The Australian Finance Podcast Episode Transcript

Episode: ASX share review: Magellan Financial Group (ASX: MFG)
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Speakers: Kate Campbell & Owen Rask
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Episode transcript:

Owen:
Kate Campbell, how are you today?

Kate Campbell:
I'm good, Owen. I'm surviving.

Owen:
Oh, that's very good of you. Surviving is probably a pretty low bar, but we'll take it. Today we're talking about Magellan Financial Group. This trades on the ASX under the ticker symbol MFG. It's a company you can buy shares in. This is our shares episode. Tell us a little bit more about this episode. This type of episode on the Australian Finance Podcast.

Kate Campbell:
Yeah. Every month we look into a share or an exchange-traded fund as nominated by our audience in our Facebook community. If you want to get involved in the future, definitely join that group. What I did last month was took the five most popular companies from Rask Media that people are looking at.

Kate Campbell:

I added a poll onto our Facebook community and Magellan Financial Group was the clear winner. However, I didn't lock that poll from future suggestions, so the audience in our Facebook community added lots of their own suggestions. Xero was also-

Owen:
Didn't Xero come second?

Kate Campbell:
Yes. Xero was a crowd pick and also came second. I'm thinking that not next month, but the following one, we will do a deep dive onto Xero because it was the runner-up. Yeah. This isn't a recommendation from the Rask Australia team. We do not have a current recommendation on Magellan. We've just chosen it based off user data and what's been picked in the Facebook community.

Kate Campbell:
I probably just wanted to note at the very front that Magellan, as we'll get into, has been having a lot of challenges recently.

Owen:
There is a lot going on at Magellan right now. We're going to try and break it down for you to keep it really simple. Why don't we just start off with, well, what does Magellan do? Magellan is a company that invests other people's money. Let's say for example, you want to invest in the stock market, but you don't want to do it yourself. What you can do is you can go to Magellan.

Owen:
You can say, "Here you go, Magellan, I'll be pay ... or direct deposit $20,000 into your trust account and you can invest that money for me." Magellan will take a fee for that. They will take a fee for the management of that money, which is like 1% or roundabouts per year. Then if they really well they'll also take a performance fee. Why is a performance fee paid?

Owen:
A performance fee is paid because it incentivizes the fund manager, in this case, Magellan, to invest well. You might say like not ... You don't set the rules. They set the rules by the way. Let's say, for example, that you want a 10% return. Magellan says, "We are targeting a 10% return." They do better than 10%. Well, they might take a percentage of that over that amount.

Owen:
It might be say 10% of that amount or whatever. Now Magellan has more than one strategy. If you went to the Magellan Financial Group website, you would see that they have a global equities or global share market investment strategy. That's their biggest one. They also have an infrastructure strategies. That's where you invest in ... or they invest on your behalf into shares of companies that own infrastructure.

Owen:

They also have some ETF-style strategies where it's like half active investment management, where it's a person making decisions and half like automated. There's like quantitative strategies and computer code that kind of runs in the background. They've grown beyond just being a single strategy fund manager. Most fund managers, when they start, they start out with, "We've got one strategy and we do this strategy really well, come and invest in it."

Owen:
Then when they get bigger, they're like, "Oh, well we're really good at this global share market thing. Why don't we do the Australian share market thing as well, just in case people want to invest their Australian investment money with us?" They've got one of those too. That's called Airlie Funds Management. They bought that.

Owen:
They've also got a bunch of different, more unique strategies. One of those, Kate, I know you are going to talk about a little bit, is the FuturePay strategy. Maybe just in your own words, what would you say that is and who would that appeal to?

Kate Campbell:
Well, FuturePay, from what I understand, is targeting retirees really and self-managed super funds, which is a huge audience in Australia, not necessarily our audience, but it is a big demographic. What they're doing is looking to invest in large companies.

Kate Campbell:
Probably a lot of your blue chips and they're looking for stable, long-term returns, and they have a lot of functions underneath it, but it's really targeting to give investors a guaranteed monthly income and so that during various market conditions ... Because retirees, when they don't have that paycheck coming in, they want to know how much they've got to live on each month.

Kate Campbell:
Products like this can be really popular. You just know what your monthly income stream is and then they make the products so they can actually smooth out that monthly income through various strategies as well. I know there's many other products on the market like this so you know actually what income you're getting each month.

