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Looking ahead in 2022 and beyond
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Many commentators have described the 2021 markets as turbulent.

Yet, despite the ups-and-downs, at the time of writing the S&P/ASX 200 has increased by approximately 11% over the year.

And, for those who diversified their portfolios, there were many viable investment opportunities throughout the year.

My own portfolio did reasonably well in 2021 because of our diversification strategy, adding a telecommunications utility, a mining company, and two global Exchange Traded Funds to broaden our portfolio.

While exposure to some industries could have resulted in losses, diversification allows you to offset them against gains in other areas.

The question is: what will your strategy be for 2022? As we head into a new year, it's a good time to make your personal, professional, and financial plans for the next 12 months, so that you have a clear idea of where you are headed and how you're going to get there.

So, over the holidays, why not look back at what has worked for you and what hasn't, and develop strategies to build, create and protect your financial well-being? For example, you may want to:

1. ensure you have a budget in place and are spending less than you earn;
2. assess your superannuation situation, regardless of your stage in life. In my case, I plan to make regular payments to top up my own super;
3. review your investment portfolio and buy and hold good companies. I am planning to focus on investing in great companies, with strong management teams, that have a good strategy and could perform well in the long-term;
4. have estate planning and taxation affairs in place. If you're not sure how to go about it, you could have a look at ASA’s Peter Bobbin’s estate planning course (20+ short videos);
5. if still working, keep improving and diversifying your personal skills to expand your career options and increase your remuneration; and
6. understand your own risk tolerance. My family wants to generate a greater return from investing in the equities market, rather than leaving cash sitting in a bank account.

We are all different, each with our particular circumstances, so January is a good time to take stock and plan for the future.

ASA’s strategy

As ASA heads into 2022 with a revised strategy, we are focused on providing you with the services and education products you want, attracting new members to our community, holding companies to account, and standing up for shareholder rights.

We plan to influence public policy and promote better corporate governance to help level the playing field – giving our members the chance for long-term financial well-being, by arguing for fairer rules, providing education investment, and connecting them with other investors.

The Association has significant influence – we have 5,000 members and an additional 13,000 who tune in for regular updates, but the pool of investors is even larger, when you consider that the 2020 ASX Australian Investor Study identified that over 6 million Australians own shares, either directly or through their superfunds. That's a whopping 43% of the adult population.

By partnering with like-minded associations and organisations, we may have an opportunity to reach out and engage with them. By building membership, we can provide more services and help more investors.

So what do we offer?

We have over 200 members who volunteer to convene meetings, identify speakers and topics for presentations and discussion, and monitor top listed ASX companies to keep them honest.

We are looking to develop more learning opportunities for members and to target audiences for our events at different investor levels.

We have heard from many members that they would like more timely EQUITY articles, so we’re going to see what we can do to increase the regular investment content for our members.

We know that the digital version of EQUITY is popular with readers, and we will work to make that more accessible, while continuing to send printed copies of EQUITY to Classic members.

Finally, this year’s Investor Conference at the Sofitel Hotel in Melbourne, will take a look at the disruptive companies and technologies that might support you to future proof your portfolio. Come along and hear some interesting perspectives from Chairs, CEOs, and market commentators, join the social events, and take part in some of the site tours!

The team and I are excited about what we can bring in 2022 and look forward to supporting you in your investing journey.
CALL FOR DIRECTOR NOMINATIONS

We are looking to fill an upcoming ASA Board vacancy and are calling for nominations to our Board of Directors.

We are seeking interest from members who are actively involved within the organisation and can demonstrate a strong volunteer contribution over a number of years. The Board currently includes five active ASA volunteers and it is important we retain a strong level of volunteer representation.

Ideally, applicants will also have skills and attributes in one or more of the following areas:

- Finance, financial markets and/or accounting
- Demonstrated knowledge of governance
- Strategic thinking and management
- Critical analysis and questioning
- Understanding and assessment of organisational risk

Please provide the following with your nomination:

1. a completed ASA Director Nomination Form. The form is available at www.australianshareholders.com.au/AGM
2. a curriculum vitae highlighting your skills, experience and expertise; and
3. a statement addressing the above requirements and outlining how you believe you can contribute to the ASA Board. Applications without an accompanying statement will not be considered.

All nominations should be emailed to Peter Rae at nominations@asa.asn.au by 28 January 2022.

For further information, please call 1300 368 448.
By Steven Mabb, ASA Director and incoming Chair

I hope you all had a safe, enjoyable Christmas and New Year and you’re excited about the prospects for the year ahead.

Over the past few months your Board has been working hard on the best strategy to take ASA forward in collaboration with our excellent new CEO, Rachel Waterhouse and her team. Significant work was completed to identify the strengths on which the plan could be built around and also the areas we need to improve so we can serve our members better.

One of ASA’s biggest strengths are the hundreds of member volunteers who have built and maintained the trust in which ASA is held, not just by our members but the wider investing community. Our volunteers consist of your Board, State Chairs and their committees, Company Monitor Chairs, Monitors, Meeting Convenors and their teams, Podcasters and our Conference Assistants. We couldn’t exist without you all so on behalf of the Directors, management team and all members, our sincere and ongoing thanks goes out to you all.

A long standing pillar of ASA has been to stand up for retail investors, by influencing public policy and promoting better corporate governance. Our monitors, led by the respective State Company Monitors Chairs, do a fantastic job at this. And every day we have a skilled and knowledgeable leader in Fiona Balzer, assisted by Damien Straker who think about and work on how we can continue to make progress in these areas.

The ability to influence company boards, corporate legislators, and the investing public’s opinions, remains a core pillar of our strategy and we have driven a lot of progress and better outcomes for retail shareholders over the years through this work. In 2022 we will also progress the communication and transparency we provide on ESG issues for monitored companies, given how mainstream this has now become in the investing world.

Personally I have learned a lot from becoming a company monitor and now believe I am a better investor when I apply many of the things I have learned from being a monitor. If you haven’t monitored before I highly encourage you to get involved. Your local Company Monitoring Chair and Fiona will help you learn the ropes, you will be teamed up with an experienced monitor to begin with and you will undoubtedly come out of the experience with new skills and knowledge that should help you and your family make even better investment decisions. Be brave and give it a go!

Our other key pillar is empowering our members by providing education about investing – not just building knowledge but sharing hard-earned experience too. We do this by facilitating connections between members and it is a valuable point of difference when ASA members freely share their investing knowledge and experiences with other members.

So, both our educational offerings like conferences, webinars and Equity magazine along with our much loved member meetings will remain key parts of our future strategy.

In an exciting development for all members we have also added a new position to the team – an Education and Events Manager. Leigh Gant joins us in this role and will also be working every day on how we can deliver high quality Education that can improve your investing results and the benefits that will provide to you and your families. Leigh is a successful investor in his own right, been a successful business owner and has most recently been managing content at the Motley Fool. He also has degrees in Finance and Psychology. We are already working on new tools for you like ways to manage a portfolio, lower fees, manage risk and the different levels of the investor journey to name a few.

So, we now have three excellent leaders in Rachel, Fiona and Leigh, each with critical roles to play in delivering better outcomes for members and ensuring ASA is a bigger and stronger group in the years ahead.

In 2022 you can look forward to us running regular physical member meetings again and an annual Investor Conference to give members the opportunity to hear directly from business leaders while networking with other members. We look forward to running the conference again in May 2022, this time in the fantastic city of Melbourne, with some emerging and trending topics we haven’t covered previously. We’ll also continue to offer Zoom meetings, interesting webinars throughout the year and timely news on monitored companies and other topics in our weekly email updates.

In summary, after examining the way ASA operates through its 200+ volunteers and management team, the Board reconfirmed the following:

- **Courage** to stand up for retail shareholders’ rights and call out bad corporate behaviour.
- **Respect** for the companies we monitor, for our volunteers, members, staff, and the wider community.
- **Integrity** in everything we say and do to maintain the trust that ASA has built up over the years.
- **Accountability** not just from the Boards and management of the companies we monitor but also ourselves, our place in the Australian financial system and directly to our members.
- **Support** to our members seeking quality education, knowledge, and assistance in building better investing results and also protecting your assets.

