Laura Ashley crumples

ELI GREENBLAT
RETAIL

THE turmoil in the retail sector has claimed another high-profile victim as the Australian arm of homewares and fashion house Laura Ashley again collapses into administration.

KordaMentha partners Craig Shepard and Leanne Chesser have been appointed administrators for the retailer.

It comes after menswear chain Roger David closed its doors last weekend, joining a long list of other brands that have collapsed or been restructured including Topshop, Rhodes & Beckett, Maggie T, Payless Shoes, Marcs and David Lawrence.

Laura Ashley, operated under licence from the Laura Ashley company in Britain, has 18 stores and 100 employees in Australia.

"The business has been hurt by the same factors affecting many other fashion retailers — a becalmed retail environment, rising fixed costs and fierce competition from online retailers," Mr Shepard said in a statement.

It is the second time Laura Ashley has been put in administration. The last time was almost three years ago.

"The capital requirements to revive and grow the business became too burdensome as retail conditions became tougher," Mr Shepard said.

Immediate priorities for the administrators are to review the business, call for expressions of interest in buying the stock and licence and to clear as much stock as possible in the Christmas trading period.

The British parent company is not affected by the administration of the Australian operations. In its statement, KordaMentha said Laura Ashley arrived in Australia more than 35 years ago.

It was formed in England in 1953 when Laura and Bernard Ashley started printing fabric on their kitchen table after visiting London's Victoria and Albert Museum.

When on holiday in Italy in 1952, the film *Roman Holiday* was released and Audrey Hepburn's headscarves became a fashion trend that inspired the pair, KordaMentha said. They began producing scarfs, then tea towels and placemats.

At its peak here, Laura Ashley had more than 45 stores.

The first meeting of creditors will be held in Melbourne on December 13.

According to the group's website, there are four Laura Ashley stores in Victoria — at Bundoora, South Melbourne, Nunawading and in the CBD, at the Emporium.

THE AUSTRALIAN

Ross Webb works at Mitre 10, which is supplied by Metcash.

METCASH'S TASTE OF HARD TIMES AHEAD

JAMES HALL
RETAIL

METCASH shares have fallen after the grocery and hardware supplier reported an increase in first-half profit but flagged more tough times.

The company that supplies Independent Grocers of Australia and hardware chains including Mitre 10 and Home Timber & Hardware yesterday reported revenue of $6.19 billion for the six months to October.

That haul was up 2.2 per cent on the same period a year earlier, while net profit was up 3 per cent at $95.8 million.

But Metcash shares fell after it cautioned that "highly competitive market conditions" were expected to continue in the grocery sector, and a "softening in new construction" and DIY activity would affect the hardware market.

Metcash chief Jeff Adams said there had been no let-up in pressure on the supermarket sector. The group's shares closed 5 per cent, or 14c lower at $2.63.

Vertium Asset Management portfolio manager Daniel Mueller said Metcash — already up against heavyweights Coles and Woolworths, as well as German interloper Aldi — was subject to fierce competition in the supermarket sector.

"Coles is now a stand-alone entity, and they (Metcash) still have the potential for (another German retailer in) Kaufland to come into the market in the next year or two," Mr Mueller said.

Metcash declared an interim dividend of 6.5c, fully franked, up 0.5c from a year ago.

MARKET WRAP

THE share market surged yesterday after the US and China agreed to a 90-day truce on moves to introduce more tariffs, with energy and mining stocks rallying.

The benchmark ASX 200 index closed 104 points, or 1.8 per cent higher, at 5771.2 while the broader All Ordinaries also rose 1.8 per cent, or 107 points, to 5856.3.

The weekend's trade breakthrough between US President Donald Trump and Chinese leader Xi Jinping at the G20 summit in Argentina provided a much-needed kickstart for markets across the region and lifted oil prices.

"The market has generally been just hungry for any sort of good news and any sign that things aren't falling apart in the relationship between the US and China," CommSec chief market analyst Steven Daghlian said.

