Fine for deceased client blunder

STOCKBROKING

THE Commonwealth Bank's stockbroking arm has paid a $200,000 fine after mistakenly allowing the relative of a deceased client to make transactions with their money.

The Australian Securities and Investments Commission said CommSec failed to lock two accounts belonging to a client it knew had died in 2014.

It instead processed 59 market transactions over a seven-month period.

The relative was authorised to trade on a margin loan account in the event of a margin call, but not to provide instructions to enter into any of the market transactions.

ASIC's markets disciplinary panel said CommSec failed to properly implement or monitor its deceased estate policies and procedures.

CommSec said it reported the mistake to ASIC and co-operated with the regulator.

Shares in the Commonwealth Bank closed up 0.6 per cent yesterday at $76.89.

BIGGER CROP FUELS OPTIMISM

AGRIBUSINESS

GRAINCORP has flagged a stronger year ahead due to a bigger crop and operational efficiencies achieved in its storage and logistics business over the past two years.

The company revealed yesterday its net profit in the year to September had fallen 4 per cent from the previous year to $30.9 million.

Managing director Mark Palmquist said the company hoped to benefit from a bigger crop in the current financial year.

About 1.5 million tonnes of grain has already received.

"We think it will be a much better year for us than 2016 was," Mr Palmquist said. Graincorp's underlying profit, which strips out one-off items, rose 18 per cent to $52.7 million in the past year, in line with the company's forecast. It is paying a final dividend of 3.5c, fully franked, up 1c on a last year.

Shares in the group closed down 2c at $8.58 yesterday.

Perfect polish

Top awards for women

BUSINESS OWNER
CLAIRE HEANEY

THE Melbourne-based founder of a business that makes an ethical range of nail polish has been named the Telstra Australian Young Business Woman of the Year.

Anna Ross launched Kester Black after she became concerned about the sustainability of existing products.

The jewellery maker had been looking to match nail polish to her designs when she became alarmed that many beauty products were still tested on animals.

Her Australian made and vegan-friendly product is finding an international audience.

Ms Ross' water permeable "breathable" nail polish is being sold to Muslim women who would otherwise be unable to wear nail polish because of the washing involved in daily prayers.

"In business, my beliefs manifest in a drive for innovation and establishing sustainable, ethical options for the consumer," Ms Ross said.

Northern Territory's Andrea Mason was named the Telstra Australian Business Woman of the Year. She also took out the for-purpose and social enterprise award last night at the ceremony, held at the Melbourne Convention and Exhibition Centre.

Ms Mason is the chief executive of the Ngaanyatjarra Pitjantjatjara Yankunytjatjara Women's Council.

Jenny Paradiso from Suntrix Solar Systems, in South Australia, won the entrepreneur award.

Jackie McArthur, from New South Wales-based Martin Brower — which oversees the logistics and supply chain for more than 1100 McDonald's stores — took out the national corporate and private award.

Inspector Virginia Nelson, of Queensland Police Service, won the Australian public service and academia award.

A new award, the business woman in Asia, was won by Rituparna Chakraborty from TeamLease Services in India.

claire.heaney@news.com.au

Luke Schoknecht, owner of Mavericks Laces, shows off some of the colourful laces available. Picture: MARK DADSWELL

BRANDING LACES NEW BUSINESS' BOOTS

AS a director of a company developing branding and strategy, Luke Schoknecht knows only too well the importance of getting the message right.

With graphic designer friends, he launched a range of colourful shoelaces, Mavericks Laces, in early 2013.

Mr Schoknecht said the new take on shoe laces was an ideal vehicle to show clients how important it was to build a brand, website and strategy for their own products and services. "We set ourselves a challenge to take a commodity item we use every day and try to turn it into a product that people could fall in love with," he said.

They worked on the product, the message, branding, website, customer service and logistics.

"As graphic designers, we wanted to prove to ourselves and our customers that branding, design and photography are really important and can change any business," he said. The laces are sold internationally online via Shopify and stockists.

Mr Schoknecht said collaborations with other brands, such as Rollie shoes, had been invaluable.

"We also have learnt heaps from the businesses we have collaborated with," he said. "You have to make sure it is mutually beneficial."

The laces come in two lengths and are designed to team with casual footwear.

Mr Schoknecht said earlier this year he bought out the partners and brought the operation into his graphic design business Raine & Makin, based in Collingwood.

A priority was understanding who their customers were and why they were buying.

Doctors appeared to be over-represented.

When they asked medical professionals, they replied the laces allowed them to express themselves while gowned up at work.

CLAIRE HEANEY

Chances are that 'low probability' is not 'no probability'

THE SHORT CUT
with ANDREW MACKEN

IT has been a year of great political change for the West. First, it was the UK who shocked the world in June by voting to leave the European Union.

Now, it is the US which has shocked the world by electing Donald Trump as president.

Both events were regarded as unlikely. So how do investors deal with this seemingly heightened level of uncertainty?

Whether investors realise it or not, they are in the business of managing risk. A helpful way to understand risk is to think about the different possible scenarios that might play out.

While the future will, of course, only follow one scenario, the key point to understand is that this is not the only possible scenario the future could have followed.

Through this lens, investors should spend time thinking deeply about possible future scenarios and how their portfolios will perform in each scenario.

And while predicting the nuances of every possible future scenario is surely impossible, do not worry. It is the process that often yields valuable insights.

As Dwight Eisenhower said: "I have always found that plans are useless, but planning is indispensable."

Take Brexit as an example. Most indicators suggested the Remain camp would win the referendum.

The natural tendency for human beings is to try to forecast what will happen.

A risk manager, on the other hand, will think about what could happen.

So the risk manager would be considering two possible worlds: firstly, a world in which the Remain camp wins; and secondly, a world in which the Leave camp wins.

In the former world, the status quo prevails. David Cameron likely remains as prime minister, the UK remains in the EU and it's business as usual.

In the latter world, we find ourselves in political turmoil. It is unclear who is the PM, there is a heightened risk of recession and the currency weakens.

Upon walking through these scenarios, an asymmetry appears: either the UK will continue on as per the status quo, or there would be significant downside in the currency and perhaps to equities that are exposed to domestic demand.

The investor can take steps to protect his or her portfolio by exiting UK holdings and hedging currency exposure.

Now consider the case of US president-elect Trump. Rigorous statistical forecasts were overwhelmingly favouring Hillary Clinton to win. But they were not forecasting her probability of victory at 100 per cent.

There was always a chance Trump could snatch a victory.

So before the election, astute risk managers were not concerning themselves with who would win, they were considering the possible scenarios and forecasting how their portfolios would perform. But this was a more complex problem than in the case of Brexit.

For instance, it was not just about considering a scenario in which Trump or Clinton won — and then looking at their proposed policies for investment implications.

It was about considering the probability that the victorious candidate would stick to the platform on which they had campaigned, and if Congress would allow them to push their agenda.

It was these factors that indicated a Trump victory would probably not be the economic armageddon that many had feared. Such an analysis would have saved an investor from hedging US equity or dollar exposure — both of which rallied on the news of a Trump presidency.

ANDREW MACKEN IS PORTFOLIO MANAGER, MONTGOMERY GLOBAL INVESTMENT MANAGEMENT
@amacken