ASX 200	ALL ORDINARIES	BEST ASX 50	WORST ASX 50	$A	OIL BRENT	IRON ORE
6167	6373.70	SANTOS LTD $5.28	NEWCREST MIN $30.71	US CENTS 71.07 ¢	$US PER BARREL $42.44	$US PER TONNE $121.34
-6.80 -0.11%	-10.00 -0.15%	+.20 3.94%	-.88 -2.79%	+0.09 +0.12%	+0.73 +1.75%	-0.22 -0.18%

Investors might be satisfied with a slight loss on the share market after shares improved following the final US presidential debate.

to bring back the fun

Moochies, Pillow Pets and Chill Factor.

It has struggled for a number of years, squeezed by online and major retailers such as Kmart and Big W moving to directly source products and develop their own toy ranges.

Mr Brookes said the Hobby Warehouse acquisition gave Funtastic an established channel to sell directly to customers through the Toys R Us and Babies R Us websites, which came with a one million-strong customer database.

"This is a real game changer for Funtastic because it gives us the ability to effectively move into the business-to-consumer space at a very rapid and significant rate," he said.

"Our model was buying products out of China, or taking products such as Toy Story 4 and buying the franchise rights to them, and onselling them to retailers.

"I think the world has changed, where there is no longer a wholesale profit and a retail profit in retail.

"We needed to change the old-fashioned model and this gives us a really accelerated opportunity to do that."

Funtastic will tap major investors for $29m by issuing new shares at 11.2c each to fund the deal.

Its shares last changed hands at 6.5c this month before they were put in a trading halt, then suspended from trade, ahead of the announcement of the deal.

Mr Brookes will stand down as Funtastic chair following the acquisition.

Hobby Warehouse founder Louis Mittoni will become chief executive of the combined group and former Crossmark Asia Pacific chair Kevin Moore will lead the board.

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The uncertainty of chasing true value

ANDREW MACKEN

AS Warren Buffett once said: "Price is what you pay; value is what you get."

This simple definition underpins the logical pursuit of value to invest in businesses only when prices are materially below their true value.

This seems absurdly obvious and yet executing on this approach is rather difficult.

Why? Because "true value" is, essentially, unobservable.

That said, there are some logical analytical steps that can be taken by diligent investors to ascertain, with some degree of accuracy, the true value of businesses — or range of values more typically — with a reasonable degree of confidence.

These steps can be broken up into two broad buckets:

WHAT does the future hold for the business?;

HOW can that future be converted into a single numerical value — or range of values — today?

In assessing the first bucket, it will not be surprising to learn that predicting the future with any degree of sustainable accuracy is hard (or more specifically, impossible).

But thinking about a range of possible outcomes and assigning probabilities to these outcomes is more achievable.

One can think about the inherent advantages, or lack thereof, of the business in question.

Are these advantages strengthening or weakening due to competition? How quickly is the industry likely to grow over the long term?

Will the business in question be a long-term winner in its space? How likely is this business to create new, as yet unimagined, revenue streams?

Think about how Amazon, Alibaba and Tencent continue to surprise with new lines of revenue today that seem unrelated to their core business 10 years ago.

The answers to these questions feed into an assessment of the range of possible long-term outcomes for the business and associated probabilities for each outcome.

In today's stock market, there are surely pockets of exuberance along this dimension.

Said another way, it is likely that possible optimistic scenarios for certain businesses are being assigned unnecessarily high probabilities by the market.

Think of certain areas of technology today such as electric vehicles, online gambling or payments, for example.

In assessing the second bucket, three factors among many stand out for their outsized impact on one's ultimate estimation of true business value:

THE growth rate of earnings over time;

THE capital intensity required to achieve said growth;

Amazon continues to find new lines of revenue.

THE general level of global interest rates.

Similar to the factors considered in the first bucket, predicting these with great accuracy is near impossible — but there are certain observations that can assist in one's assessment.

For example, the corporate sector in the aggregate cannot grow its revenues faster than broad economic growth — after all, gross domestic product is essentially the sum of all revenues in an economy.

But businesses which are disrupting other businesses and industries can certainly grow at higher rates for a sustained period of time.

Similarly, for businesses that exhibit positive feedback loops and strengthening advantages — often related to the collection and use of large amounts of data — growth can also likely be sustained for a long time.

The economics of different industries are important to understand as well.

Software, for example, carries with it very different economics to materials, energy and financials.

Finally, the general level of interest rates over time is important to appreciate.

If they are to remain low, then valuations must be higher, all else equal. And vice versa.

On these second-bucket issues, there is every likelihood that the market is being conservative in some instances and not yet fully appreciating the true impacts of these dynamics: pockets of exuberance in the first bucket and under-appreciation in the second.

This is one important reason why investing is hard.

ANDREW MACKEN IS CHIEF INVESTMENT OFFICER AT MONTAKA GLOBAL INVESTMENTS.

Crown faces tighter leash following probe

GAMBLING

LACHLAN MOFFET GRAY

THE way casinos are regulated in New South Wales is set for a major shake-up in what looms as a significant development for Melbourne-based Crown Resorts.

An inquiry into Crown's suitability for a licence in NSW has heard the state should abandon its lax "co-regulatory" model in favour of a more "prescriptive model" used in Singapore.

Under the model, gamblers would potentially be required to register in order to play.

On Friday, the NSW Independent Liquor and Gaming Authority's inquiry heard from the state's Department of Customer Service better regulation division department secretary Rose Webb.

Both the counsel assisting and Commissioner Patricia Bergin put to Ms Webb their thoughts on what could be improved.

Ms Bergin asked whether "recognition of gambling patrons by identification with cards ... and various other prospects of making sure people don't money launder" would require legislative change.

"One avenue to try and stop it is a really rigorous recognition of the gambler and the fact that one would want to trace the transactions, not from just the problem gambler point of view but from the money launderer point of view," she said.

The inquiry reconvenes on November 4 and will release its final report on February 1.

THE AUSTRALIAN

QBE gets interim chief

INSURANCE

QBE Insurance has tapped Richard Pryce, the head of its overseas operations, to serve as acting group chief executive.

It comes as the insurance heavyweight continues a search for a permanent replacement for Pat Regan following his abrupt departure last month.

Mike Wilkins is returning to his position as chair, rather than executive chair, QBE said on Friday.

Mr Pryce's appointment as interim chief executive takes effect on October 26. The executive is based in London at the moment.

Mr Regan left last month after the board investigated a complaint by a US-based employee.