Kate Campbell:
If there's a really great month of dividends, they might hold some back so they can smooth out your ride. I know some of the listening investment companies do this as well. Don't they, Owen?

Owen:
Well, they try to, yeah, by creating a portfolio. What Magellan's trying to do here is basically be a place where any investor can go and can invest in a way that feels is right to them so you can use the more half human, half quantitative model, which is cheaper, more like an ETF. It comes in an ETF, or you can use the FuturePay strategy, which is more focused on retirement income.

Owen:
Or you can just go with straight global equities or global share market strategy, which is their core strategy or you can go with the infrastructure, if you want that part of your portfolio. Basically Magellan's built this fantastic reputation, started by a two gentlemen by the name of Hamish Douglass and Chris Mackay.

Owen:
For many, many, many years, Hamish Douglass ran Magellan. That was only until very recently that he stepped down. If I'm not mistaken, Kate, it was due to a medical leave of absence if I'm not mistaken.

Kate Campbell:
Yeah. I believe that's what I saw in the paper the other day.

Owen:
Yeah. Hamish, and I've interviewed Hamish before, he was constantly for the better part of the last ... Well, this was since 2006/2007 when they started, basically since that time, he's basically been considered Australia's best investor, if not one of the best investors ever, that's because he built such a-

Kate Campbell:
I think they call him the Warren Buffet of Australia, don't they?

Owen:
Well, yeah. I mean, it's a bit different because the way Warren Buffet invest ... But yeah, some people would. It's a bit different to the way Warren Buffet invests, but yeah, he's basically like our poster child for investing in individual companies. The thing that goes unnoticed, I think by a lot of investors is actually his co-founder, Chris Mackay, is also a tremendous investor.

Owen:
The two of them together combined to start Magellan in 2006. It just so happened that Hamish kind of took over the main business and the main strategy while Chris went off to run something that was a bit smaller as kind of like a side project, but because he is run it so successfully, even if it wasn't part of Magellan, it would be considered a fantastic investment company in itself. Basically Magellan's ballooned into this $2 billion plus company.

Owen:
Now it's got to a point where it's got all these different strategies that you can choose to go with Magellan, but it's also got this other thing, Magellan Capital Partners, which is basically taking their investment expertise and starting to buy parts of other companies for themselves. Normally what they would do is they would invest their investor's money and they would charge a percentage fee for that.

Owen:

Magellan, the business itself, has got so good at that and made so much in profit that now it's saying, "Well, hey, our company's got its own profit. We've got our own cash. We've got our own dividend stream. Why don't we go and invest for our company?" They've gone and bought parts of other businesses. I know one of the companies, Kate, you're very, very happy with.

Kate Campbell:
Yes. They've invested a small amount in Guzman Gomez, which we actually go to for lunch sometime near work. One of the things I did want to point out, because it came up with a friend the other day, is that when you're investing in a funds management business, it's like that umbrella. You're not actually investing in those individual active ETFs or managed funds. You're investing in the company that runs it all.

Kate Campbell:
Because I had a friend who thought they were investing in an Australian Ethical managed fund, like a high-growth fund that was investing in all sorts of different companies, but they actually brought Australian Ethical, the funds management business. That's not what they wanted to invest in at all.

Kate Campbell:
They were actually looking for a managed fund, but they just got really confused because they saw the word Australian Ethical and just thought, "That's it." They bought shares in the business that runs the fund instead of actually investing in the fund itself. I think it's just good, because if you do search Magellan in your broker, their active ETFs are going to pop up as well as the fund itself.

Kate Campbell:
Just being careful to clarify if anything like Platinum, Magellan, Australian Ethical, there's a few others, it'll be like investing in Vanguard, which has all of the funds and ETFs.

Owen:
An example, that's what I was going to use.

Kate Campbell:
... underneath it. Vanguard's not listed as far as I know, but yeah, just be really careful if you are trying to invest in an active ETF by a particular manager or a managed fund that you're investing in what you actually want to invest in.

Owen:
Yeah. We've had ETF securities on the show before we've had, [inaudible 00:10:14], Evan, and we've worked behind the scenes with a couple of those guys. It's important to remember that you can invest in an ETF securities ETF through your brokerage account, but ETF securities itself is actually a company. Like someone owns that company.

