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Investor Education Centre

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Easy information makes for easy investing

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A couple of weeks ago, I made reference to a number of characteristics that typified a blue chip company. One reader has suggested that these characteristics, along with many other numbers and ratios, are indeed very useful for investors - if only the information was readily available in one place. It's encouraging to me that investors are increasingly seeking information from companies to enable them to make sound investment decisions. This is a welcome development for our markets as a whole.

But this reader commented that as a do-it-yourself investor, he is time poor and wants to be able to access a company's historical annual reports online, along with data on a company's share price, price-to-earnings (PE) ratio and dividend yield.

Most share brokers collate company financial information for clients, so that time poor investors can compare the whole market using defined criteria. One share broker publishes the annual NZ Investment Yearbook, which includes most of the financial data an investor should require. Ultimately though, while historical financial data is important, there is more to analysing a company than simply reading through annual reports. A good analyst will try to find out about the background of the management team, the culture of the organisation, its competitive position, its staff relations, its weaknesses and its opportunities.

I completed a quick search of the websites of a group of listed companies, large and small, and was impressed to see that most featured an Investor Relations section which provided much useful information. Investor relations has emerged as a relatively new profession covering all communications between companies and their stakeholders. Investor relations is a term that covers all information required for both regulatory compliance and to enable investors to assess a company.

Ideally an IR programme should be more than just communicating key numbers and strategies. Done well, the programme will communicate the intangibles as well – the company culture, corporate values, leadership quality etc.

For most companies, their investor relations programme will involve a number of diverse communication opportunities, encompassing the annual report, annual shareholder meetings, one-on-one analyst meetings, media briefings, press releases, advertising and profit announcements. There can be so much information for investors to assimilate, covering different aspects of a company's operations, that it is difficult for there to be a one-stop-information-shop for investors. But that should not be a deterrent – after all, too much information is far better than too little! Compared to twenty years ago, investor relations has come a long way. Regulations requiring full disclosure to all investors at the same time, and the emergence of shareholder advocacy groups such as the NZ Shareholders Association, have helped, while many companies have become more proactive in lifting their communication efforts.

There are now annual awards for companies providing the best investor communications – check out some of the recent winners – Sky Network TV (www.skytv.co.nz) won this year's award, and Infratil (www.infratil.co.nz) and Air New Zealand (www.airnz.co.nz) have both won a couple of times.

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