We identified a number of individual activities for Rachel and her team to undertake during 2022 that can help us build on the good work of the past two years as ASA weathered the pandemic. On that note our sincere thanks go to John Cowling, our past CEO, who did a great job getting us through this very challenging past few years and ensuring we were positioned to grow from here. We also wish to acknowledge and thank our retiring Chair Allan Goldin, who has given thousands of hours of his time to ASA and our members. I have learned many things from Allan so far and I am sure will continue to do so – thanks again for your service and commitment Allan.

In 2022 you will see ASA continue to evolve and make progress, whilst at the same time maintaining much of the path established by our founders over 60 years ago.

And what is our biggest challenge? To bring many, many more of the roughly 6 million Australians that currently invest in shares outside their Super, into the ASA family so we can educate and advocate for them too. We will be working hard to reach them but please also spread the word to your friends and family and encourage them to join our wonderful ASA community. ASA membership could be a great and life changing gift for younger members of your family...
"I continue to believe that short-term market forecasts are poison and should be kept locked up in a safe place, away from children and also from grown-ups who behave in the market like children."

– Warren Buffett

There are many quotes about forecasting that I could have chosen to begin my first article for EQUITY with, however the above is one I often refer to and adequately summarises my thoughts on predictions.

When I tell people I work in investing, from social events to school parent meetings to the barber chair, I always get asked variations of questions that are essentially seeking certainty in where the market is going and/or what stocks will skyrocket in the short term. My answers generally stop the conversations quickly - not ideal at social events! Trying to accurately foresee how an industry or the economy is going to behave in the next 12 months does not represent efficient use of my time.

I can’t look at anyone with a straight face and voice with high conviction where the market will head, what will be the most important technology or which company’s share price will dramatically rise in the short term. I can, however, come up with a reasonable range of possibilities and align my investing behaviour to stack the odds in my favour.

You see, when the odds are even slightly in your favour, you will win over time, even if you lose sometimes in between. This is a simple idea, but evidently not easy to follow.

“Take a simple idea, and take it seriously”

– Charlie Munger

Simplicity and patience wins almost everywhere you look in investing, especially over long periods of time. Amusingly, a lot of people don’t want to believe it and many are too busy trying to get rich quickly to have any time to focus on what works.

Jason Zweig once wrote:

"While people need good advice, what they want is advice that sounds good."

Despite sensational returns, no one wants to hear about the compounding power of “boring”, consistent companies; they want to hear about the next world-changing trend. And while the next world-changing trend may offer excellent returns, the boring stuff tends to be more powerful, because it’s less likely to stumble under the weight of its own complexity and popularity.

At the bottom left, a hypothetical $10,000 was invested in Australian shares in 1991. At the top right, the result of 30 years of uninterrupted compounding (excluding brokerage and tax). The initial $10,000, invested on 1 July 1991, was worth more than $160,000, three decades later. One didn’t need to find the hot trends nor even individual companies to achieve a 16x return, it was done by simply investing in the index and waiting.

Average returns sustained for an above-average period of time leads to incredible returns.

During those 30 years there have been multiple pullbacks and crashes. There have been extreme events: wars, financial crises, and a pandemic. Yet, here we are again, close to all time highs, experiencing some volatility and asking: what should we do in the future?

The principles for investing in 2022 will look much like it did in 2021: spend less than you earn, be a lifetime investor, check emotions at the door, invest in things you understand plus match your goals, diversify as needed, and enjoy yourself.

My favourite example of this is the following chart:
There is one fundamental premise for anyone who decides to run their own super fund and that is to satisfy the sole purpose test as defined by section 62 of the Superannuation Industry (Supervision) (SIS) Act.

In short, this section essentially requires the activities of a superannuation fund, be it an SMSF or otherwise, must be for the sole purpose of providing benefits for its members in their retirement years.

Sounds pretty basic, right? However, due to the flexibility of SMSFs, it's been a slightly contentious obligation throughout the years. For example, trustees are allowed to hold personal-use assets, often referred to as collectables, in an SMSF, but this action has always raised suspicion as to whether portfolio allocations such as these satisfy the sole purpose test.

The question being: is the individual actually investing in an appreciating asset when they purchase something like wine through their super fund? Or, are they just adding to their personal cellar via a tax-effective structure?

Of course, the cynical speculation can be fended off with proof that the value of the wine collection is increasing over time.

The lesson here is you can invest in almost anything you want to as long as you adhere to some strict guidelines for issues such as storage and insurance, but you must never lose sight of why you are making the investment in the first place.

This is a point that appears to need reinforcing, particularly among the younger SMSF trustee cohort, considering an irrefutable trend in the investor world – the ever-increasing sentiment to favour environmental, social and governance or ESG investing.

You see, Investment Trends research conducted this year into SMSFs and their investments revealed 9 per cent of participants admitted responsible investing is their top priority. The research house also said this response was mainly among younger trustees.

This a bit of a worry on two fronts. The first is that providing retirement benefits for fund members, by law, needs to be their top priority. Just as you can't invest in wine or art or those items in super to predominantly satisfy a personal desire to do so, you can't use an SMSF to purely follow a personal investing mantra by itself.

The second concern is that younger Australians are continuing to account for a greater number of fund establishments. This begs the question whether this 9 per cent of trustees who say responsible investing is their top priority grows in the coming years.

And trustees shouldn't be lulled into thinking the ATO won't be casting a closer eye on the sole purpose test in the immediate future. If not for this potential trend, then certainly for other developments in the industry, such as the requirement for trustees to act in the best financial interests of fund members under the Your Future, Your Super legislation, where adherence to section 62 of the SIS Act can be one way for trustees to prove they are satisfying this obligation.

The whole situation potentially serves as a good reminder that no one involved in this sector wants its integrity compromised and trustees always need to be conscious an SMSF must be run with serious consideration and cannot be treated as just a personal hobbyhorse.
A mathematical model for my life

By Rijad Ahmic, ASA Finance Intern

My name is Rijad Ahmic, and I am a third-year student at UTS studying a Bachelor of Engineering (Civil Engineering).

So why you might ask did I want to take up an internship at the ASA?

The answer is simple – I wanted to find out how to become wealthy. The ASA seemed like a good place to start.

John Cowling, who was CEO at the time, told me his three golden rules for a young person like myself to build their wealth –

1. Spend less than you earn.
2. Invest the money you don’t spend – wisely.
3. Marry someone you love.

John put me to the task of proving these three golden rules.

I built mathematical models of the life I would probably lead –

• Have a reasonable career in my chosen field with regular (but not spectacular) salary increases.
• Save a deposit to buy a unit then eventually (when I can afford it) upgrade to a house.
• Get married and have a couple of kids.
• Contribute to superannuation as much as I can without being silly about it and not enjoying life.
• Build a retirement nest egg outside superannuation with ASX shares or ETFs.
• Retire at 65.

I also looked at a couple of different scenarios to assess what would happen if I strayed from John’s rules –

• I never bought a home but rented my whole life.
• I didn’t start to get serious about spending less than I earned (i.e. I didn’t save more than the super taken from my salary) until I was 35 years old.
• I got divorced at 40.

Obviously, there are many paths my life might take but having some sort of road map really helped me think about how anyone with a little discipline can build a wealth base.

So, here is what I found:

1. Renting vs Buying

Most people will opt in to purchase their own home, due not only to the emotional value of owning one’s home, but also to alleviate potential worry and stress of having to move out of their home at the end of the lease. Owning your own home will cover you through your old age.

However, in today’s economic climate, the dream to own one’s home is not as feasible as it once was. Putting aside any emotional or individual values in the discussion of buying vs renting, and looking at it at a purely financial angle; which option will yield me the highest asset growth? The answer I found was, both options provide similar returns over the long term.

In my personally configured model, the overall net worth at the retirement of 65 was relatively similar, for lifelong renters and homeowners. Why is this the case?