Owen:

If that company was on the stock exchange as well, you could invest in the company that runs the ETFs. That's basically what we have here. We're talking about the company that runs the Magellan strategies. For new people, this might sound a little bit like, "What the heck is going on here?" Just know that you are investing in a company.

Owen:
Whereas if you're investing in one of the strategies, you're actually just investing in the ETF or one of the managed funds, just like you would something else. The difference with that is, to this one key difference, if you invest in Magellan funds, you're going to get units and if you then decide to sell, you're going to get cash back that way.

Owen:
If you invest in the shares, you're getting shares, not units. When you sell, you have to sell to another investor on the stock exchange. Now, so Kate, all of this said and done, so this is a really interesting company, obviously. What does it actually do? Why is it a good company? Why would people be even looking at this thing in the first place?

Owen:
I think that's worth talking about, but maybe actually, before we get to that, we should actually talk about who's running it. We mentioned it briefly there. You mentioned some of the competitors. Can you take us through the competitive landscape and who's running the business?

Kate Campbell:
Yeah. Honestly, when I was thinking about competitors and having a look, I think that exchange-traded funds would be a big competitor. I don't think they put that on their website, but a lot of investors go back 20/30 years manage funds were one of the best ways to get a diversified portfolio without having to do it yourself. A lot of self-managed super funds still invest in managed funds till today.

Kate Campbell:
Now exchange-traded funds have popped up in the last 10/20 years. That's a lot easier to access a diversified portfolio for much lower fees. Of course, it's different. It's not an active team running a portfolio and deciding every day what they're buying and selling, it's sort of a passive strategy. I don't know if you would agree, Owen, but I think ETFs are a big competitor to a company like Magellan.

Owen:
Well, that's why ... So yeah. I would say the most obvious competitors are the funds management businesses. Like a-

Kate Campbell:

Yeah. You've got Platinum, Australian Ethical, Pinnacle, Perpetual, other companies like that. Especially international funds management businesses that you won't hear about as a retail investor, but the super funds are going to be investing billions of dollars with.

Owen:
Yeah. This is an important point. You bring up here, Kate, because it relates to the risks in just a moment. It's not just you and I, people like you and I putting 20 grand or something into one of these strategies that Magellan runs. If we were customers of Magellan, we would be very small customers. Some of their customers invest billions. I think one of them invests over a billion dollars and that was pulled out recently.

Owen:
Those are what we call institutions or institutional money. If you and I go to Magellan, we'll pay the 1% and we'll probably pay the performance fee. Let's say AustralianSuper is looking for a place to put money from its members. It can go to Magellan and say, "Hey Magellan, we're AustralianSuper, we're the biggest super fund in Australia. We want to invest $500 million of our members' money with you, but we're not going to do it at 1%.

Owen:
We'll do it at a lot less. Do you want the money or do you not want the money?" That's basically the relationship that goes on behind the scenes with big institutions. What you and I know is we give 20 grand to Magellan and they take 1%. For big investors, the institutional investors, they're talking big dollars and they're talking low fees.

Owen:
To your point about competitors, basically it's anyone who could take, or any firm, which could take money away from Magellan. That could be an ETF it's worth noting that Magellan have their ETFs. They've recognised that that's a threat so they've launched their own ETFs. It could be a financial advisor that doesn't use Magellan. They might go somewhere else and then they send the money in a different direction.

Owen:
It could be pure index funds, whereas say Magellan doesn't do index funds. It could be any one of these things. At the end of the day, you outline some of the big ones. You've got Platinum, you've got Australian Ethical, Pinnacle, Perpetual, Magellan, Hyperion. Just the list goes on. There's thousands of fund managers throughout the world. All of those competitors.

Owen:
I would say it's important to understand in any funds management business who is running the company and I will just quickly rehash what I said before, was Hamish Douglass was the chief investment officer and executive chair, I believe, for the majority of the company's life. Chris Mackay was his co-founder and was in charge of something which was basically a listed investment company. Something we've talked about before, MFF Capital Investments.

Owen:
This was also on the stock exchange. However, it's slightly different. There are many different Magellans we mentioned before. This was like an offshoot of the main one. He went and ran that a few years, but then he came back in the last year. He's kind of riding the ship in Hamish's absence. The interim CEO and CFO is Kirsten Morton.

