
How I Loathe the Gambling Industry and Buy Gambling Stocks

Six years ago a school mate of mine rocked up to Forager's King St offices in Sydney. He wasn't in a good place. With tears streaming down his face Ed* said to me "mate, I need help".

Our lives followed similar paths until our early 20s. Ed was a year below at Wellington High School (with only a little exaggeration, he claims he was the smartest kid in his year). We played footy together from eight years old and spent thousands of hours playing cards on our long bus trips to all corners of the state.

He came to Sydney a year after me and ended up with a good job with CityRail. Maybe the seeds were sown in those school poker games, but Ed's gambling became a poker-machine addiction in his early twenties. By 25 he was gambling every cent he earned. His partner left him and he lost his job. When he turned up at the Forager offices 10 years later, he was addicted to alcohol and ice and still borrowing to gamble money he didn't have.

One happy story

This story has a happy ending. Ed made it to [The Glen](#), a rehabilitation centre on the central coast that specialises in indigenous addiction. He is coming up to six years clean and now works as a counsellor helping others do the same. After seeing what they did for my mate, I joined the advisory committee at the Glen and have been closely involved ever since. We help hundreds of men turn their lives around each year and have just received government funding for a women's rehabilitation centre.

But they aren't all happy stories. Another of our school mates passed away a couple of months ago. He didn't make his 42nd birthday. Gambling, drugs and alcohol are more rampant than ever. You can't watch the 4pm Sunday footy without being inundated with gambling ads. And our government gets people back on the poker machines before my running group is allowed to train together in Centennial Park.

I hate the way the industry preys on the vulnerable. And I'll have a rant to anyone who will listen (including you, if you have made it this far).

And yet, we invest in casino stocks

In March we added **Star Group** (SGR), owner of Sydney's Star Casino, to our Australian Fund. Star is one of the largest owners of poker machines in NSW.

Some of our clients feel extremely uncomfortable about that. They feel a disconnect between Forager's trustworthiness, transparency and honesty and our willingness to invest in a casino.

I don't.

The analyst versus the citizen

As a concerned citizen, I'd love to see fewer pokies in Australia. While I don't think prohibition is a sensible strategy for any vice industry, I'd love to see more constraints on advertising and significantly more support for problem gamblers. Regulation, taxation and education has been so effective in reducing tobacco consumption that it should be the model in most vice industries.

In any case, as a cynical, realistic analyst, I think the chances of significant changes to Star Casino's profitability are slim. There are too many tax dollars and are too many vested interests for anything meaningful to change. Whether it is Forager's clients or someone else, from March's \$2 share price, the owners of the SGR shares were going to make a lot of money.

What is us leaving those profits for someone else going to achieve? Let's say 50% of the Australian Funds management industry decided they weren't going to buy casino stocks. Would the casino cease to exist? And, even if avoiding investing in Star was going to make a difference, who am I to decide which companies get the chop?



Steve and Ed at The Glen before COVID-19

One of our staff members thinks we shouldn't invest in gambling but alcohol is fine. A few of my

friends at The Glen would swap those priorities around. A client at a recent roadshow thinks we should be investing ethically but "the Greenies have it wrong on coal".

The world as it is

That's why I've always found it easier to separate the two. We invest based on the way the world is, rather than how it should be. We don't believe investing based on how the world is provides any additional impediment to the world changing for the better. And, as much as it pains us, we view some of that change as unlikely** and most of it uninfluenced by our investing.

And that's how Steve the fund manager can take a stake in a (good value) business that Steve the person might rather didn't exist.

**Yes, Ed is his real name and, yes, he's happy for his story to be told.*

***We've been wrong about that a few times, at significant cost to our investors.*

If you are looking for a worthwhile cause, The Glen is always looking for donors. It's an incredibly well-run charity and one with big plans for the future. Read more and [donate here](#).