Firstly, the stock market historically outperforms housing with higher equality growth, giving a greater rate of growth per dollar invested. However, although property growth is historically lower than shares, the leverage which the mortgage provides, makes up for the difference of growth rates (e.g., 4% growth for property versus 10% growth for shares). It should be noted that leverage isn’t solely a function of property (in the form of Mortgage), it is a tool that can also be utilised for other assets as well, e.g., Shares. (I’ll examine this aspect in a later article for Equity).
When discussing Renting vs Buying, it should be highlighted that property and shares have different tax implications. Property (personal property, not share investments), just like super or your home, is an asset class exempt from Capital Gains Tax (CGT), meaning you avoid paying tax on the equity growth of the property. Shares and dividends are not granted the same No-Tax relief, however, there are CGT discounts and tax exemptions, in the form of franking credits that reduce the payable tax.

This article is neither a recommendation to buy nor rent, but rather to inform you, the reader, that whatever path somebody chooses, they can put themselves in the position to create wealth.

In today’s economic climate, entering the property market is a tough barrier, leaving, primally young people, in a situation where they are unable to purchase their own home, without going to great financial depths (in the sense of debt) in order to own their home.

Renting is often considered and seen to be as ‘dead money’, however if combined with a stringent investment in shares plan, it can match the wealth creation effect of buying property.

2. Significance of Starting Young

If anything should be taken away from this article, it is the importance of beginning your financial wealth building journey as soon as possible. This is due to compound interest, or as Albert Einstein puts it, the 8th wonder of the world. The function of Compound interest can be as noted:

$$A = P \left(1 + \frac{r}{n}\right)^{nt}$$

Where:
- $A$ = Final amount
- $P$ = Initial Principle
- $r$ = Interest rate
- $n$ = number of times interest applied per time period
- $t$ = number of time periods elapsed

A quick demonstration of the power of compound interest can be seen with a simple example: an investment of $10,000 at a growth of 10% (p.a), for 20 vs 30 vs 40 years.

<table>
<thead>
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<th>Investment Years</th>
<th>Value</th>
<th>Profit</th>
<th>Increase</th>
</tr>
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<tbody>
<tr>
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<td>67275</td>
<td>57275</td>
<td>570%</td>
</tr>
<tr>
<td>30</td>
<td>174494</td>
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<td>1644%</td>
</tr>
<tr>
<td>40</td>
<td>452592</td>
<td>442592</td>
<td>4525%</td>
</tr>
</tbody>
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From the above example, it is obvious that as time goes, it is easier to make more money as “money makes more money”. It took the first 20 years to reach 570%, while the next 20 years had an overall growth of almost 4000%.

In order to show this in my model, I compared starting your financial journey at 25 vs 35 years of age, retiring at 65. I did this for both the original model (buying a home), and the model where I rented for life. The original model, where the focus was to purchase one’s home (and building a small nest egg in shares) starting at 25 y.o. resulted in being better off by 34% in net worth at the retirement age than starting later e.g. at 35 y.o. In the scenario of renting for life, starting at 35 yo rather than earlier resulted in a reduction in wealth of almost 50%.

This drastic difference between the two options comes at a result of compounding playing a bigger role on shares, as with home ownership, although experiencing lower growth rates than shares, the leverage (mortgage) gives this option a bigger base, which is why it performs better in shorter durations.

The significance of starting young, apart from earnings, will be the variable that has the biggest impact on somebodies’ wealth. The difference between waiting 10 years or more is drastic and can cut the overall net worth accumulation by retirement age by almost 50%.

The take home message for members and their families is to start young. The extra years of compounding can drastically increase the value of a portfolio!

3. Partner Separation

Divorce isn’t something people look for, so saying don’t get divorced is somewhat unnecessary. However, with some 40% of marriages ending in divorce, clearly this is an issue that can derail financial goals. From a purely financial perspective, two incomes are better than one, and it will always be that way thus making marriage a powerful economic contract that allows two individuals to come together and pool their financial resources.

As John mentioned above, marry someone you love. However sometimes it just doesn’t work out. And that’s what I modelled, what would happen to your overall wealth if you did get divorced? This was particularly the hardest to model as there are many variables, like child support and things along those lines, however, as mentioned the model isn’t perfect to the T, but more so based off general assumptions.

What I found was surprising. A late start in your investment journey was more critical to your overall wealth, compared to getting divorced. Do not get it twisted, divorce resulted in a 35% loss of overall net worth, still a substantial amount.

Life never works out exactly like you plan but I hope you can see that by applying three simple rules anyone can build a wealth base much higher than they thought.

The key is to start now. 😁
At BHP, we’re focused on the resources the world needs to grow and decarbonise. Copper for renewable energy. Nickel for electric vehicles. Potash for sustainable farming. Iron ore and metallurgical coal for the steel needed for global infrastructure and the energy transition.

We continue to shape the company and its portfolio to grow in those commodities that stand to benefit the greatest from these global trends, we call them future facing commodities.

Most recently, we took the decision to proceed with the Jansen potash project in Canada which will contribute to more sustainable farming, and we announced an intent to merge our petroleum business with Woodside, which will unlock synergies and create a large, more resilient petroleum company, better able to protect and grow value through the energy transition. We also announced the sale of our interest in BHP Mitsui Coal in Queensland for US$1.2 billion cash, as we focus our coal portfolio on higher quality steel making coals.

All the while we have also grown our strong positions in the future facing commodities needed to accelerate decarbonisation.

In copper, we commissioned the Spence Growth Option, improved existing operations and have invested in exploration efforts across Ecuador, Chile, Peru, Mexico, and Australia. In nickel, in addition to unlocking the potential of our high-quality Nickel West operations, we are actively pursuing and progressing a number of attractive options to deliver more.

As we reshape the portfolio to capture long-term opportunity and value, we have also reshaped the way we operate and how we work together in teams to drive improved results and foster high performance.

To aid future performance and growth, to the benefit of our shareholders, we now also need to reshape the company itself. That is why the Board has recommended that BHP unify its corporate structure into a single company, incorporated in Australia and listed on the ASX.

This simpler, unified corporate structure will aid future performance and growth, to the benefit of our shareholders. Now is the right time to pursue this simplification. We have regularly reviewed our optimal structure in recent years. Each time we looked at it, it was clear that unification would be too costly – the business case was not there to unify. However, those costs have fallen dramatically and now we have the opportunity to pursue unification at a materially lower cost to the business.

While this is an important step, many things will not change. Our successful strategy remains the same; there will be no changes in our leadership or in the composition of the Board as a result of unification. Our commitment to delivering shareholder returns remains unwavering, and importantly, unification will not change BHP’s ability to fully frank its dividends for the foreseeable future.
Learning from the past to improve future returns

By Simon Shields, Principal, Monash Investors

I've been an equity analyst and portfolio manager for over 30 years, having worked across different approaches to growth and value investing, at several of the largest fund managers in Australia. This placed me in a great position to see the strengths and weaknesses of their processes, and learn lessons through analysing companies and making investment decisions over many years. It's been a front row seat visiting businesses, getting to know their management, and understanding their industries.

The equity market is filled with lots of smart professional and amateur investors, all with good access to information, so it should not come as much of a surprise that most companies are fairly valued most of the time. By that I mean, they are priced within 10 or 15% of what they are worth given what is reasonably knowable. But that still leaves many companies, albeit a minority, whose prices rise or fall each year very differently to the share market, even without considering share market manias or crashes.

By my nature, I’m not all that interested in investing in fairly priced companies. The question is, should it be possible to reliably identify some of those companies in advance that are not fairly priced? The short answer is Yes, which is why I founded Monash Investors almost 10 years ago, and our track record demonstrates that we have.

We established our first unit trust, the Monash Absolute Investment Fund in 2012 and it has returned about 12.9%pa after fees to 30 November 2021, despite average cash holdings in the fund of 20%, beating both the ASX 200 (10.8%pa) and the Small Ords (8.6%pa). We established an ASX listed fund using the same strategy which is available as an ETMF – The Monash Absolute Active Trust (Hedge Fund) (ASX: MAAT). Since it started six months ago it has returned 11.1% after fees despite a similar cash holding, also beating the ASX200 (3.1%) and the Small Ords (7.2%) as of 30 November 2021.