Owen:
Has lots of experience most notably with Colonial First State. There's another competitor. Hamish McLennan, if I could speak correctly today, has been a director since 2016 and in 2022 became chairman. There's been a bit of transition here lately.

Kate Campbell:
I think there was even just a new story last week that Hamish stepped down from the board.

Owen:
Yeah. Yeah. I saw that in [crosstalk 00:16:27] press release.

Kate Campbell:
Yeah. Even in researching this episode in the last couple of weeks, more changes have happened. I think that's just ... It sort of reinforces the fact that if you are looking at individual companies, you do need to stay on top of things like this because the landscape can change really quickly.

Owen:
Yeah. The thing that is really important in funds management business to be aware of is let's say, Kate, for some unknown reason, I wouldn't have the faintest idea why, you say, "Hey Owen, actually, I think you're a pretty good investor. I'm going to let you invest a thousand dollars of my money." Let's say I go outside and I get hit by a bus.

Owen:
You're going to be like, "Okay. I'm taking that thousand dollars back because, well, you're not going to invest it for me." That's what we call key person risk. Now, there's two sides to this. One is Hamish is constantly applauded as the biggest and best investor in Australia. He has been probably the last 10 years. When he leaves, some investors are going to pull their money out, which we've seen happen.

Owen:
Now, the other side of it is that because it's the biggest, or one of the biggest fund managers in Australia, it actually has a fantastic reserve list. If you think about it like a sports analogy. The people that come off the bench are fantastic. They're not just any old deal that's got a chartered financial analyst designation.

Owen:

Chris Mackay is a fantastic investor in his own right. So for him to come in and back up Hamish while he's down, that's impressive. Even some of the senior analysts like Nikki Thomas, Vihar Ross, Don Giuliano, many of these people are really, really, really impressive investors. These-

Kate Campbell:
They've got a big team there. They're running over 20 different funds and active ETFs and you can't do that all as one individual person. I think in those companies where there is that key person, we wouldn't know who else works for Berkshire Hathaway except Warren Buffett.

Owen:
Well, that's true. Yeah.

Kate Campbell:
Who else works ... They don't have any publicity. I think sometimes that key person can overshadow all the other great people that are running the show.

Owen:
That's probably what's happened here a bit, is for a long time, Hamish was the person that you saw everywhere. Everywhere. That's great because then it meant that basically you knew what you got. You got the guy that has run it for so long and has done so well, but also the downside of that is that when he leaves it creates issues because you end up in a position where he's left and all of a sudden you're like, "Okay. Well, now who's responsible? I don't know this other person."

Owen:
Yeah. I think they've got over 30 analysts in total, like in portfolio managers and plenty of great talent. I think one thing that's worth mentioning here, if we talk about risks for a moment is that Magellan Capital Partners where they own GYG, where they own part of Barrenjoey, where they own all parts of these businesses, they own small stakes, as well as some of the managed funds, that's all permanently locked in.

Owen:
Meaning that they own some of these businesses and that they have an ownership stake in them, but also some of the funds, some of the funds that they run have locked in money, meaning that money that cannot leave. There's permanent money for them to invest. They'll always have a business, it's just a matter of how big the business is, Hamish or not.

Owen:
They knew, these investors aren't silly. They knew that when they were managing billions and billions of dollars that, hey, maybe this won't last forever. Maybe what we should do is try and lock in some of this money and so we've got it for forever. That's what they did. This is like a stroke genius. They've also started off in ETFs and all those types of things.

Owen:

Kate, there is I guess some questions around like ... I don't think you want to talk about ... This is just kind of more like the social, environmental and the governance piece. We talked about governance. One thing that I really like about ... And this is not necessarily the only thing I like about them, but one thing that I really like about Magellan is there are so many great female investors in the team.

Owen:
I don't think it's a conscious thing. I just think it's them just hiring great people and that's just a byproduct of it. Some of their leaders that I think of are people like Nikki Thomas, Vihar Ross, who I interviewed the other day, so many great investors, even within Airlie Funds Management, which is the business that they acquired. Yeah. I mean-

Kate Campbell:
I think they're doing a great job of actually starting to reach out to a younger demographic through their active ETS and through their fund managers and they're actually getting involved. Whereas some of those older-school funds management businesses, you don't see anywhere. I don't know if they really care about a younger demographic coming through-

Owen:
[crosstalk 00:21:23].

