

Making stock market tips 'Investable'

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Lachlan Heussler (from left to right) and Ben Freischmidt are directors of Investable Pty; Fil Mackay is the company's chief technology officer. **Tamara Voninski**

Jonathan Shapiro

The social-media revolution has changed the way we communicate and can even topple unwelcome regimes. But can it separate the market pretenders from the wizards, and force big end research and part time tipsters to up their game?

A small band of ex-traders are hoping to do just that. Ben Freischmidt and Lachlan Heussler have built a new social media website, called Investable, which goes live on Monday. The on-line social network allows stock pickers ranging from small-time tipsters to highly paid analysts to share their investment ideas with a network of users.

"We're the first professionally compliant social network for financial markets," says Freischmidt who, along with co-founder Heussler, has no shortage of market experience.

Freischmidt served time at several Asian-based hedge funds, headed up Asian Trading at TPG, held a trading position at Goldman Sachs and in UBS's hedge-fund sales team. Heussler's career in financing involved trading forex at Citibank, selling equity-linked products at UBS and trading equities at Deutsche.

Freischmidt said the idea of Investable, an on-line network of investment ideas, came to him during his time as a trader in Asia when he was inundated with broker research from sources that he had no way of validating.

That got him thinking about how these views could be collated but also how those analysts could be evaluated.

"There are literally a thousand trade recommendations made every day in the market, equities, from the broking community to the investment community with no transparency or validation of that data," he says

"It's always struck me in an industry which is very well compensated, with a lot of risk and responsibility, there's no tracking of performance"

Freidschmidt, however, says the role of the site is not about putting a noose around stock-pickers necks but focusing on managing and collating the wall of information and noise thrust upon investors.

A forum like Investable aims to take advantage of the rise of social networking but also the democratisation of financial information.

"You can look at [investing in the] market as a judgement edge or an information edge," says Heussler .

"There were lot of groups that had an information edge but today the average retail guy can hop onto the internet and get a lot of analytical data like P/E ratios that otherwise wasn't available even a few years ago"

"The market is now more focused on the judgement edge and that's the way to really differentiate yourself

today.”

“Everyone has a research product, analysts and a call but the real question is does it add value and does it make money? If you look at the discretionary dollars of those managing money, they pay for ideas. But there’s never been a way of validating these idea, particularly given the noise,” says Heussler .

There’s no shortage on online trading information. A range of finance blogs such Seeking Alpha and Zero Hedge have sprouted in addition to online stock forums like HotCopper have become a breeding ground for market manipulators. They’re widely followed with an estimated 200,000 users on the three main Australian stock market forums.

Investable’s founders are aspiring to provide a more transparent medium to exchange stock market ideas by prompting users to use their real identities on accounts that cannot be reset whilst tracking their forecasting history.

It works in the following way; a user sets up a free account, and then begins to enter his or her stock recommendations. The system then tracks those recommendations over time against real market data. This can be viewed by the users’ self created network in the same way that ones friends can view Facebook profile. Through the site one’s historical stock tips and performance can be viewed.

“It’s something that be used by the entire breadth of the market – from the novice retail investors to the most sophisticated fund manager. That’s the universal premise,” says Heusler.

The team is hopeful research divisions in the investment banks will use the site’s functionality to track the performance of their analysts and allow clients of the banks a clear snapshot of that analyst’s track record. Fund managers can also share their picks with brokers, clients and even competitors. Mid-tier brokers and advisers can also use the site to build up and promote their ability to select stocks on a neutral third party forum.

The site has been about a year in the making with the first three months spent engaging the local regulator, the Australian Securities and Investments Commission, to explain the purpose of the site and to secure an Australian Financial Services Licence. The last six months was spent building and testing the site which is now up and running ahead of this week’s launch.

Unlike sites such as Hotcopper, Investable doesn’t intend to provide a forum to discuss stocks and network, but to provide a third party system for investment recommendations to be shared and measured.

The site is free to join, which could allow hopefuls in the research and asset management world, revenue will be made by selling performance reports generated by the site and in the future, offering career services. For the time being Investable is set up to track Australian listed equities but the site’s architect Fil Mackay says the site and the business is scalable enough to eventually take on the world.

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Jonathan Shapiro followed the Australian corporate bond markets as debt editor at Insto from July 2005. In that time he covered the dramatic events of the global financial crisis and its impact locally. Jonathan also had a year-long stint at the bond syndicate desk at ANZ, providing research and analysis to bankers, traders and senior management. He has studied finance and economics in South Africa and journalism in Sydney.



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