

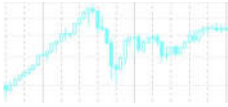
The dangers of blind Dividend Harvesting

Trading / Investing Strategies

The dangers of *blind Dividend Harvesting*

Dividend Harvesting strategy update with real case studies

Robert Brain
(Brainy's Share Market Toolbox)
July, 2020



"The share market can seem mystical and almost like black magic; but with the right support and assistance, it just seems like magic."
Robert Brain

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About this material

This set of presentation slides in July 2020 is an update to the introduction to dividend harvesting that was presented to a meeting of the ATAA Melb group in January 2020.

The members of Brainy's Share Market Toolbox can download these slides plus the more detailed Speaker Notes from the Share Market Toolbox www.robertbrain.com/presentations/

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Dividend Harvesting

Introduction

I studied dividends in 2H 2019, and I reported details and research conclusions in my January 2020 presentation:

- Not as simple as some people make out
- Useful information is not that easy to get
- Share prices do NOT generally fall by the amount of the dividend on the ex-dividend date
- The deep-pocketed players play "games"
- A **dividend harvesting strategy** may not be as straightforward as we think.

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The dangers of blind Dividend Harvesting

Dividend Harvesting

Introduction

Many investors engage in:
“Blind” dividend harvesting

*The purchase of shares
in a public company
with the sole intention of
profiting from the dividend,
without due consideration
for any capital loss.*

BUT there are traps!



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Dividend Harvesting

In January's session

In the January 2020 presentation:

- Shared some observations about dividends and share price performance — they might be surprising!
- Explained some of the key details about dividends;
- Showed some example share price charts and the impacts of the dividend;
- Refuted the claims about simple dividend strategies;
- Explained where to find relevant details about dividends (both upcoming and historical).

***The slides and recording of that session
are in the ATAA Contribution Library.***



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Dividend Harvesting

Today's session purpose

In today's presentation:

- Share the real-life results of my attempts at **dividend harvesting** in early 2020;
- Highlight the traps for the unwary;
- Draw some conclusions about the strategy;
- Prepare some tips for dividend harvesting next time.

(and learn from my own mistakes!!)



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Dividend Harvesting

About... Robert Brain

Nimble Short term Investor
consultant, educator and part-time* share trader
web-based sharemarket-support business

- Many years experience as trainer, presenter, conference facilitator (*Scouts*)
- Share Market – active 15+ years* (slowly at first)
- Chartist ie. technical analyst (ATAA member and national director)
- Provide support and tuition to traders and investors **Brainy's Share Market Toolbox**
- Member Mensa
- Engineering Degree (structured thinking with an eye for charts and diagrams)
- 30+ years – professional experience (IT and management)
- **No AFS license! (Can't give advice)**
- **BullCharts software (convenor Australian BullCharts User Group and authorised reseller with special pricing)**

* - Not yet enough capital to live off the proceeds of trading (after trading as a hobby until a career change in 2008).


Conflict of interest?

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Important Notice — No Advice!

- This presentation does not include any advice.
- For proper advice, your personal financial situation needs to be considered.
- This presentation is pure education, only for your general awareness.
- There are no recommendations to take any action, or to invest any money in any way.
- Always consult a properly licensed advisor before making investment decisions.



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Dividend Harvesting

Brief recap of the 2019 research

Dividend Harvesting

My 2019 Dividend Research

For the August 2019 dividend season (actually July to December 2019):


- A study of dividend details for 537 companies;
- 229 of these paid dividends;
- Only for my “liquid” stocks (ie. medium to large cap stocks which are trading frequently on the market).

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Dividend Harvesting **My 2019 Dividend Research**

Research statistics:


- 537 stocks were studied
- 229 of these paid dividends
- First ex-dividend date: 9 July 2019
- Last ex-dividend date: 5 Dec 2019
- That is, dividend paying season ran for about 5 months!

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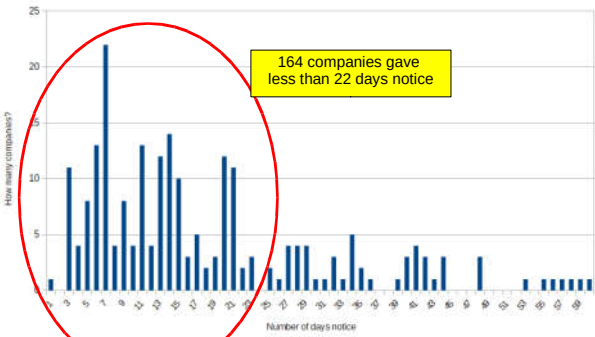
Dividend Harvesting **My 2019 Dividend Research**

When did they announce details?


- Of 537 stocks
- 12 of these stocks gave advance notice with special announcements (ie. many weeks prior)
- 217 only gave the standard, required ASX announcements.

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Dividend Harvesting **How much notice?**



164 companies gave less than 22 days notice

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Dividend yield

198 companies paid up to 6% pa

Ann. Div Yield %	No. of stocks
1 to 2	32
2 to 3	49
3 to 4	43
4 to 5	39
5 to 6	35
6 to 7	13
7 to 8	9
8 to 9	4
9 to 10	3
> 10	2

Note:
The Dividend Yield amount used and quoted here is the total dividend for the year, so the figure really is "per annum".


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My 2019 Dividend Research

Conclusions:


- There were many stocks paying reasonable dividends;
- In many cases, **only several days or weeks of notice was given;**
- Risk of capital loss can be high (ie. share price downtrend!);
- There are some traps to watch out for.