Kate Campbell:
... that could potentially invest in their managed products one day. It is quite heartening to see. I think, yeah, even having a look, if you are interested, having a look at the annual report. I mean, I was just flicking through it before, and it is quite easy to understand. The first few pages especially you can read the chairman's letter to shareholders, so you can get a quick overview of the company all in one spot.

Owen:
Yeah. Yeah. The key thing to keep in mind with all this stuff is all the different strategies charge different fees, but what Magellan actually keeps is its own kind of margin. That's probably the key thing from a financial perspective. We'll get to that in just a minute. Yeah.

Owen:
That's probably the key thing, the wonderful thing about a funds management business like Magellan, and if we start to talk about some of the good things, the wonderful thing about a company like Magellan is that once you've got your core people in place, and once you've got your core systems in place, you can just bring on more investors, more investors, more investors, and get them investing in your strategies.

Owen:
You can just earn more and more and more fees because if you think about it, like let's say Kate, you and I, we start Magellan 2.0, we get all the legal documents sorted. We set up with our custodian, the company that takes care of our money, of our investors' money. We get a

trustee, the company that manages it basically, all we've got to do, you and I, is just invest the money and get more investors in.

Owen:
We could be investing $500,000 or we could be investing $500 million. It really doesn't make that much of a difference. What happens is when these businesses do well, they do really well. Meaning that once they've got their employees and their systems down pat, they've got their customer service, there's really no more big expenses that have to go into the business.

Owen:
Say like a company that manufactures, I don't know, cars, well, every time Tesla wants to roll out and add another thousand cars, they'll have to build a new factory or whatever the number is. Or every time Coca-Cola wants to start distributing into a new place, they might have to add another warehouse. With Magellan, you just simply don't have that because they don't need to. They need their website.

Owen:
They need to have all their backend processes up and running. The rest of it is just automated. What happens is the more customers that come on, the better the profits, because your costs aren't rising as quick as your profits. Do you mind now, if I just jump into sharing my screens for those people that are watching and-

Kate Campbell:
Yeah. Absolutely.

Owen:
... yeah, walk us all through it? I've just got to make sure that Zoom likes me today. Okay. Let me-

Kate Campbell:
We do a quick overview of the financials?

Owen:
Yeah. Here we go. Okay. I think you ... Can you see this?

Kate Campbell:
Just says you've started screen share. Oh, okay. I can see and your desktop as well. There we go.

Owen:
Yeah. Okay. Okay. Cool. Here we go. We can see this is the ticket terminal, but we'll come across to the most recent annual report. Kate, you mentioned before about how there is ... And I'm all the way down at the bottom because I was looking at the number of shareholders.

Kate Campbell:
Yeah. If you are trying to find the annual report, go to the website and head to the investor centre, or you can go to the ASX website, search for MFG and look at all the announcements, scroll back a bit and you'll see the annual report. It's probably the longest document listed there.

Owen:
You can see this one is the annual report from August 2021, and it's 102 pages. When you click into the annual report, typically the first page has a very concise summary of financials. This is a legal requirement. They have to post this stuff on the front page or the second page. You can see here, the company made revenue of 715,000 for the financial year or the 12 months ending June 30th, 2021. Net profit was 265 million on an individual share basis.

Owen:
That was 100.44. If we look further down, we can see the dividends, the company paid or announced $2.11 in dividends, which is really, really impressive. Not quite fully franked, but a lot of it was franked. Then we dive into ... And you mentioned this before, there's a five-year summary. You before about the chairman's letter. That's here starting on page six and you can go through that.

Owen:
Then there'll be the chief executive's letter. This is from Hamish. You can go through and read that and it gives you a summary of the business. Every company does that in its annual report. If I just come back up here quickly to the five-year summary, this is really handy. A lot of good companies do this and you can see reading from right through to left you can see the revenue growing over time.

Owen:
This is what I meant before about the profits growing quickly as well. The interesting thing is, see this metric, this one right here, Kate? I know that you are watching this and some people won't be. I'm talking about something called the average base management fee. Remember how I said before that big institutions demand what they're going to pay Magellan, whereas you and I just cop the fee and move on?

Owen:
This number here, which is actually 0.61% tells you what's the average fee that's charged to a Magellan client regardless of how big they are, it's the average. You can see that the average fee has come down over time. That's because the strategies have mixed, they've changed, they've launched more strategies, some lower cost strategies, so on and so forth.

