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| Good Counsel college |
| The Sharemarket |
| Report for Client |
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| |  |  | | --- | --- | | **Prepared by:** | James Macgillivray | | **Date Prepared:** | Monday 12 September 2022 | |



**Introduction**

The purpose of this report is to recommend a company to the client from the ASX which would be a good investment which will accrue a significant amount of money over a period in either dividends or rising share price. It will also compare that company to another in its industry.

**PART A outline of asx sharemarket company**

The company chosen as an investment is JB Hi-Fi. It is a consumer electronic and whitegoods retailer with stores around Australia. Its head office is in Southbank Victoria and has stores in Australia and New Zealand. It was founded in 1974 by John Barbuto as a single store business and the sold it in 1983 who expanded the company to ten stores. Throughout the 2000s it bought a competing consumer goods store and converted them into JB Hi-Fi stores. In 2016 the company then bought another competing company “The Good Guys” making it the 7th largest company in its industry. It was first listed on the Australian Stock Exchange in 2003.

What does the company do? What are its principal activities?

Where does the company operate? Where is its main office?

Provide information about the history of the company – who formed it, when was it formed, key events in its life, major changes, what caused the changes, any information that would help the client understand the company’s ‘story’.

When did the company first become listed as a public company?

(approx. 100 words)

**PART B Performance of the company**

The share price of JB Hi-Fi Limited fluctuated significantly over the past six months. Figure 2 in the Appendix shows the price history over that period. The share price starts high in April with a high of $57 and declines 36% over the next three months to $36. Since then it has risen 16% in the previous three months to where it now at $42.

Locate the “price history chart” of your company for the past six months.

* Interpret the chart to describe the trend in the company’s share price.
* Copy the chart and circle the major high and low points in the chart. **Source 1 (Appendix)**

(approx. 80 words)

**PART B performance of a similar company**

The share price of Harvey Norman Holdings Limited fluctuated significantly over the past six months. Figure 1 in the Appendix shows the price history over that period. The share price starts high in April with a high of $5.75 and declines %38 over the next 3 months to $3.60. It has since risen from that low and is slowly rising for the previous 3 months to where it rose 20% and is now at $4.30. Both companies share a very similar price history graph almost mirroring each other over the past six months.

Locate the “price history chart” of a similar company for the past six months.

* Interpret the chart to describe the trend in the company’s share price.
* Copy the chart and circle the major high and low points in the chart. **Source 2 (Appendix)**

(approx. 80 words)

**PART C Analysis of companies**

The companies of JB Hi-Fi Limited and Harvey Norman Holdings Limited like all companies is affected by market influences and world events. The Covid 19 pandemic has decreased in store visits and increased online purchasing. A high very high inflation rate is also influencing the market currently. This is causing high stock price volatility however the real price of the stock even if dollar-wise increasing may be decrease due to being worth less (Zucchi, 2022). On the 15th of JB-Hi-Fi released an annual financial report for the business. This was used to create excitement around the company itself and caused a small price increase for the stock. Recently on the 25th of August the share price of JBH dropped substantially. This was not caused by a world event nor an announcement from the company but the fact that it was the ex-dividend date and many investors wanted to sell their stake in the company (Teboneras, 2022). This meant that because they were paid the dividend on that date, they wanted to sell at that point rather than a different time. This did not however impact Harvey Normans stock price due to its ex-dividend date earlier in the year its share price too recently dropped this just seems to follow the current trend of the ASX which has been falling over this past month. Harvey Norman released that in the 2021 financial year they had a revenue exceeding 10 billion dollars (*reference to be added*). This however did not seem to affect the stock price as it continued to mirror the JB-Hi-Fi stock price.

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| Name of Business: JB Hi-Fi | Impact on the business |
| Positive findings  -JB-Hi-Fi full year results report | This report reassured investors that the business is continuing to grow and increased the share price temporarily |
| Negative findings  -Ex-dividend date | This caused many investors to sell their stocks causing the stock price to fall temporarily |

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| Name of Business: Harvey Norman | Impact on the business |
| Positive findings  -Revenue reached 10B over 2021 | Caused news articles to discuss this milestone |
| Negative findings  -High Inflation | This caused both companies to have a very volatile stock price in recent times |

Analyse the price history charts and other data and information to determine positive and negative influences and how these have impacted on the two businesses.

* What is happening in the economy or other events which may be impacting on the company’s share price?
* Research company announcements for reasons why share prices have changed over the past six months. What has happened to have a positive or negative impact for the company?
* Does the company earn dividends, have these increased or decreased over 12 months?
* How is the company performing against its competitors? Compare share prices.
* Interpret how these two companies have responded to changing economic conditions due to Covid 19.

Write your findings in the following table:

(approx. 150 words)

**PART D Recommendations**

After looking at the evidence it seems that JB-Hi-Fi is currently a good investment opportunity. Past performance does not mean future performance so making definitive claims about how the market will react in the future is a poor decision. However, it does seem reasonable to assume that JB-Hi-Fi and the ASX in the next six months would rebound from its current slump and create a decent net profit. This if true would mean that investing in JB-Hi-Fi would be superior to Harvey Norman as it is currently more expensive in its cycle as seen in figure 1 and 2. Even so it would be a bad investing decision to invest all of one’s portfolio into just one stock as it is very important to diversify in different markets to avoid losing substantial amounts of wealth over time.

Explain the financial risks and rewards when investing in the share market. What strategies can be used to minimise any risks?

Based on your research of the overall performance of the company and that of a similar company, recommend which company would be a good investment for the client.

Refer to your tracking table also for share price changes over the past three weeks to support your response. **Source 3 (Appendix)**

Refer to graphs and any other data to justify your recommendation.

Past performance |= future performance

Compare

Diversify

(approx. 150 words)

**Reference list**

Teboneras, A. (2022). Why is the JB Hi-Fi share price slumping today? https://www.fool.com.au/2022/08/25/why-is-the-jb-hi-fi-share-price-slumping-today/

Zucchi, K. (2022). Inflation's Impact on Stock Returns. https://www.investopedia.com/articles/investing/052913/inflations-impact-stock-returns.asp

**Appendix**

**Figure 1: Performance of Harvey Norman from May to September 2022**

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**Figure 2: Performance of JB Hi-Fi from May to September 2022**

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Record the share prices of your chosen companies in the table below for three weeks.

**Table 1: Tracking Table of Harvey Norman**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Week | Date | | Last price | Price change |
| 7 | 22 | Aug | 4.33 | - |
| 24 | Aug | 4.33 | - |
| 26 | Aug | 4.39 | +0.06 |
| 8 | 29 | Aug | 4.21 | -0.18 |
| 31 | Aug | 4.23 | +0.02 |
| 2 | Sep | 4.17 | -0.06 |
| 9 | 5 | Sep | 4.20 | +0.03 |
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**Table 2: Tracking Table of JB Hi-Fi**

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| --- | --- | --- | --- | --- |
| Week | Date | | Last price | Price change |
| 7 | 22 | Aug | 43.77 | - |
| 24 | Aug | 43.81 | +0.04 |
| 26 | Aug | 42.51 | -1.03 |
| 8 | 29 | Aug | 40.51 | -2.00 |
| 31 | Aug | 40.69 | +0.18 |
| 2 | Sep | 39.47 | -0.99 |
| 9 | 5 | Sep | 40.15 | +0.68 |
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