Finding mispriced stocks

Our approach to finding mispriced stocks is to identify those companies where we are seemingly able to predict future business outcomes better than others in the market. We then calculate the price we believe the stock should be trading at, if the market was to agree with us, and compare that to the current price.

There is a lot we could unpack in that paragraph, but I will only deal with one part of it here: predicting future business outcomes better than the market. My experience has been that we can find in advance some mispriced stocks, some of the time, because of recurring business situations that allow us to estimate future business outcomes better than the market.

It doesn't mean we don't get it wrong, or that unpredictable events won't conspire against us, but there is enough opportunity out there to build a portfolio that can deliver double digit pa returns over a cycle.

Here are two recurring business situations where the market tends to habitually underprice stocks.

1. **Store roll-out**
   - A new store concept that resonates with shoppers or is better than existing alternatives for consumers can be highly profitable. It could be for any good or service. We have seen the birth of large retailer and restaurant chains time and time again. It’s not just that the ultimate scale of a store roll out can be very hard for the market to assess in advance. It’s also whether the market can appropriately assess the risk as to whether it will be executed well. Often in these situations the market can be far too conservative.

   There are many examples of stocks where their price has risen strongly for many years as a result. The “party” will end one day. But until then, there can be an extended roll out growth phase, and the share market is playing catch up, trying to price the stock.

   A store roll out example that we currently own, and have owned for some time, is Lovisa (ASX: LOV). Lovisa is a jewelry retailer that mostly operates from shopping centres and has been accelerating its roll out of new stores. They have about 150 in Australia and another 400 around the world, mostly in Europe and with a lesser presence in the USA and Asia. Their stores tend to pay back their setup costs within a year. With their cookie cutter approach to running their shops, they have good same store sales growth and reliable margins. Their competitive edge is being a vertically integrated manufacturer of “fast fashion” affordable jewelry, with a product range that responds quickly to social media and celebrity fashion trends.

   There is a long runway of growth for Lovisa from setting up new stores. Not just in the existing markets of Europe, Asia and North America, where they are making strong progress. The board of Lovisa has signaled their intention to aggressively continue with this strategy. They recently appointed Victor Herrero, who comes from the global retailing group that owns Zara among other brands. He led the company’s expansion, rolling out 800 stores across multiple countries including China and India, where Lovisa does not yet have a presence.

   Over the 5 years to 30 November 2021, during which time their store numbers approximately doubled, Lovisa’s share price has increased from $3.30 to $20.60.

2. **Organic growth + growth by acquisition**
   - Many industries have businesses that grow their revenues and profits steadily. Where this occurs within the existing footprint of a firm's locations or distribution network this is organic growth. Mature businesses, with single digit organic growth rates, are generally well understood by the market and fairly priced.

   However, some industries are quite fragmented, with many businesses being held privately. These smaller businesses can bring scale benefits as bolt on acquisitions. For example, by providing greater efficiency in shared services or improved buying power
There are a few notable sustainable finance trends that Altiorem expects to shape the finance industry in 2022. As a sustainable finance library, Altiorem has access to insights such as the most popular articles that our members are reading and searching for. Applying this data from 2021, Altiorem saw that the most popular research articles were on integrating environmental, social and governance (ESG) into investment processes, the rise of sustainable investing, transitioning to a low carbon economy and the integration of the Sustainable Development Goals (SDGs) in company reporting and investment decision making.

Our members are mostly finance professionals working in financial services and investment management globally, including Australia, United Kingdom, Europe and the United States. Taking from our member insights and analysing themes in the broader sustainable finance industry, Altiorem has identified four key trends in 2022 including; biodiversity risk, stranded assets, shareholder activism, and corporate impact.

**Biodiversity risk**

A business as usual scenario is forecast to result in a catastrophic loss of nature and biodiversity, hitting food and agricultural sectors the hardest due to their heavy reliance on nature, and threatening the global supply of commodities such as timber, cotton and crops. The issue is highly relevant to Australia, with the highest rate of mammal extinction in the world and 90 critically endangered and 167 endangered species.

Investing in companies reliant on biodiversity exposes shareholders to transition and physical risks. Transition risks include new policies that could limit a company's activities, and physical risks occur when nature dependent supply chains are disrupted due to environmental degradation. Companies with operations and supply chains dependent on nature are expected to increasingly report on their transition and physical risks.

Sustainability reporting remains largely climate change focused. ASX listed companies in the agricultural sector like Elders and Costa Group Holdings Limited release annual sustainability reports on climate change measures such as carbon emissions. However, the recent Taskforce on Nature-related Financial Disclosures (TNFD), is seeking to provide a framework for business and financial institutions to assess, manage and report on their relationship and impact on nature. This year should see more ASX companies reporting on their biodiversity risks as well as the positive impact they have on biodiversity regeneration.

**Stranded fossil fuel assets**

Stranded fossil fuel assets are investments that stop earning an economic return due to the shift to a low-carbon economy. With more than 130 countries making net zero pledges by 2050, new research estimates that half of global fossil fuel assets will be worthless by 2036. This is already impacting the Australian energy market, a report by the Institute for Energy Economics and Financial Analysis (IEEFA) found that AGL Energy Ltd (ASX: AGL) has lost over 70% of its market value, which is a $12 billion loss for shareholders. While AGL invests in renewable energy, its continued investments in coal-burning power stations make it Australia's biggest polluter.

Australia is the world's largest exporter of coal and liquefied natural gas. However, with an increasing number of countries with ambitious 2030 targets, the Reserve Bank of Australia (RBA) warns that after 2030, the global demand for Australia's coal exports will rapidly decline. As reflected in Altiorem's popular research on transitioning to a low carbon economy, the global shift towards action on climate change is increasingly local, with the majority of Australians agreeing that the Government's main priority for energy policy should be reducing carbon emissions and 78% supporting a net-zero emissions target for 2050. International energy market shifts along with mounting public pressure to reduce carbon emissions will likely increase the risk of fossil fuel assets becoming stranded in the years ahead.

**Corporate engagement and shareholder action**

The global trend of shareholder activism is expected to continue and is increasing in Australia. As of 26 November 2021 twenty-six ESG shareholder resolutions have been put forward to companies in the ASX200, the majority of which relate to action on climate change and involve the energy sector. Analysis of shareholder ESG resolutions put forward in listed Australian companies between 2002 and 2019 found that resolutions are increasingly being supported and have been effective in influencing change within companies.

The Australasian Centre for Corporate Responsibility (ACCR) is a shareholder advocacy organisation focused on how listed companies manage climate change, human rights and corporate governance. In July 2021, ACCR filed a shareholder resolution to AGL Energy on the disclosure of alignment with the Paris Agreement goals consistent with a 1.5°C pathway urging the company to take urgent action to decarbonise. The resolution received 52 percent of shareholder support and while these resolutions are non-binding, it nonetheless sent a strong message to the board that the majority of shareholders want action on climate change.

Climate change is not the only area shareholders have expressed a collective and transparent view via shareholder resolutions, social issues such as labour rights, human rights and stopping the destruction of Indigenous heritage sites have seen shareholder activism. Shareholder resolutions will continue to provide shareholders a means to engage and influence a company on ESG issues, visit ACCR and Market Forces to stay up to date on ASX shareholder resolutions.
**Demonstrating impact through sustainable investment**

As sustainable investment grows, so does the demand for understanding the impact that investments have on people and the planet. While historically, what was known as ethical investment strategies focused on avoiding harmful industries such as tobacco, increasingly approaches like sustainable and impact investing seek to achieve verifiable positive outcomes.

According to the 2021 Responsible Investment Benchmark Report, Australia’s responsible investment AUM increased by $234 billion to $1,918 billion in 2020. Funds with leading responsible investment practices increased their AUM by 30%. The rest of the market has seen an 11% reduction in AUM, demonstrating the shift towards responsible investment practices such as actively engaging with companies to improve their ESG practices and seeking sustainability outcomes.