Owen:
I imagine there's some competition stuff in there too, Kate, to your point. People asking for low fees. The basics is you can see, and this is what I meant before. Magellan's revenue is 663 million in this year, but the expenses are 107 million. It's like a six to one ratio. That's incredible.

Imagine having a company where your revenue, what you're bringing in is 660 million and what you go spend out to produce those 106 million. That's not normal.

Owen:
That's why these are wonderful businesses when things go well. But let's talk about what happens when things go wrong. Well, the opposite is true, because just as quickly as money comes in, it can leave and sometimes there's no negotiating with big companies that want to send their money elsewhere.

Owen:
If we look at this here, this page here, page 19, according to my app here, you can see that one client on the very left here has over 10% of all of the money that Magellan invests. Meaning that if this one client pulled out, they would lose 10% of the money that they're currently investing for their clients and earning fees on. Now, the more optimistic and less cynical person would say, "Yeah, but that's only one client. It's a good spread across the other clients."

Owen:
That's true too. What happens if not just number one, but two, three, four and five all leave, and then all of retail versus, the smaller investors start to leave as well? Well, that's when you have a problem. That's currently what people don't know what's happening. People are-

Kate Campbell:
Because it can have a domino effect if people get spooked-

Owen:
Oh, absolutely.

Kate Campbell:
... and large funds get scared, some of these large funds, they don't want to do anything too different to the other ones, all their friends are leaving, they might want to leave the party too.

Owen:
That's exactly right, Kate. If everyone just floods the exit ... Have you ever heard of ... You've heard of a run on the bank. The only reason that a run on the bank is a bad thing is because everyone tries to do it at the same time. If you run to the bank today, I run next week, it wouldn't matter. That's just normal. But when everyone does it at once, that's the problem.

Owen:
All of us trying to run actually makes everyone else scared, because we're all like, "Oh, we all want money. I got to be there first." Then all of a sudden ... And that's basically what's happening. It's like herd mentality. If one investor pulls out of Magellan, does another investor pull out? Well, if he's pulling out and she's pulling out, we'll pull out.

Owen:

All of a sudden you have that kind of domino effect, as you said. I don't think it's that bad, but that's just me. Here we can see that Magellan earns its money predominantly from those management fees, just that 1% every year or 0.61% every year and less from its performance fees. Although, its performance fees are like cream on top. You don't always get it, but when you do, it's good because it's basically like free money.

Owen:
People are saying that because Magellan's performance hasn't been as strong, they're not going to earn performance fees. Finally, I might just draw ... I know we don't want to go on for too long about this, but one more thing on the financials, if I can come down to it, is that the company ... And here we go, we've got the auditor's report. The company is in a very strong financial position.

Owen:
It's got $211 million of cash at the end of the 2021 financial year, it's since been updated. There's been a half year report. Keep that in mind. On the other side of the equation, there is no long-term debt. There is some liabilities here. We might dig into that. Sorry, we'll go down to note 14, just to clear before we say something on the podcast that's incorrect.

Owen:
Yeah. We've obviously ... Yeah. Here we go. It's apartment related to the global fund restructure. Yeah. Okay. That's not traditional debt. It's got a strong balance sheet. Kate, that's basically the financials. We've got some good, we've got some bad with every company that's invested. Is there anything else we need to cover off on? Oh, it also pays a juicy dividend.

Kate Campbell:
Yeah. I guess the main thing that if people listen to this episode and they just search the company on their brokerage app, they're going to look at the past year share price and they're going to go, "What is going on?"

Owen:
Yep. Okay. The answer to that question is exactly what I just explained. With Hamish leaving and the main strategy, which is the Global Equity Strategy, it's not performing as well. It's not earning performance fees, which then means that the people that invested with them and now it's taking their money out quicker than they're putting it in. Whereas in the past say 15 years, it's been the other way around.

Owen:
It's been everyone putting their money in. They can't get enough of Magellan. You might remember it sponsored the cricket. It was that popular not too long ago. That's what's happening now. The question then is, okay, well, when does that stop? When does the ship right itself? The answer is no one knows for sure. Why does no one know?

