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Investment conferences fail to deliver

Mining and exploration conferences comprising dozens of back-to-back corporate presentations do nothing to improve investment returns.

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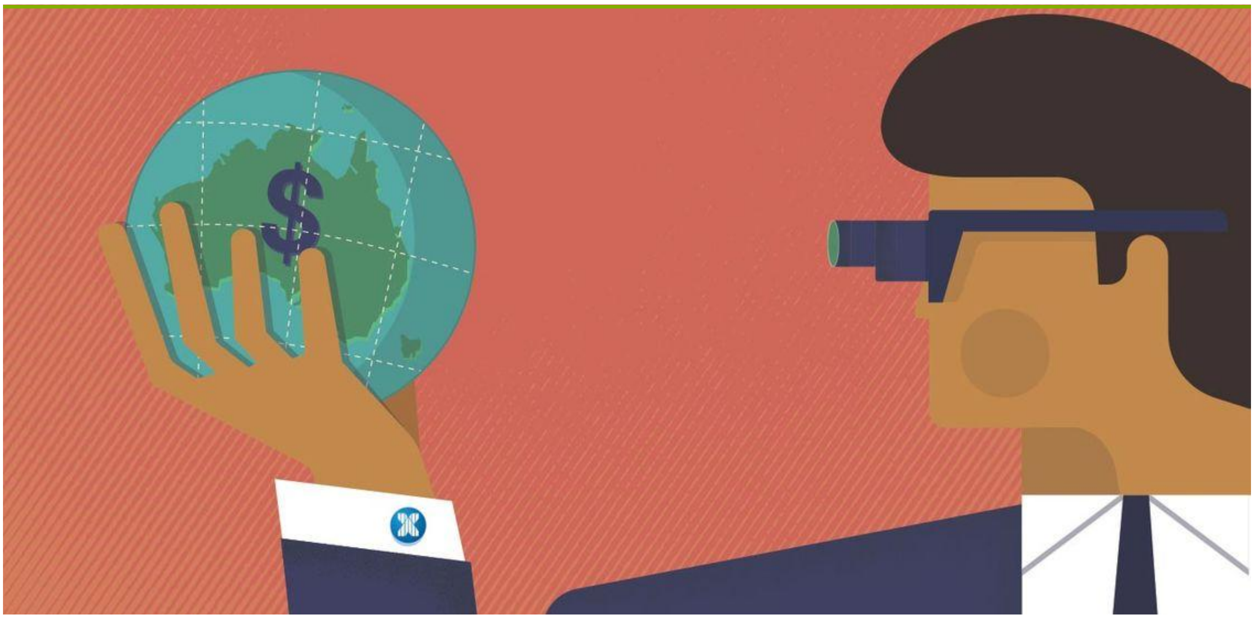

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In recent weeks, Australian investors could access a torrent of online mining company presentations. Some would have occurred, at this time, in any event. Others were postponed from earlier in the year to avoid COVID-19 related restraints on travel and public gatherings.

In principle, the move to online access is a windfall for serious followers of the sector. In practice, the most committed investors will have other sources of information. In any case, presenting executives have been trained to avoid saying anything new in such forums. The public presentations will be useful as an aide memoire but are an unlikely primary source of price moving investment information.

Noticing the long list of presentations available for viewing in the past week, my thoughts turned to a high school lesson on the fallacy of composition. The vivid example I recall was of a crowd watching a football match. If one individual stands, my teacher said, that person will get a better view of the game than anyone else but, if everyone stands, no one is better off.

Large numbers of companies congregated to appeal for support are akin to everyone standing at the football. A single corporate reaching out to hundreds of investors simultaneously could buoy its share price. Dozens doing so simultaneously may simply leave investors torn between too many unconvincing choices.

Conference organisers will usually claim to have curated an unusually prospective line-up of presenters. It turns out that the best-known conferences are neither assembling especially outstanding casts of presenters nor generally impacting subsequent market values.

Examples like Northern Star Resources, Pilbara Minerals, Sandfire Resources and Stavely Minerals can be cited as having performed outstandingly well after presenting at conferences but one could easily foresee that happening without any having frequented conference platforms.

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One well-known annual mining and exploration gathering attracted over 40 companies in the middle of 2019. Over the six months following the conference, the top quartile of participating companies had returns of +7.7% or better. The median return was a loss of 16%. The bottom quartile cut in at -34%.

On their own, those performance measures do not necessarily say anything about the impact of the presentations. Inferences about that can only be drawn with an eye on the broader market. The real test of conference effectiveness is whether relative performance is altered by participation. Do conference participants do better than the broader market after presenting?

Over the same six-month period following this conference, the median return among all ASX mining and exploration stocks was -10%. The top quartile cut in at +18%. The bottom quartile started at -31%.

Given the choice, investors would have been better off taking up a random sample of sector stocks rather than those presenting at the conference, unless they had the ability to pinpoint exactly which of the presenting companies were set to make mineral discoveries in the subsequent few months.

Of course, an outcome from one conference could be an aberration. But the pattern of performance across multiple investment events seems to have been more consistent than that.

To date, since the abovementioned conference last year, the top quartile return among the presenters has grown to +23% although, annualised, that is no better than the six month outcome. The median return over the longer duration has dropped to -21% and the bottom quartile has deteriorated to -56%.

Against the trend of deteriorating results among conference participants, returns within the broader market have improved markedly. The top quartile, median and bottom quartile cut in at +108%, +20% and -26%, respectively.

Digging a little deeper showed similar results for the equivalent conference a year earlier. The top quartile of returns over the 12 months after the 2018 event started at -9% (compared to +4% for the broader market). The median return was -24% (-25% for the market). The bottom quartile came in at -41% (compared to minus 53% for the benchmark).

The 12 month results following the 2019 annual conference of another well-established group with a strong investor following were similar. The three quartiles (with market benchmarks in brackets) cut in at +21% (+125%), -8% (+26%) and -30% (-31%).

A third regular conference group came up with similar results since its September 2019 event. Over the subsequent six months, the distribution of returns was -33% (against a -22% benchmark), -44% (-44%) and -56% (-60%).

The same group had an equivalent event in 2018. Then, the distribution of returns was +14% (+17%), -18% (-22%) and -54% (-46%).

In those instances in which conference attendee performance beat the benchmark, the differences were very slight and hardly significant.

Another group put on a show earlier this year, in May. In noticeably more buoyant market conditions and without any live audience, the conference outcome was also noticeably stronger. The distribution of returns until the end of October was + 183% (+143%), + 101% (+58%) and +36% (+13%).

The results of this fourth group were much better than those of the others. Whether that is down to having a more tightly curated selection of companies in this case, a statistical accident, more buoyant market conditions or a more willing online audience is unclear.

Overall, large-scale conferences as routes to investors' hearts have generally offered dubious value. Perhaps the strongest argument in their favour is that outcomes could have been so much worse without their backing.

Whatever the cause of the disappointing showing, the results suggest companies should take care in deciding who they choose to work with, if anyone, when allocating scarce management time and limited capital resources.

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