Reflected in the data on Altiiorem’s most popular research articles, the integration of the SDGs in company reporting and investment decision-making should continue to grow this year. Companies will increasingly measure the impact of their output against international frameworks like the SDGs and TNFD to demonstrate positive social and environmental impacts through investments in education, healthcare, renewable energy and forest regeneration.

These trends show that sustainable investing is clearly here to stay, however care must be taken as there are many exaggerated claims – known as greenwashing – with regulators in Australia and overseas expressing concerns at the claims of both investors and companies. Tools like Responsible Investment Association of Australasia’s Responsible Returns16 tool and Altiiorem’s free online library can help investors the information they need to understand an area of investing which has become too important to ignore.

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**Continued - Learning from the past to improve future returns**

Our internal PPE forecast for FY21 was much higher at 22%. Our FY21 forecast incorporated the benefit of acquisitions that the company had not yet made. We were confident in making this assumption because the stated strategy of the business is to make acquisitions. Sure enough, during FY21 the analysts raised their forecasts because PPE ended up making acquisitions, and the actual FY21 eps growth was 27%. The combination of earnings upgrade and P/E multiple re-rating saw the PPE share price double over the 12 months to 30 June 2021. A somewhat extreme example, because of the volatility of PPE’s P/E rating due to Covid worries. The 5 year track record is also very impressive. In November 2017 it listed at $1. It now trades around $4.

**Conclusion**

These are just two examples of recurring business situations and patterns of behaviour where the market habitually underprices stocks. There are many more we have discovered over the years which we use to make money for our investors.

It really is a case of learning from the past to improve future returns.
As the leading international event series connecting sophisticated investors from around the world with mining company management teams both online and in person. Mines and Money will leverage off the scale of the International Mining and Resources Conference (IMARC) and bring its unrivalled network of thousands of investors in-person to Melbourne, and online for those that cannot attend in-person.

Being co-located alongside Australia’s largest mining event, will not only put mining companies in front of the hundreds of investors that attend Mines and Money events, but will also reach thousands of private investors, with the event expecting upwards of 8000 attendees.

Mines and Money @IMARC provides an excellent opportunity to identify and compare new investments. With professional investors meeting exciting explorers on the cusp of the next big discovery, near-production development companies and cash generative producers to discuss their next big mining investment.

Gain insights into commodity trends that will guide your investments

Gold, silver, copper and battery metals are just some of the commodities you can expect to hear about from some of the greatest leaders in mining, investment and finance with more than 250 mining and resource experts providing the latest market commentary, project updates and insights into current commodity trends that can shape investment strategy.

Connect with senior management of mining companies

Over 800 mining and energy companies are expected to attend the event. From diversified majors such as BHP, Rio Tinto and South32; to gold mid-tiers including OceanaGold and Evolution Mining; through to some of the most compelling exploration and development companies such as Multicom Resources and Wiluna Mining.

You will be able to assess and compare a range of companies from around the globe, across the commodity spectrum and at all stages of the life cycle by connecting with the senior management of mining companies directly on the expo floor.

Hundreds of networking opportunities

Whether you’re looking for private equity, or private investors, there will be ample opportunity for you to meet thousands of decision makers, mining leaders, investors and financiers with more than 70 hours of networking opportunities.

Our bespoke AI-driven matchmaking platform pre-qualifies your investment needs and gives you the power to search investors by type, commodities, project stages, regions and stock exchanges of interest.

Enabling you to identify the right investors for your projects so you can schedule lucrative meetings, leading to more deals and opportunities.

In-person and online

As a hybrid event, you can expect more meetings, more connections and to meet more international investors than ever before.

The hybrid event will welcome Australian attendees in-person to Melbourne, and international attendees from more than 130 countries online from January 31 – February 2, 2022.

Claim your complimentary investor pass at minesandmoney.com/imarc. Not an investor? Not to worry – receive 10% off delegate passes by registering with the discount code ASA.
Dear Editor,
Allow me to lend my support to yourselves and correspondent Rod Jeffrey on the matter of hybrid meetings and physical documentation.
The MP letter is a good strategy in my view.
Members, please speak up on issues impacting retail shareholders otherwise boundaries will be tested and as a cohort we will become further marginalised than what we already are.
Regards to all, Helen Ducker

Dear Helen,
Thank you for your email and support for Rod Jeffrey’s letter, which has certainly garnered strong interest and support from members!
As we head into an election year, it’s important that politicians of all political stripes know about the concerns of the retail investor.
As always, we like to hear from members on what issues are important to you so we can represent you well.
Kind regards, Rachel

(Referring to page 6 of the November EQUITY article by Ian Irvine)
Dear Editor,
A LIC which qualifies as a listed invested company for income tax purposes can provide a shareholder with a tax deduction sourced net capital gains on investments held for more than 12 months at the disposal time.
For example, the net dividend maybe $2k franked plus $857 franking credits minus $800 tax deduction for individual, trust, or partnership (at $800 this 50% may be a visible part of $1,600 dollars). This deduction can be especially welcomed for owners of shares in a LIC which has a policy of handing out large or small dividends based on the performance from the last financial year.
ANSEL is a classic example. The surprise of receiving a dividend for 6c where the previous year was 3 cents is lessened when it is noted 2.5 cents can be classed as a tax deduction. So, the dividend yield can be instead of being 4% when you allow for the tax deduction may be 5.5-6%.
ANSEL makes a habit of having habitual parts being refunded to the shareholders. Mr. Irvine did not mention anything about that in the article. So really, you’re getting a bonus in that tax deduction.
Mr. Kenneth Lindsay Waugh

Dear Kenneth,
Thank you for providing an example of how the LIC dividend may be treated from a tax perspective.
Obviously, franking credits are an important consideration when selecting your strategy about specific investments, especially for self-managed superfunds. That’s why ASA lobbied so hard at the last Federal Election for the franking regime to be retained as it benefits many, if not a majority, of our members.
I appreciate you providing your perspective on this issue.
Kind regards, Rachel

Brickbats
A general brickbat for some companies who had issues with their virtual meetings. While dozens of these meetings worked as we expected (though perhaps soulless), the feeling of no control or comeback arose more than once. One company appeared to ignore the ASA representative in the voice queue (he got one question in then immediately went back into the queue and it was never asked, even when he used the text question system to tell them they had a question in the voice queue!)

And another company also brought to our attention a company listed on our exchange that was holding its AGM as a physical only meeting in Bermuda on 30 December.
ASA has the advantage over many virtual attendees because we have attended so many meetings and can give more detailed direct feedback to companies, registries and regulators. We are looking forward to more hybrid meetings and the evolution of online functionality.

Bouquets
Bouquet to ASIC for the prosecution of insider trading case. Retail shareholders sometimes feel other players have an advantage being able to trade shares with greater knowledge, and they are not penalised. For this former executive of Healthe Care Australia, his trade in the shares of his employer’s target company, Pulse Health, has ended in a sentence of 12 months imprisonment (but released on own recognizance), a fine of $10,000 for insider trading and a pecuniary penalty order of $31,996 representing the profits made from his offence. Had he not pled guilty, the Judge would have sentenced him to two years imprisonment and no release on own recognizance.

‘ASIC will continue to take action against insider trading wherever it occurs to ensure Australia’s financial markets are fair and promote investor confidence.’

Members are welcome to send in their suggestions to equity@asa.asn.au. Comments included here do not necessarily reflect those of all members.
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BHP Brings Home the Bacon – Better Results Predicted!

The Chair (Ken MacKenzie) and the CEO (Mike Henry) stated things will be better and brighter as the company transitions to carbon neutrality. The main theme of the meeting was zero emissions and transitioning from fossil fuels to renewables would create a demand for the company's principal products.

A major issue for shareholders in the next year is the proposed delisting of BHP PLC and the consolidation of the company as an Australian listed entity with its headquarters and board in Australia.

We asked about the heavy reliance of the company's products on the Chinese market. The Chair said iron ore sales were strong and the Australian mines in general have a major competitive advantage in terms of supply volumes, production costs, and quality. China is the world's major buyer of commodity minerals; it was unsurprising a lot of the company's copper output went to China although nickel was so coal mainly went to non-Chinese markets.