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2020 Case Study

**In early 2020
I implemented a strategy
to identify high dividend payers
with the objective of
capturing the dividend
without realising a capital loss.
Here are the results...**


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Dividend Harvesting

2020 – Summary stats


- Ran a weekly scan (on Saturday) for pending dividend-paying stocks;
- Between 14 May and 2 July 2020, identified and took positions in 4 stocks:
 - JHG Janus Henderson
 - AST Ausnet Services
 - AMC Amcor PLC
 - ORA Orora Limited
- All positions now closed;
- Used discretionary criteria for Go-NoGo.

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Summary stats

- Using \$10,000 of available \$100,000 capital;
- 1 trade profitable (winner);
- 3 trades not profitable (losers);
- Total dividends received = \$2089.02
- Less \$342 Withholding Tax!!! **TRAP!**
- Suffered one bad capital reconstruction;
- Capital loss = **\$2,466.89**


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Weekly market scan

- Using BullCharts charting software;
- Typical scan results next slide;
- BUT, note the terminology: (two dividends in one year can be different amounts)
 - “Current Dividend” (the “current” one) versus
 - “(Total) Dividend” (the sum of two dividends)
 - The Current Dividend is not necessarily half of the Total Dividend
- Dividend per Share (DPS): **TRAP!**
 - Can change markedly when Current Dividend details are announced

Remember: Any available div data relates to the 2 “latest” dividends, so if the “current” div is not yet announced, the figures are “old”.

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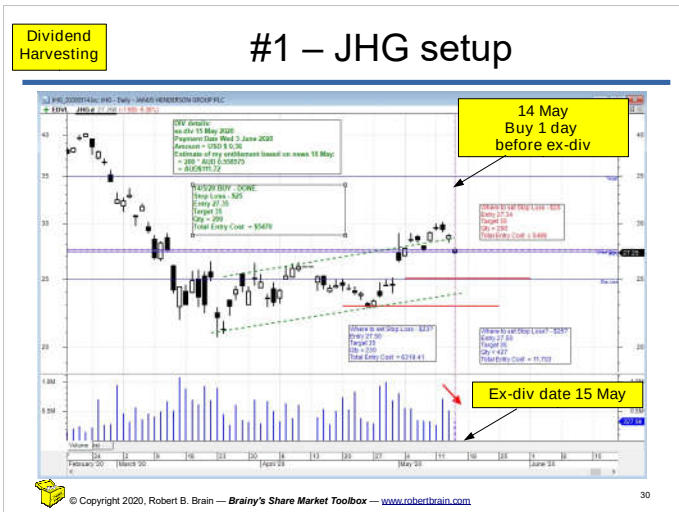
Dividend Harvesting

Case Studies...

Case studies with price charts follow:

- **JHG** – Janus Henderson
- **AST** – Ausnet Services
- **AMC** – Amcor PLC
- **ORA** – Orora Limited

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Dividend Harvesting

#1 – JHG results

JHG results:

- Amount invested: \$5,470
- Trade duration: 5 days
- Profit: \$ 651.26
(less \$19.95x2 brokerage)
- Dividend received: \$ 111.72

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#1 – JHG — since...

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Dividend Harvesting

Case Studies...

Case studies with price charts follow:

- JHG
- **AST**
- **AMC**
- **ORA**

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What does this mean?

- ORA did a 5 for 4 share consolidation.
- My 3600 shares became 2880 with a “capital return” of \$446 (= 62c/share).
- On ex-div date, ORA stopped trading as ORA, and went to “deferred settlement” basis with stock code ORADA.
- ORA resumed trading 2 days later, with adjusted historical share prices.
- “Fair value” was recalculated by analysts and reflected by Mister Market.

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#4 – ORA– Sell!

18 June - BUY
3600 @ \$2.73 = \$9,828
Stop Loss = \$2.55

Sell after 10 days

2 July - SELL
2880 @ \$2.495 = \$7,165.65

This price chart shows “adjusted data”.
All prices before 19 June
are revised UPWARDS!
(Note the uptrend line is no longer valid).

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Dividend Harvesting

#4 – ORA results

ORA results:

- Amount invested: \$ 9,828
- Trade duration: 10 days
- **Capital loss: \$ 2,642.40 !**
(less \$19.95x2 brokerage)
- Dividend received: \$ 1,342.80
- Capital returned:..... \$ 446.40
- WITHHOLDING TAX:.... \$ 315 !!!!!!!
- TOTAL RETURN:..... \$ 2,104.20

TRAP!

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Don't forget my Toolbox

- Brainy's **Share Market Toolbox**
 - www.robertbrain.com
 - Loads of eBook (PDF) Articles
 - Info: share market, charting, BullCharts
 - Weekly Market Updates and Watch List
 - monthly e-Newsletters
- Good software – BullCharts
www.robertbrain.com/bullcharts/
- My contact details:
web site above, or phone: 0438 355 910



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THE END

See free stuff here:
www.robertbrain.com/free

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ATAA — networking, etc.

For totally unbiased and broad support:



Australian
Technical Analysts
Association

- Seven locations around Australia
- Monthly meetings
- Lots of resources — www.ataa.com.au



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Dividend
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- More information on this topic and others;
- Technical Analysis information;
- Subscribing Toolbox Members have access to lots more information;
- A special version of this slide set including "Speaker Notes" will soon be available to Toolbox Members.

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