

The dangers of blind Dividend Harvesting


Trading / Investing Strategies

The dangers of *blind Dividend Harvesting*

Dividend Harvesting strategy update with real case studies

Robert Brain
(Brainy's Share Market Toolbox)

July, 2020
(with tweaked updates 2022)



"The share market can seem mystical and almost like black magic; but with the right support and assistance, it just seems like magic."
Robert Brain

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About this material

This set of presentation slides in July 2020 is an update to the introduction to *dividend harvesting* that was presented to a meeting of the ATAA Melb group in January 2020.

The members of Brainy's Share Market Toolbox can download these slides plus the more detailed Speaker Notes from the Share Market Toolbox www.robertbrain.com/presentations/


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Dividend Harvesting

Introduction

Dividend Capture
Dividend Harvesting
Dividend Stripping

Isn't it easy?
Isn't it straight forward?
Are there any catches?



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Dividend Harvesting

Introduction

Many investors engage in:
“blind” dividend harvesting

The purchase of shares in a public company with the sole intention of profiting from the dividend, without due consideration for any capital loss.

BUT there are traps!




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Dividend Harvesting

Introduction

I studied dividends in 2H 2019, and I reported details and research conclusions in my January 2020 presentation to ATAA Melbourne:

- Not as simple as some people make out;
- Useful information is not that easy to get;
- On the ex-dividend date, share prices do NOT generally fall by the amount of the dividend;
- The deep-pocketed players play “games”;
- A **dividend harvesting strategy** may not be as straightforward as we think.



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The 2019 research

In the January 2020 presentation:

- Shared some observations about dividends and share price performance – they might be surprising!
- Explained some of the key details about dividends;
- Showed some example share price charts and the impacts of the dividend;
- Refuted the claims about simple dividend strategies;
- Explained where to find relevant details about dividends (both upcoming and historical).

The slides and recording of that session are in the ATAA Contribution Library.



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Dividend Harvesting

Today's session purpose

In today's presentation:

- Briefly re-cap the highlights from the 2019 study;
- Share the real-life results of my (failed) attempts at **dividend harvesting** in early 2020;
- Highlight the traps for the unwary;
- Draw some conclusions about the strategy;
- Prepare some tips for dividend harvesting next time.

(and learn from my own mistakes!!)

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About... Robert Brain

Nimble Short term Investor
consultant, educator and part-time* share trader
web-based sharemarket-support business

- Many years experience as trainer, presenter, conference facilitator (*Scouts*)
- Share Market – active 15+ years* (slowly at first)
- Chartist ie. technical analyst (ATAA member and national director)
- Provide support and tuition to traders and investors *Brainy's Share Market Toolbox*
- Member Mensa
- Engineering Degree (structured thinking with an eye for charts and diagrams)
- 30+ years – professional experience (IT and management)
- **No AFS license!** (Can't give advice)
- **BullCharts software** (convenor Australian BullCharts User Group and authorised reseller with special pricing)



Conflict of interest?

 * - Not yet enough capital to live off the proceeds of trading (after trading as a hobby until a career change in 2008).
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Important Notice — No Advice!

- This presentation does not include any advice.
- For proper advice, your personal financial situation needs to be considered.
- This presentation is pure education, only for your general awareness.
- There are no recommendations to take any action, or to invest any money in any way.
- Always consult a properly licensed advisor before making investment decisions.



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Important Notice



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2019 Study

Brief recap of my 2019 research

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My 2019 Dividend Research

For the August 2019 dividend season (actually July to December 2019):

- A study of dividend details for 537 companies;
- 229 of these paid dividends;
- Only for my “liquid” stocks (ie. medium to large cap stocks which are trading frequently on the market).


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Dividend Harvesting **My 2019 Dividend Research**

Research statistics:


- 537 stocks were studied
- 229 of these paid dividends
- First ex-dividend date: 9 July 2019
- Last ex-dividend date: 5 Dec 2019
- That is, dividend paying season ran for about 5 months!

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Dividend Harvesting **My 2019 Dividend Research**


When did they announce details?

- Of 537 stocks
- 12 of these stocks gave advance notice with a “special, custom announcement” (ie. many weeks prior)
- 217 only gave the standard, required “ASX announcement” (a pro forma - Appendix 3A.1 document, as required by ASX listing Rule 3.21, not less than 4 business days before the intended Record Date).

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The App 3A.1 looks something like this example.

 Notification of dividend / distribution

Announcement Summary

Entity name
ASX LIMITED

Security on which the Distribution will be paid
ASX - ORDINARY FULLY PAID

Announcement Type
New announcement

Date of this announcement
Thursday August 20, 2020


Distribution Amount
AUD 1.22500000

Ex Date
Monday September 7, 2020

Record Date
Tuesday September 8, 2020

Payment Date
Wednesday September 30, 2020

Refer to below for full details of the announcement

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Dividend Harvesting

2020 Case Study

**In early 2020
I implemented a strategy
to identify high dividend payers
with the objective of
capturing the dividend
and avoiding a capital loss.**


Here are the results...

