

SE Lifestyle
HD **CASINO STOCKS A GAMBLE**
BY FINANCE WITH BILL HARCOURT
WC 941 words
PD 2 April 2014
SN Manly Daily
SC MANLYD
ED Manly
PG 24
LA English
CY © 2014 News Limited. All rights reserved

LP

Some readers have objected to our recent emphasis on gambling stocks. For example, a few weeks back I reviewed one of my most profitable personal investments, James Packer's Crown Casino (ASX CWN) and referred to the Vietnam casino Donaco (ASX DNA).

It seems Australians will tolerate and perhaps participate in gambling, just as long as it does not interfere with other activities. Recall the controversy about Tom Waterhouse's participation in rugby league sports commentaries.

TD

First, a declaration of prejudice: I worked my way through university as a provincial bookmaker's bagman in the good old/bad old days. I carried the bag, strapped over my shoulder that held my racecourse bookie's money and had some of the best years of my life.

There's no specific condemnation of gambling in the Bible's Old or New Testaments. In fact, we read about the casting of lots. "Joshua then cast lots for them in Shiloh in the presence of the Lord, and there he distributed the land to the Israelites" (Joshua 18:10).

However, Islam forbids gambling and usury as well. In the Western world, due to financial integration, this has led to a relatively new Islamic system of finance.

Quoting from the Qur'an, 2.219 (al-Baqara): "They ask you about **wine** and gambling. Say: 'In them both lies grave sin, though some benefit, to mankind. But their sin is more grave than their benefit'." This has not stopped giant Asian casino **group** Genting having headquarters in Malaysia, a predominantly Islamic nation. As well, some of the best racehorses in the world are owned by the Sheiks of the strictly Islamic United Arab Emirates in the Persian and Oman gulfs.

It appears those Australians with strong moral sensibilities are opposed to gambling, but in the wider community it is tolerated.

According to Australian National University research, Australians feel sympathetic to people with gambling problems.

However, they view compulsive gambling as a moral failing to which a high level of social stigma is attached. Thus gambling addiction is treated more harshly than other forms of addiction.

This deters people with a gambling habit from seeking help. As well, while levels of drug addiction can be measured, there is no way of measuring levels of gambling addiction.

For investors with a moral approach to investment, there is "Green" ethical funds. A number of unlisted funds are run by Australian Ethical Investments with impressive returns.

Australian Ethical Investments is a listed fund (ASX AEF) priced at \$30.70 and yielding 4.7 per cent. Returns are impressive but the daily turnover of AEF shares is extremely low.

As for the Asian gambling stock Donaco International (ASX DNA), I was, shall we say, “adventurous” enough to **buy** recently at \$1.42. Almost immediately the stock rose to \$1.52 but has suddenly fallen to \$1.38. Thank goodness we did not include it in our portfolio below.

Little stocks with big ambitions can be an investor’s graveyard. Donaco has announced it has binding commitments to raise \$75 **million** by issuing \$56.39 **million** shares at \$1.33 from institutions and “sophisticated” investors (those with a net worth of more than \$2.5 **million**).

The **company** would also issue a further 29.64 **million** shares subject to shareholder approval.

Donaco operates in the leisure, entertainment and associated technology **business** across Asia. Its only operation so far is the Lao Cai boutique casino on the Vietnamese side of the **China**/Vietnam border. Buses carry **Chinese** punters from the border to the casino.

The **company** is at present upgrading its casino and hotel there. The number of gambling tables is being substantially increased. One assumes that the cost of this facelift has already been covered.

So where is the \$75 **million** going?

It is understood that Donaco will use the funds to **acquire** a casino or casinos in Vietnam, Cambodia, Laos or Thailand. I calculate there are already 15 casinos operating in these four nations.

Note any purchase of a casino will not be associated with the Genting giant but may be associated with another entity. Purchase will take place after detailed due diligence and a decision may take two months.

A number of casinos in the above four countries are operating close to the borders of neighbouring states and are aimed at attracting foreign gamblers via a network of junket operators.

In the purchase of Donaco I made a basic investor error – lack of research. I had no idea how many casinos existed in these smaller countries.

As well, when one makes a successful investment in a **company** in a particular industry one looks for similar investments hoping to have the same success. However, there is a good deal of difference between Jamie Packer’s Crown Casino empire and an obscure operation in the jungles of Vietnam!

Note the broker Baillieu Holst has downgraded Donaco from a “**Buy**” to a “Hold” due to lack of information, but I’m reluctantly hanging in there. Why? It will enable me to recall and comment on my mistake.

Incidentally, I am not a casino fan. There is a reason. As a 19-year-old student recently out of school on my first visit to Europe, I had to telegram Mum in Sydney from the Principality of Monte Carlo. Guess why.

wharcour@bigpond.net.au

SIX-MONTH HI-VALUE PORTFOLIO ■ Bionomics (bought 17/1/14) at 69.5 cents now 56 cents ■ Sydney Airport (bought 14/2/14) at \$3.94 now \$4.25 ■ Ardent Leisure (bought 7/3/14) at \$2.41 now \$2.52

NS gcgamb : Compulsive Gambling | gaddic : Addictions | gcat : Political/General News | gcom : Society/Community/Work | ghea : Health | gmed : Medical Conditions | gment : Mental Health | gsoc : Social Issues

RE austr : Australia | nswals : New South Wales | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB News Ltd.

AN Document MANLYD0020140401ea4200013