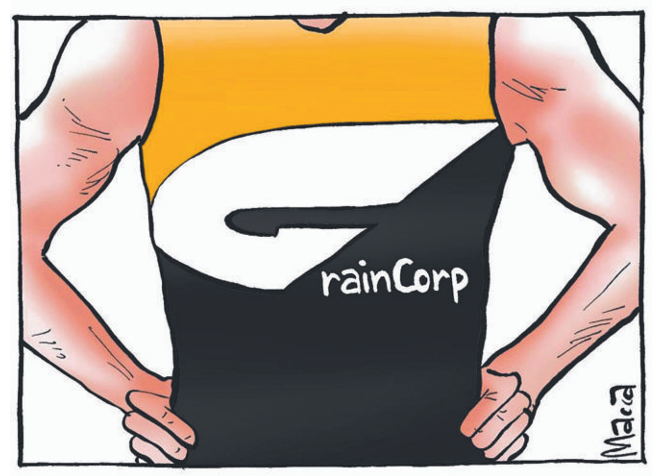
Santos led gains for energy stocks, rising 8.7 per cent to $6 after announcing it was producing gas at its third and final Bayu Undan well in the Timor Sea.

Origin Energy closed 6 per cent higher at $6.87, **Oil Search** was up 5 per cent at $7.68 and **Woodside Petroleum** 3.5 per cent to $32.16.

Among miners, **South32** leapt 7.1 per cent to $3.32 after commencing testing at its Balladonia nickel project in Western Australia. **Fortescue Metals** was up 4.3 per cent, while **BHP** rose 3.7 per cent to $31.82 and **Rio Tinto** gained 2.3 per cent to $74.99.

BlueScope Steel surged almost 12 per cent to $12.55 after it launched a new $250 million share buyback.

In the agricultural sector, **GrainCorp** rocketed 26.7 per cent to $9.25, on the revelation it was the target of a takeover bid fronted by Greater Western Sydney Giants chair and former Business Council of Australia president Tony Shepherd.



DOLLARS & SENSE by MACCA

Keep a weather eye open as you navigate vast global seas

THE SHORT CUT
with ANDREW MACKEN

CHOOSING businesses in which to invest is, in many ways, like choosing which boat you would take across a vast ocean.

Some boats are bigger and slower; while some are lighter and faster. But it's not just the boat that matters. Anticipating the weather conditions is often just as important.

Value investors have, for decades, debated the merits of considering the macro conditions in which businesses operate. Until the 2008 crisis, many believed that consideration only of the underlying business was required for a successful investment.

Over the last decade, however, the global economic "weather" has been so connected and significant to equity returns that investors really face little choice: they must consider the global economic winds, currents and waves when selecting their portfolio investments.

Just as quickly as Mother Nature can change her mind, so too can the global tides of financial markets change.

In 2017, the global equity market, as represented by the MSCI World Net Total Return Index, changed by more than one per cent from the prior day's close only on three occasions. In 2018, a daily change of at least one per cent had occurred more than 30 times by November.

What are the major weather events that face global investors today?

Unfortunately, there are many. Let's start with the evolving World Order. The view of the Chinese Communist Party from the shores of the US has rapidly evolved from one of reformer, to one of strategic competitor.

The range of possible geopolitical outcomes that could emerge as the two global powers find their new place in the world is wide and the consequences significant.

Next is the global monetary experiment that took place over the past decade, resulting in a swelling of central bank balance sheets by more than $US10 trillion.

The impact of such large-scale global asset purchases was to push down the cost of money. Similarly, the cost of money has started to increase now that these purchases are being unwound. What will be the impact of this for global financial markets? No one knows for sure: such a large-scale global monetary experiment has never been conducted before by humans.

Over the pond, the UK is rapidly trying to work out arrangements for leaving the European Union by the end of March next year. With domestic division on what is and is not acceptable, UK leaders face an extraordinarily difficult challenge of avoiding a "no-deal" Brexit.

And this is not to say the EU is out of the woods even with a smooth Brexit deal. The division around immigration rules, public deficit limits and other regulations presents its leaders with an exhausting game of whack-a-mole: extinguishing one crisis in time to face the next.

And this has been the case with a steady leadership in Germany. This steadiness is starting to erode with the major domestic parties losing popularity and the emergence of new, more fragmented parties. These dynamics are fluid and the outcomes unpredictable.

They also sit on top of the longer-term structural currents of ageing populations in most of the developed world and China; and the unfolding impacts of how improving computing power can be combined with enormous data reservoirs to unlock new artificial forms of intelligence.

The navigation of vast global seas is not just about the boat. It is also about your awareness and anticipation of the ever-changing and complex weather conditions.

ANDREW MACKEN IS CHIEF INVESTMENT OFFICER OF MONTGOMERY GLOBAL INVESTMENT MANAGEMENT