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2020 – Summary stats


- Ran a weekly scan (on Saturday) for pending dividend-paying stocks;
- Between 14 May and 2 July 2020, identified and took positions in 4 stocks:
 - JHG Janus Henderson
 - AST Ausnet Services
 - AMC Amcor PLC
 - ORA Orora Limited
- All positions now closed;
- Used discretionary criteria for Go-NoGo.


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Summary stats

- Using \$10,000 of available \$100,000 capital;
- 1 trade profitable (winner);
- 3 trades not profitable (losers);
- Total dividends received = \$2089.02
- Less \$342 Withholding Tax!!!
- Suffered one bad capital reconstruction;
- Capital loss = **\$2,466.89**



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Dividend Harvesting

Weekly market scan

- Using BullCharts charting software;
- Typical scan results next slide;
- BUT**, note the terminology: (two dividends in one 12 month period can be different amounts)
 - *Current Dividend* (the "current" one) versus
 - *Total (annual) Dividend* (the sum of two dividends)
 - The *Current Dividend* is not necessarily half of the *Total Dividend*
- Dividend per Share* (annual DPS):
 - Can change markedly when *Current Dividend* details are announced

TRAP!

Remember: Any available div data relates to the 2 "latest" dividends, so if the "current" div is not yet announced, the figures are "old".

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Scan Results data

Selected summary data only

Scan Date	Symbol	Name	Ex-div Date	Div Paid Date	Cur Div Amount \$/c	Annual DPS \$/c	Curr Div PerCent %	Annual Div Yield %	% Franked
8 May	JHG	Janus Henderson Group PLC	15 May	3 June	0.548	2.132	2.1	7.3	0
8 May	PMV	Premier Investments Limited	30 July	30 Sept	0.34	0.71	2.2	4.6	100
8 May	ARB	ARB Corporation Limited	8 Oct	23 Oct	0.185	0.395	1.2	2.6	100
15 May	AST	Ausnet Services Limited	20 May	25 June	0.051	0.102	2.7	5.4	50
22 May	AMC	Amcor PLC	27 May	17 June	0.177	0.692	1.2	4.8	0
18 Jun	ORA	Orora Limited	10 June	29 June	0.373	0.13	14.2	4.9	50

2 extra stocks — not traded

TRAP!

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Scan Results data

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8 May	ARB	ARB Corporation Limited	8 Oct	23 Oct	0.185	0.395	1.2	2.6	100
15 May	AST	Ausnet Services Limited	20 May	25 June	0.051	0.102	2.7	5.4	50
22 May	AMC	Amcor PLC	27 May	17 June	0.177	0.692	1.2	4.8	0
18 Jun	ORA	Orora Limited	10 June	29 June	0.373	0.13	14.2	4.9	50

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Dividend “principles”

- It is commonly said that the share price should rally into the ex-div date, and then...
- ... fall on the ex-div date by the amount of the dividend.

BUT!!
This is NOT True in practice!!!

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My BullCharts scan (wkly)

Select stocks that “qualify” and “Show”:- Example

- **Symbol** JHG
- **Security name** Janus Henderson Group
- **Ex-dividend date** 15 May
- **Dividend payable date** 3 June (< 3 weeks)
- **Current dividend** amount (\$/c) \$0.548
- **Total DPS dividend per share** (pa) — Total of the interim and final dividend amounts \$2.132
- **Current Dividend Yield** (%)..... 2.1%
- **Dividend yield** (%pa) — The **Total dividend** per share divided by the latest end-of-day share price 7.3%
- **% Franked** — The franking amount (%)..... 0%

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Case Studies...

Case studies with price charts follow:

- **JHG** – Janus Henderson
- **AST** – Ausnet Services
- **AMC** – Amcor PLC
- **ORA** – Orora Limited

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Dividend Harvesting #2 – AST results

AST results:

- Amount invested: \$4,393
- Trade duration: 2 days
- **Loss:** **\$ 281.75**
(less \$19.95x2 brokerage)
- Dividend received: \$ 117.30
- **WITHHOLDING TAX:.. \$ 27 !!!!!!!**

TRAP!

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Downloadable materials


ProTrader Workshop participants can download materials:

- Handouts for the five sets of presentation slides
- "ASX Index Compositions" pdf
- "Single Candlestick Shapes"... pdf
- "Uptrend Candle Patterns"... pdf
- "Downtrend Candle Patterns"... pdf

<https://www.robertbrain.com/files/KL/>

Username: **protrader** (not case sensitive)

Password: **ProTrader2022** (this IS case sensitive!)

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Don't forget my Toolbox

- Brainy's **Share Market Toolbox**
- www.robertbrain.com
- Loads of eBook (PDF) Articles
- Info: share market, charting, BullCharts
- Weekly Market Updates and Watch List
- monthly e-Newsletters
- Good software – BullCharts
- www.robertbrain.com/bullcharts/
- My contact details:
web site above, or phone: 0438 355 910



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THE END

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ATAA — networking, etc.

For totally unbiased and broad support:



Australian
Technical Analysts
Association

- Seven locations around Australia
- Monthly meetings
- Lots of resources — www.ataa.com.au

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- More information on this topic and others;
- Technical Analysis information;
- Subscribing Toolbox Members have access to lots more information;
- A special version of this slide set including "Speaker Notes" will soon be available to Toolbox Members.

See details here:

www.robertbrain.com

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