

**Emanuel Datt is the founder and chief investment officer of boutique investment firm Datt Capital and runs its absolute return fund.**



Emanuel Datt says the banks' adoption of BNPL validates the sector. **Tash Sorensen**

**You've been bullish on buy now, pay later (BNPL), how far up did you ride Afterpay?**

We were relatively early investors in Afterpay, first jumping on board around \$7. We actively managed our position, but the stock had really reached beyond our mandate once it passed the \$50 mark.

We really felt validated when the Square deal was announced.

**Are there any hidden nuggets in the small-cap space with the potential to be the next Afterpay?**

We believe that Selfwealth possesses a lot of the ingredients that made Afterpay so successful, and could prove to be an enormous success looking out over a three-year time horizon. The company are currently focused solely on the online broking space but has large potential to expand towards offering a suite of financial services across its platform.

The opportunity is there for the taking and the new management team are executing very well so far. (Datt Capital is the largest shareholder in Selfwealth).

**Do you view the entrance of large institutions to the BNPL space as a threat or opportunity?**

In most technology niches, it's a winner-takes-all-or-most proposition and the BNPL sector is no different. The late entrance of the banks and other financial services companies is a good validation that BNPL is here to stay.

Somewhat incredibly, our local institutions – the big four banks and our local venture capital firms – all did not invest in Afterpay, which evolved into the clear global leader in BNPL in a mere few years, despite ostensibly being aware of the firm at an early stage.

It just goes to show how difficult it can be to pick winners and also highlighting the advantages that canny retail investors may hold over professional investors who can sometimes be too quick to write off novel concepts despite demonstrable real-world traction.

### **What do you consider to be the best and worst stock-picking calls you've made?**

The best and worst calls I made were when I first started out investing in my early 20s, when I knew barely anything about stockmarkets. Both calls really helped to develop my mentality and resilience as an investor.

I remember buying ABC Learning at over \$6 a share because I read in the business columns of the time how great the company was doing and how childcare centres were a conservative investment class. Growing up next to a busy childcare centre, it seemed like a bulletproof business with a simple operating model. I more or less bought at the peak, and quickly the value was cut in half as sentiment turned against the company. I thankfully had the sense to sell, with my ego and wallet bruised.

There were a lot of uranium explorers listed, so I became familiar with exploration results. One day, I opened up an announcement from Alliance Resources which disclosed a new uranium discovery at a grade of over 1 per cent.

This was multiples of the grade that I was used to seeing, so I poured in one-third of my worldly wealth (\$9000-odd) into the stock at 20¢. The price over the next few months ran as high as \$2.80 and I ended up selling out around \$2.40. I felt like a genius until the GFC hit and I got my tax bill for the year.

### **What inspired you to become involved in financial markets and small caps in particular?**

I wanted to fill the gap in my investment knowledge, so I did a masters in applied finance at Macquarie University.

I realised that the small-cap sector was a teeming mass of innovation, fallen angels and charlatans that was chronically ignored by the vast majority of large investors and brokers.

The majority of our returns have been from identifying companies within the small-cap space that grow into larger sectors. We perform all our own primary research, which provides us with a huge edge in identifying promising small caps that have been ignored by the broader market. Ultimately, the outcomes in smaller companies are driven by the people running the show.

### **What's your choice of beverage and how do you take your mind off work?**

I tend to drink alcohol only on special occasions, but I've developed a taste for collecting Sullivan's Cove whiskies. Invariably, I am attacked by children when I return home from the office and we all have a great time – telling jokes, playing board/card games, sports and other life skills. Outside that, I like to keep fit and active, which definitely helps in balancing the heavy mental load which us investment managers must bear.

We invest in many different sectors – this necessitates a large amount of background reading, which I quite enjoy as its generally non-investment related and is definitely in line with my curious nature.

### **Any podcasts, reads or shows you're enjoying?**

I tend to only listen to podcasts occasionally when I'm exercising, as I like to have head space and let my own thoughts evolve independently. A couple that I do enjoy are "Macro Hive Conversations" and "Infinite Loops"; as whilst investment-related, they generally discuss broader themes and ideas than solely finance-related.

When I get a chance I love watching French and Spanish language movies. I also love a good martial arts movie, being an ex-martial artist myself. I think Scott Adkins is our generation's Jean-Claude Van Damme.

### **Recommendations for a good-value quick bite in Melbourne?**

We live in Melbourne's inner north, so we're blessed with a huge variety of global cuisines – can you tell I love eating out? I could recommend 20 restaurants scattered around Melbourne. However, my current top 3 recommendations are:

Green Phoenix, Brunswick: delicious, unique food; great coffee and outstanding hospitality. During the day it's a cafe, at night it turns into a tapas bar.

Komur, Ascot Vale: a Turkish barbeque restaurant with excellent-quality meats, fresh dips and salads.

Khabbay, Carlton: a subcontinental (Indo-Pakistani) barbeque restaurant with lots of variety and high-quality dishes.

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### **About Datt Capital**

Founded in 2007, Datt Capital is a Melbourne-based Australian focused Long-only Fund Manager. Datt Capital is focused on generating alpha by structuring its portfolio in a unique and uncorrelated manner, across asset classes. Its investments consist primarily of listed equity, debt and derivatives solely in Australian markets.

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