a very good understanding of your own cost base, and ideally you are a specialist in certain certain segments, and that's really why you can add value to the person that's outsourcing that activity to you. Because you know it better than they do, and you can perform it more efficiently than they can. I think that's the case in a lot of their businesses now, like probably the hardest business is that facilities management business, which is still pretty commoditized, but they've got some real strengths in that transport area, for example. I think when I look at the overall business and in the power business I can see this is a company that's got scale, it's got specialist expertise, it's got that recurring earnings.

Mike Murray:
One of probably the weaknesses in contracting is margins. Like everyone, we want to find higher margin businesses, and we're talking about a business that's generating around that 4% margin, EBITDA margin. I wouldn't call that a high margin, but when you think about the risk profile of the business has actually changed. And we've got a good comparator in Ventia, which just listed recently. And they're doing a margin that probably suggests that Downer can get it up more towards that high fours. That will certainly help them. The trade off for not having a high margin is that the capital intensity of the business is much less than what it was.

Mike Murray:
Typically mining services, for example, or mining contracting where they used to be, you can get a high margin, but you got to put a lot of capital to work. We're in a situation now where Downer, they raised capital in 2020, but subsequent to that, they've sold their mining services business, have sold their laundries business. They look very good from a balance sheet perspective, and they haven't got to put a lot of capital back into the business, but the valuation hasn't really moved, you know? You're always trading off these different variables in funds management saying, "Well, what am I getting or not getting? Okay, so this ticks say three of three of the four boxes, but I'm buying it on a P/E of 14 times. And I've got the ability to generate really strong cash flow" and cashflow that I think is backed by government to some extent. That feels like a good equation to me.

Owen:
Yeah. It's a really interesting business because admittedly, it's not one that I follow closely. I remember quite a few years ago, the route in mining services when commodity prices tanked, and there was a bit of a wash out in some of the companies and some of the companies looked dirt cheap. And it's interesting because Downer's history goes back to the 1930s, and like you said, management have been in place since 2012. I mean, there's a bit of staying power in the business, so just that resilience is something that shouldn't be overlooked as well.

Mike Murray:
Yeah. And you definitely do get in the classic commoditized parts of contracting, you do get periods of time where there's just too much supply of contracting services. What typically happens then is contractors take on too much risk, like an insurance company. And it's difficult because contracts are by nature, fairly opaque, and you often don't find out until many years later when it's in court and you're getting hit with huge litigation, or huge cost overrun. That's why it does depend a little bit on ... For example, we're currently in an environment where inflation hasn't been a problem for a long time, starting to see inflation come back onto the scene. One of the questions when we went through our due diligence with Downer was, "How does that affect your business? You've got this huge labour force."

Mike Murray:
And we had to get comfortable that they had the ability to pass some of that cost base on, in their contract structures. If you're running a different business, which has a big fixed price construction component, and then your cost base goes up-

Owen:
Blows out.

Mike Murray:
... dramatically, it can be a company ending situation. And that's one of the reasons why contractors have tended a trade at discounts to the overall market through time.

Owen:
It's fascinating because obviously you're placing a lot of stock there in the management team, but I guess they've got the nous for it and they've done it well so far. That's a fascinating business, Mike. You've got Downer there. Just to recap on those three, we've got Healius, formally known as Primary Healthcare. PEXA, PXA on the ASX, spun out of Link Group which still has a pretty substantial holding in the business, and Downer, which trades on the ASX under the DOW ticker code.

Owen:
Three really interesting companies. I know that in the high conviction fund at Australian Ethical, they're about 25 to 30 positions, so people can go online and learn more about Australian Ethical. I'll have a link in the show notes. If you're interested in hearing more from Mike and the team, there is a link there, you can subscribe to updates, and you can learn more about the ETF, which trades on the CBOE under the ticker code AEAE. Mate, I've got one final question for you, which is just the one that I like to ask everyone, which is, if you could go back in time and tell a younger you something about money, finance or investing, what would it be?

Mike Murray:
Oh, look, I just think patience is important. I think that probably the thing I'd say is do as much work as you can upfront. Because things will inevitably not go according to plan in most of your investments. But if you know why you're going into something and you're patient, very often it makes sense to stick with it, if you've done the work. It's no good just copying someone else's idea or you got to believe in it yourself because it'll be put to the test and you got to be able to step up when it counts.

Owen:
I like that. It's like do the work, do the honest work, do it up front, and then you can let patience kick in. And that's where the tipping machine of investing in the stock market comes through with the goods. Mike, I really appreciate your time today. Thanks for joining me on the show.

Mike Murray:
Thank you so much. Really good to talk to you on, Owen.