

Bystander



TIM TREADGOLD

Do you sincerely want to be rich?

Older readers will recognise that challenging question as the title of a book written by one of the great corporate rogues of the 1960s, the late Bernard Cornfeld.

Younger readers, who have not the time to read books and would prefer all messages reduced to a three-line telephone text, will laugh at the audacity of the question and say it's impossible to get rich in a bear market. Wow. How wrong they are.

Bear markets are precisely the time when the foundations of great fortunes are laid because nothing is more certain than booms become busts ... become booms.

The trick in playing this great circular game of rising (and falling) asset values is timing. It's not just what to buy, it's when to buy and, more importantly, when to sell.

Cold comfort as this news is but last year was obviously the time to sell, and that's precisely what many of Australia's richest people did.

Ralph Sarich, James Packer, Kerry Stokes, Melissa Wyllie and the Roberts family all liquidated assets well ahead of the current slump, and the pain of rising interest rates.

The great dash for cash of the rich and famous saw Mr Packer and Mr Stokes reap billions of dollars from selling part of their media empires.

Sarich, Wyllie and the heirs to the fortune left by Multiplex founder John Roberts all cashed up by selling illiquid property assets.

Much can be learned from looking back at those events, such as when Sarich trousered \$500 million by offloading a portfolio of commercial high-rise assets to General Electric. Critics said he was getting out at the wrong time. He wasn't.

Sarich's exit, like that of his rich peers, was a conscious decision made after assessing the likely trend in asset values at a time of rising interest rates.

No degree in rocket science was required. It was bleeding obvious then that expensive money produces cheaper assets. This lesson is in the same category as night follows day.

So much for the history lesson of when to sell. What about the future, and when will it be time to buy?

The answer to the "buy" question is the same as the "sell" question. Copy the rich.

In terms of investment strategy, doing what the rich do is straight from the famous delicatessen scene in the movie *When Harry Met Sally* and a customer says "I'll have what she's having" after Sally (Meg Ryan) fakes an orgasm.

Bystander has been thinking about this "copycat" approach to playing the stock and property markets after years of watching, and sometimes admiring, the rich.

The rich are no different to the rest of us. They just have more money and, in many cases, that's all

Rich show way to profit from boom and bust



All in the timing: Ralph Sarich confounded critics by pocketing \$500 million from sale of commercial assets last year.

they do have which is why some of them spend small fortunes pursuing "happiness" and "wellness", or on re-branding self-promotion.

Once you understand how the rich successfully sold assets in 2007 you will have already moved on to the next question of when to buy, and that's why a conversation Bystander had earlier this week with Mr Sarich is so instructive.

Self-deprecating to a fault, Mr Sarich says he's just a simple Bassendean mechanic who still enjoys tinkering in his back shed. He's not. Mr Sarich is as astute a businessman as Australia has ever

seen and he reckons he'll spend the rest of 2008 sitting on the investment sidelines waiting for the bargains to drop his way. Here's a snapshot of Bystander's chat with Mr Sarich.

B: Can you predict when this downturn will start to throw up good assets worth buying?

S: I'd be fooling you if I said I could tell. I can't. We engage top economists to give us advice. But you can pay three different firms and they'll give you three different opinions. But, my feeling is that it will between eight and nine months, but that could go out to 18 months, or even two years.

B: You're implying that it takes that long for the financial stress of a downturn to work its way through?

S: That's right because we're waiting for a time when the financiers realise that there's no quick recovery and they put pressure on the owners (of property) to sell. People like us, and the Roberts family, are pretty cashed so we know we're in a good position.

B: So you remain on the sidelines, debt free, until the time is right?

S: Yes. We've deliberately stayed out of any gearing (debt) and that means we've got terrific purchasing power.

For average investors there are two lessons from Mr Sarich. He sold when everyone else was buying, and he's likely to restart buying when all hope has been lost in the market, and everyone else is selling.

An interpretation of his view of the world is that he has no intention of "catching a falling knife" because there's more pain to come.

But when people like Mr Sarich start buying, which they will (possibly even reacquiring assets they sold) why don't you mimic them.

As a final word on the rich, Bystander received an interesting phone call from a Perth stockbroker bemoaning the tight "know your product, know your client" rules laid down by the Australian Securities & Investments Commission regarding new accounts.

The broker said all that has happened with the tighter rules was that ordinary investors have been squeezed out of the high-quality end of the investment advisory business, and forced into dealing with discount stockbrokers who offer no advice.

In effect, the rules designed to protect "Betty Balga" have done her more harm because the biggest brokers (who employ the smartest advisers) use the draconian

God shows his contempt for wealth by the kind of person he selects to receive it.

AUSTIN O'MALLEY.

account-opening process to filter out clients they don't want, sticking only with the rich who can generate higher fees.

To see this "rich filter" at work look no further than the US investment bank Goldman Sachs and its local affiliate, JBWere.

In the US, where these strategies are devised, Goldman has said it is only interested in clients with \$US10 million (\$10.7 million) in financial assets, a number which does not include houses, cars and other personal possessions.

In Australia, it seems that the cut-off point to crack the house of Goldman is \$1 million in spare cash, a classic re-run of a strategy known as only doing business with "high net worth individuals", something tried repeatedly in this country, but which never works.

What Goldman, and other US money houses have yet to learn (and don't bother telling them because they know everything) is that Australia, especially WA, is not America.

Hanging up a shingle in St Georges Terrace which effectively says "only the rich may enter" is un-Australian in the extreme, with only one redeeming feature — we'll all get to have a good laugh when it fails.



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2001 911 Cabriolet Man Seal Grey, Black Leather, 18" Alloys, Sports Tail-pipes, Litronic Headlights. S/No.14987.....	\$127,693
2004 911 C4S Man Atlas Grey, Black Leather, Aluminium Interior, Sports Tail-pipes, Only 16,000kms. S/No.14979.....	\$180,943



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