In the light of the extensive changes to the Board, we asked about Board tenure and how Malcolm Broomhead had been on the Board for over 12 years. The Chair said Mr. Broomhead provided continuity for a relatively young board, but it was his intention that the nine-year limit of the board tenure was maintained after the wind up of the DLC. He said it was his intention to keep the practice of all directors standing for election each year.

Other questions were climate related and concerned the proposed development of the Scarborough gas field 300km offshore Western Australia. The field contains 8 Tcf of gas (1 Tcf will run a 500MW gas fired generator for 30 years). The thrust of the questioning was to the effect that in due to BHP's commitment to the Paris accord the development should not proceed. The Chair indicated since the field is 75% owned and operated by Woodside the questions should really be addressed to that company. Both the Chair and CEO proved to be on top of the issues and were able to respond to all questioners with competent answers supported by suitable data.

All resolutions proposed or supported by the board were carried with a large majority, including two shareholder resolutions: one for a “vote on climate”, or Climate Transition Action plan, which was supported by the board and the second, a vote on industry lobbying, which required taking a firmer stand on those industry lobby groups at odds with BHP’s stance on transition to renewables.

Chairman defends MD resignation and highlights bright future

Chairman Glenn Davis defended ex-MD Matt Kay, saying he had achieved his goals. He said, thanks to Kay’s tireless commitment, Beach Energy has a strong diversified future. The board appointed the CFO, Morné Engelbrecht, to act as interim CEO until a replacement is found.

Davis explained the reasons for the reserves downgrade at Western Flank. He suggested optimistic forecasts had to be downgraded when it was found some wells were extracting oil from each other's formations.

This motivated an investigation, which concluded the formations were not as large as modelled. A drilling rig will begin exploration for new reserves in February to attempt to mitigate reserves decline.

After dealing with these issues, the Chairman outlined plans for the next three years, which included a commitment to increase production by 27% by FY24. This will be achieved a 4.7 MMboe uplift in Otway in FY22 and FY23 and 4.6 MMboe uplift in the Waitsia Basin in FY24.

The other major topic discussed was the Moomba Carbon Capture and Storage project, where Beach Energy has a 30% interest, with Santos as operator. Since gaining Federal Government approval, plans for storage of up to 1.7 million tonnes of carbon per annum (0.5 for Beach) are being actioned. There is significant opportunity to scale up for third party emissions. This project will significantly reduce Beach’s emissions footprint.

Many questions were directed to Davis, including nine audio questions concerned with environmental issues. A shareholder asked if Matt Kay was 'pushed' into his resignation, citing the downgrade of the Western Flank as a reason. Other shareholders were interested in the pace of the gas expansion, and one asked why Waitsia was not being fast tracked.

An answer from another question revealed the latest Otway gas contract was priced at $7.50 per gigajoule. Yet another question brought up the issue of a potential class action concerning the Western Flank downgrade. The Chairman said if the class action was launched, it would be vigorously defended.

ASA asked, in what timeframe was the expansion happening. The answer was Western Flank February 2022, Otway 2022/2023, and Waitsia 2024. We also asked what the new board member, Margaret Hall, considered her most important issue. The Chairman, answering on her behalf, said safety, delivery and recruiting a new CEO.

The Chairman ended the long question session with putting the resolutions to the shareholders. Both resolutions passed by over 95% for vote from 42% of all shareholders.
Steadily forward!

What the company does

Coles Group Limited (COL) is an Australian retailer of everyday products including fresh food, groceries, general merchandise, liquor, fuel etc through its retail store network and online platforms.

Developments in the Financial Year

Coles continued to perform well during the pandemic showing sales growth of 3.1%, it continued to reward shareholders paying $0.61 of dividends throughout the year.

Comments from Voting Intentions Report

ASA has no major historical issues with Coles.

All seven non-executive directors have line management experience in areas related to Coles with the CEO Steven Cain now having been in his position for 2 years. Coles has developed a strong governance culture as set out in their report and are developing new distribution centres in Qld and NSW (with Witron) and new customer fulfilment centres in Victoria and NSW (with Ocado).

Coles continues to support indigenous communities, community support, Secondbite (for which provided the equivalent of 151m meals) and FoodBank (providing the equivalent of 34m meals).

Associated with the pandemic and especially in lock-down States, Victoria and New South Wales, customers are indicating their preference for local shopping rather than at major shopping centres. Online sales have also jumped more than 52% to $2.1bn and now represent 5.5% of total sales. Coles Group see online sales as being an integral part of their future.

We note that a new non-executive director (Paul O’Malley) elected at the last AGM, still has a shareholding below that recommended by the ASA, but this is early into his directorship.

Debate and Voting at the AGM

The second year of full operation since the spin-off from Wesfarmers, the second virtual AGM and again a long affair with many, many questions. The meeting was opened by an MC who introduced the meeting procedures. Good presentations by James Graham and Steven Cain. James emphasised how hard everyone is working to meet the needs of their customers.

He described how well Coles had coped with the difficulties of the pandemic, improvements in safety, Coles own-brand products, expansion of liquor sales, online shopping and Coles express. He described the development of the automated distribution centres and customer fulfilment centres. There was a lot of emphasis on the together to zero strategy as well as how Coles works with the community and especially the indigenous community to enhance wellbeing, especially as it worked under the influence of the pandemic.

James Graham again chaired his virtual meeting very well and impressed with the way he managed questions and as usual was very inclusive. He fielded copious questions regarding Coles’ focus on sustainability rather than financial performance, the removal of in-store butchers and the subsequent impact on team members, due diligence on the importation of phosphate from Western Sahara by its suppliers.

There were also questions regarding impact of customer deliveries on margins, allowing use of debit cards for online customers, digitisation of fuel discounts, removal of wheel locks on trollies, virtual AGM and how AGM’s will be conducted in the future.

The use of buying power to get Tasmanian Salmon farmers to address the environmental impact of their business, what are Coles major issues, banning of meat from Coles stores, non-sustainability of some products, issue of land clearing and deforestation in its supply chain, removal of condom vending machines at Coles express stores, board policy in dealing with activist shareholders and changes in staff turnover associated with vaccine programs, were also questioned. He handled all questions well, giving very competent and well-structured answers.

The re-election of Abi Cleland and Richard Freudenstein, were overwhelmingly approved (99.3% and 96%), as were the remuneration report (96.7%), approval of short-term incentives for the MD and CEO (98.8%) and the approval of long-term performance rights for the MD and CEO (97.2%) as well as the renewal of the proportional takeover provisions (99.2%). In each of these cases the ASA voted in favour.

We asked questions regarding the workload of director Richard Freudenstein, the clarity of financial metrics re the vesting of shares issued as part of the LTI, the vesting time frames and the level of reward for the CEO’s STI. The chairman gave a detailed answer regarding Richard Freudenstein’s workload and indicated that his performance was exemplary, in regard of the other issues he stated that Coles will revisit some of these issues going forward. We voted in favour of all resolutions.

We are looking forward to next year when we can attend the physical meeting. Hopefully more will attend then, only 122 of 481,210 shareholders attended, or 0.026% of all shareholders.
Crown have a confident outlook

As approval for Dr Ziggy Switkowski as a director of Crown Resorts had not been completed, Interim Chairman Jane Halton chaired the AGM. Halton's report, commentary, and conduct of the AGM articulated recognition of Crown yesterday and a focus on Crown tomorrow.

The recently appointed CEO, Steve McCann, followed with an address about company performance in a dispassionate tone.

Although there was a facility for audio questions, all questions were submitted in writing.

The chairman responded to ASAs questions: confirming whatever Crown changes may need to be implemented the Board will be mindful of retail shareholders' interests; Halton is committed to completing her term on the Board and her workload is reducing: remuneration and contract policies have been developed, which give due emphasis on performance and will preclude unwarranted termination payments; although they have noted ASA sought inclusion of performance hurdles in the recent CEO sign-on and termination arrangements these will not be changed; and there is favorable consideration of introducing a policy directors must acquire 'a skin in the game' shareholding.