Owen:

Because it depends, like you said before, it could be everyone runs for the exits, or it could be just half the people run for the exits or people get to the exit and then they don't go out. Another thing is that people then see that Magellan, they might go, "Hey, Magellan, you've got 15 years of really good performance but we know you're in trouble right now. We're going to stay, but you're going to have to give us a little discount on that fee that you charge us."

Owen:
They use that leverage to their advantage. Many funds have been in this situation before, like Platinum, which we mentioned before, that was in a similar situation. Basically Magellan ate Platinum's cake. You see this with all the big fund managers.

Owen:
Now, all this is to say, no one can predict the share price in the short term, no one, but that's what makes Magellan so interesting right now, if you believe that people will stop taking their money out as quickly as they are now and you believe that the company's still got some really good investors and they're going to do well over the long term, well then you might be inclined to say, "Hey, I'm thinking this is more of a buy."

Owen:
If you are thinking, "Oh, they might lose some more money yet, more investors might walk out the door. Oh, I'm not sure about them losing Hamish in a permanent role, what that might do." Then you might be like, "Okay. Well, maybe it's a sell." Or maybe it's like a, "I'll wait and see on the sidelines." Personally, for me, I think Magellan's a fantastic company.

Owen:
I just think it's a fantastic company. I think it's got some tremendous investors there. There are some investors I haven't even mentioned yet who are there and I think they're still Australia's premier investment company.

Kate Campbell:
It's on your watch list?

Owen:
Oh, it's definitely. Yeah. To give you the short answer. It's definitely on my watch list. Definitely on my watch list. Yeah. I don't own shares. Neither do you, I believe. I haven't invested in one of the Magellan funds, all of the full disclosure, but it's a really interesting business. There's a lot more that's been written on Magellan on the Rask Media website.

Owen:
If you just head to the raskmedia.com.au website, you'll see that there's a Magellan logo there. You can click on it, it's got some analysis on it. Yeah. It's a really interesting one.

Kate Campbell:
Yeah. I think there's the whole bull and the bear case, one of our writers has dived into.

Owen:
Yeah. Take a look. It's a really fascinating company. I would just say, remember, you don't have to own every company and you don't have to own every company at every time. That's the thing about ... Whereas ETFs you kind of put them in your bottom drawer and you just slowly dollar-cost average, or even if you're investing in the funds that Magellan run.

Owen:
For individual shares, you can afford to just be a bit more patient sometimes. That's okay too. Keep that in mind. I've watched Magellan fall for a while now and I still haven't bought, but I might in the future and you might do the same too, Kate.

Owen:
What we're saying here is, you don't have to rush in head first and buy them just because we talked about them on the podcast and you don't necessarily even have to go away and try and defend it or invest in it. This is just an exploration of what the company does. I think it's a fascinating company.

Kate Campbell:
Just some things to think about.

Owen:
Yeah. Yeah. Let's just summarise Magellan Financial Group. It is the company that runs the funds, not the funds themselves.

Kate Campbell:
Yes.

Owen:
MFG. Not MFF, not MGOC, not [inaudible 00:35:34]. MFG is the company. That's the company that runs the funds. The share price has fallen recently. You heard why. Some of the investors have pulled out. The co-founder and historical CEO has taken a medical leave of absence while his co-founder has stepped in in an investing role and they've got an interim CEO there too.

Owen:
Still have a really, really, really strong bench, got multiple strategies. The key question on everyone's mind is, can Magellan slow up the people heading for the exits and can it maintain that fee that it charges? If it can, it could be really interesting. It's definitely on the watch list.

Kate Campbell:
Oh, just reiterating it is not a buy recommendation from Owen or the Rask invest team. If you do, if you enjoy this episode, if you want to pitch us a company or an ETF for a future deep dive, hit us up in the Facebook community or by emailing podcast@rask, R-A-S-K.com.au.

Owen:
Yep. That's it. If you want to join any of our membership services and see what we actually do buy recommendations on, you can head to the rask.com.au website. From there, you'll be able to see all of our memberships and subscriptions. Kate, that one was fun.

Kate Campbell:
Yes.

Owen:
I like these deep dives.

Kate Campbell:
Yeah. It's your favourite topic.

Owen:
Next time that's an ETF. Yes. Yes it is. Next month it's an ETF. That'll be a bit of fun too. As always, thanks for joining me.

Kate Campbell:
Thanks for listening.