Four shareholders asked questions. Many questions to borrowing and capital management, relationships with James Packer, funding of directors' legal expenses, selection of new directors.

Others mentioned current specifics, e.g. what issues were raised by other proxy advisors, can the present directors be trusted, and, in the interest of the environment, 'stop using the gas-powered flames outside the Melbourne casino'. The Chairman gave sound responses to most questions but considered it inappropriate to answer questions or refer them if they were about details given in public enquiries or activities of other companies.

ASA voting was consistent with nearly 100% support for the election of both directors and the 31% Against the remuneration report, which was second 'strike'. Disagreement with excessive executive termination payments was the major reason. We were part of the 12% Vote Against the sign-on for the CEO, the 21% vote Against the Provisional Termination for the CEO, and the 96% vote Against the Spill Motion. We were a part of the 91% support for the increase in the director fee pool.

Although virtual meetings are bland, Crown's AGM reflected willing engagement with shareholders.

As a general assessment, the Crown AGM affirmed radical remedial compliance action, Board and management changes have been implemented. The Board has a positive outlook noting Crown has outstanding property assets, financial strength, and enhanced management capability.

On 26 October 2021, the Victorian Government Response to the Victorian Royal Commission report, and the report itself was released. The company announced it is reviewing both and will work with Victorian Government in relation to the findings.

Jack Cowin runs a good virtual AGM with a strong focus on international

Chair Jack Cowin gave a brief outline of FY21 and expectations for the future, talking about the high profit year they had on a global scale, and advised they expect to operate significantly more stores by 2033, particularly in Asia and Europe.

He added while most businesses were in defence mode during COVID-19, Domino's worked on expanding their presence and opening more stores, while marketing to more customers and donating meals to the community.

He also noted that Domino's Pizza Enterprises is in the top 20% of S&P/ASX200 companies with total shareholder returns since listing of more than 8,200%. He finished his remarks on 2021 by noting it's been a privilege to trade during COVID-19, stating Domino demonstrated it's possible to do good and do well at the same time.

CEO Don Meij talked about global productivity and the business as a whole. He reiterated the importance of Asia and Europe and their ongoing commitment to the success of those regions. He also covered modern slavery policy and their commitment to making Domino's a safe place to work. He stressed the growing importance of ESG around the world and that they appointed their first chief of ESG and completed their first modern slavery statement.

We asked about the details of any JobKeeper support the company received and whether they repaid the money, given the strong sales and profit result for the year. Jack Cowin answered they did receive and subsequently repaid all JobKeeper support.

There were also several good questions from Stephen Mayne, including around CEO remuneration. Given the CEO already owns 1.8 million ordinary shares worth $255 million dollars, does he really need additional incentives to stay with the business? Also, does he have any leverage on his shares?

Jack answered that Don hopes to see the business doubling in value again moving forward. He's putting his money where he thinks he will receive the maximum growth over time. Don added he does have some small leverage against his stock and that's reviewed annually with the audit and is well inside their policy limits.

The Chair did a good job hosting the meeting, answering shareholder questions without edits and also allowing others, including the Directors, to speak and answer questions. All resolutions were passed with 95%+ in favour.
Fortescue innovates in decarbonisation with Fortescue Future Industries

Deputy Mark Barnaba chaired the Perth meeting with Dr Andrew Forrest, Lord Coe, Dr Jean Baderschneider, Penny Bingham-Hall, and Dr Ya-Qin Zehng attending virtually. Director Jennifer Morris, CEO Elizabeth Gaines, and Company Secretary Cameron Wilson were present in person.

The CEO addressed the AGM and annotated some of the achievements in 2020/21 – revenue/tonne (t) increased to US$135 whereas costs were US$13.93 wet metric tonnes, there was strong uplift in net profit after tax and dividend pre share.

Culturally, the focus on safety delivered a 17% improvement on 2020. Fortescue continues with its successful Aboriginal empowerment programmes (14% Aboriginal employees in the Pilbara) and $3billion contracts awarded to Aboriginal enterprises. The female proportion of employees increased to 21%.

Fortescue set a target of being carbon neutral by 2030 and will utilise innovations through Fortescue Future Industries (FFI) in accomplishing this.

Speaking virtually, the Chairman stressed the importance of Fortescue as a successful mining operation, arising from his original vision of a new iron ore venture in successful competition with the Pilbara mining majors.

His main future focus was on FFI, which he saw as a vehicle to transform Fortescue into a green global-scale energy producer and innovator.

ASA congratulated Fortescue on a sterling result, noting advances pursued in moving to save costs through embracing decarbonisation, and pursuing new technologies. He advised the ASA would be voting as per the Board's recommendations in all resolutions.

The formal part of the meeting saw adoption of resolutions 1 to 6, with over 99% shares voted in favour of re-election of directors.

The Board recommended voting against special resolution 7 to amend the Company's constitution. This was voted down with 96% against. Resolution 8 could only be put if resolution 7 was successful and therefore fell away.

Questions were mainly focused on FFI and the intended production of green hydrogen. It was confirmed that FFI a subsidiary of FMG and would be funded by 10% of NPAT each year as well as borrowings with no recourse to FMG and funding from joint venture partners. FFI would be subject to the same capital project disciplines and hurdles as for any FMG projects. It also emerged FMG would not only reduce emissions but derive direct economic benefits from substituting hydrogen for diesel.

Outlook based on the first quarter’s result is promising with similar output, US$118 revenue/t achieved with a disciplined cost/t of US$15.25. Iron ore prices remain volatile.

Massive first strike - will Link change or be bought by private equity?

The AGM continued the recent corporate transactions theme for Link, with the chair announcing the decision to progress an in-specie distribution to shareholders of at least 80% of Link Group’s PEXA shares by mid-2022. Mr Carapiet also addressed the proposals received during November 2021, from Carlyle to acquire Link(excluding PEXA) and from Pepper European Servicing Limited and, on the day of the AGM, LC Financial Holdings to acquire the Banking and Credit Management business. The board advised the acquisition proposals were all conditional and non-binding, with much work required before recommendations to shareholders.

ASA asked a number of questions including whether the BCM impairment was motivated by wanting to have it on the books at the sales price? The answer was the impairment was due to the business being the one most affected by the pandemic and ongoing impact, the impairment was taken.

On remuneration, we asked why the gateway hurdle for the short-term incentive was so low. It was significantly lower than the two prior years, and therefore easily achieved and was a key factor in the size of the STI bonus.

The answer was the gateway was set in mid-2020 and based on the world outlook at that time. Link does not adjust targets when things go better or worse than expected. We queried the payment of substantial retention bonus to Key Management Personnel; the answer was the war for talent is more aggressive than ever.

Other shareholder questions included: Are any plans for the chair to step down? (A: Board succession is regularly on the board agenda but would be deferred during takeover considerations). Are there advantages for and to what extent is Link's technology in the cloud? (A: About 76% of IT infrastructure is in the cloud and continually evaluated. We connect people with their assets and a primary consideration here is how secure is that connection.) Are virtual or face to face AGMs good or bad for Link's business? (A: It doesn't make a material difference to revenue. It is important it is done right, as a poorly delivered AGM can damage the entire client relationship.)

The shareholders, including ASA, delivered a vote of 63.33% against the remuneration report. This was one of the largest first strikes this year. The reasons are set out in the voting intentions report with the tipping point being the retention bonuses.
Business of moving boxes is moving forward.

The chair praised Qube's company's management, employees, and contractors for their brilliant response to the year's challenges and delivering outstanding financial results. He highlighted record underlying earnings with a 31% increase in net profit after tax before amortisation and a 15% increase in fully franked dividends.

Newly appointed managing director, Paul Digney, spoke of continuing Qube's business strategy and vision commenced 10 years ago, which has built a fully integrated supply chain business.

Looking to the future, Qube will work to add new services for customers, moving upstream, and downstream in customer supply chains, and the addition of new geographies. In a market changing due energy and environmental demands, Qube is at the forefront of assisting customers adapt their supply chains.

Acquisitions will be part of QUBE's future strategy, but only bolt-ons to strengthen existing businesses, or where there is a clear fit with QUBE's future strategy and direction.

Qube will continue building with its "Key Pillars of Sustainable Value Creation". The monetisation of the Moorebank project is expected to complete this calendar year and will enable Qube to reduce its debt, invest in growth opportunities, and consider potential capital management initiatives.

The Patrick's dispute has moved forward with agreements reached prior to the AGM and talks progressing towards a new enterprise agreement.

Qube is continuing its board renewal process with new directors Stephen Mann becoming Chair of the Audit and Risk Committee and Jackie McArthur, Chair of the Nominations and Remuneration Committee. However, as was described in the Voting Intentions report, in the context of board renewal, we had concerns about re-electing longstanding directors Sam Kaplan and Ross Burney. The voting of proxies on these items was to be decided following responses to our questions at the AGM.

A technical issue with the online platform's audio question functionality prevented our questions from being followed. Without a commitment by these two directors to treat their re-election as a period of transition and renewal, Qube has sincerely expressed regret for this and has now posted answers to the ASA questions on its website.

Without a commitment by these two directors to treat their re-election as a period of transition and renewal, the ASA would have voted undirected proxies against. Given the voting outcome of 92.2% for Sam Kaplan and 97.4% for Ross Burney the inclusion of our proxies would not have resulted in a different outcome for their re-election.

All other items, with ASA proxies included, received at least 97.9% for votes.

Stockland sustainability and diversification shine through the pandemic

The chairman's address focused on COVID-19's impact and the portfolio's strength. Living with COVID-19 is a reality going forward and Stockland was proactively safeguarding the company by minimizing the impact and assessing opportunities. They have a strong balance sheet, having boosted liquidity and are looking to develop capital partnerships to be able to redeploy capital. Mr Pockett spoke of how proud he was of Stockland's team and the support of customers, tenants, and residents. Mr Pockett thanked outgoing CEO Mark Steiner and Director Barry Neil for their leadership.

The CEO's address, given by Tarun Gupta, mentioned the strength of Stockland's purpose, vision, and values. The four trends in 2022 are urbanisation, digital technology, capital flows into real estate and Environmental Social and Governance issues (ESG).

Stockland is a leader in ESG and are responding to climate resilience with a new net zero carbon emissions target by 2028 and joining the U.N. Race to Zero Business Ambition of 1.5°C. Stockland's ESG policies and focus across their communities have provided greenspaces, workability, connection to community, and positive mental health for stakeholders during the pandemic.

First quarter (1022) results were released on the day of the AGM, with sales up 8% on the prior year. Retail sales were heavily impacted but should recover.

Questions from shareholders included risk factors around data analytics and cybercrime, inflationary pressures, and marketing. The boards response showed they had been appropriately considered.

ASAs question on rental abatements confirmed with Sydney and Melbourne leaving lockdowns the provisions were employed within the guidelines. We also questioned Stockland's supply chain and availability of construction workers. An end to pandemic movement restrictions would ease bottlenecks of goods and services, and workers, and temper inflation growth.

The chairman's response to our question on the reinstatement of funds from operations (FFO) in remuneration calculations was with a strategic review in November, and an uncertain COVID environment, the board was keen to set a structure supporting the new strategy.

There was a question around transparency and disclosure of fixed hurdles for annual reporting, which the board said it will review for the next AGM.

The directors up for election described their belief in Stockland.

Christine O'Reilly explained she was stepping down from Medibank while taking on the new ANZ role.

All resolutions received votes in the high 90s except the remuneration, which received a vote FOR of 93%.
SEVEN GROUP HOLDINGS AGM

MONITORS: Ian Graves assisted by Cheenu Srinivasan

Date 17 November 2021
Venue Online and location
Attendees 1 shareholder, 1 Corporate Rep, 3 Proxies, 45 guests total 70 as provided by the company

ASA proxies 140,877 shares from 54 shareholders
Value of proxies $3.1m
Proxies voted Yes, on a poll
Market cap $194m
Pre-AGM meeting Yes, Terry Davis
Chairman-elect Warren Costello
Company Secretary & Legal Counsel Richard Richards CFO, Gitangali Bhalla- Chief People Officer.

Stoking growth with sustainability focus

With the Founder and Chairman of Seven Group Holdings retiring as chairman from the Board, the meeting commenced with a montage of photos showing highlights from the group's past.

Despite a sustainability focus, coal is expected to remain a significant part of the energy sector with group growth predicated on a Boral rebound.

Although the Chairman stated the Board has been undergone renewal, no new candidates stood for election. ASA has previously indicated the need for Board renewal. Since Richard Uechtritz has been a director since June 2010, he was asked whether he intended to serve a full term. Despite previously declining to speak about his re-election, he aggressively questioned why he should not serve a full-term. ASA outlined it would not consider him an Independent Director after 12 years. He stated our colleagues in Victoria voted for him at another AGM although having served a similar time on that Board. He failed to add the support granted was qualified with the voting intentions, noting he would be deemed non-independent after 12 years. Also unmentioned, was the majority of the directors of that other company board are assessed as independent.

At SVW, the majority of the Board will be non-independent by June 2022. The existing 8-member Board has 2 non-independent directors plus the three directors notching up 12 years as directors by June 2022, including Mr Uechtritz, the incoming Chairman and another Director.

Based on his failure to address our concerns, ASA voted against his re-election.

Chairman Michael Cheney was positive on the company’s results with every division reporting increases in profit in the 2021 financial year, despite COVID-19’s challenges. He reminded attendees Wesfarmers (WES) focussed on the long term rather than the most recent year’s results. The group invested in a lithium mine and a final investment decision was expected soon on building a lithium hydroxide plant at Kwinana. He was sure the next 10 years would provide further substantial change in group composition and profit contributions. Group MD Rob Scott said lockdowns significantly impacted trading conditions for the Group’s retail businesses since year-end. There had been periods during COVID-19 where almost half of WES retail stores were closed or restricted. Sales at Bunnings were down 4.7% in July-August, but became ‘robust’ subsequently, while results in Kmarts and Target continued to be impacted by temporary store closures. The group saw strong sales growth across in re-opening stores, demonstrating a level of pent-up customer demand.

Questions on emissions disclosed the introduction of a catalyst in nitric acid production has resulted in significant emission reduction in the fertiliser plant. We were told the total expected investment in lithium hydroxide would involve close to $2 billion of which WES share was 50%. Disruption to supply chains was being minimised by locating alternative supplies and except for increased shipping costs Wesfarmers was not suffering unduly.

WESFARMERS AGM

MONITORS: John Campbell assisted by Ian Berry

Date 21 October 2021
Venue Perth Convention and Entertainment Centre (Hybrid)
Attendees 685
ASA proxies 3.5m shares from 1,441 shareholders
Value of proxies $194m
Proxies voted Yes, on a poll
Market cap $63.0bn
Pre-AGM meeting Yes, with Remuneration Chair Mike Roche

Wesfarmers shines through COVID challenges

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Demand for ammonium nitrate was strong and the Kleenheat business has benefited from favourable LPG pricing as a result of broader strength in global energy prices. Wesfarmers was progressing its bid for Australian Pharmaceuticals and had 19.3% of API shares.

ASA congratulated WES on the good result for FY21 and supported all resolutions, including the remuneration report, despite the lack of disclosure of take-home pay, which was disappointing. All resolutions concerning the re-election or election of directors passed. The remuneration report and the resolution on the award of share rights to the Group MD attracted only 3% and 2% adverse votes. The capital return of $2 per share unsurprisingly attracted 98.8% support.

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What the Company Does
Transurban is one of the world's largest toll-road developers. It develops and manages toll roads in Australia and North America. It has interests in seventeen Australian roads, three in USA and one in Canada.

Developments in the Financial Year
Once again COVID affected traffic volumes. The overall volume across the portfolio was down 7% for the year on a like-for-like basis.

Transurban opened two new projects in the 2021 financial year (FY21) being the M8 and NorthConnex, and took over the operations of M5 East, all in Sydney. In Melbourne, the landmark West Gate Tunnel project continues to be delayed due to contaminated soil. The company estimates the delay costs to be of the order of $3.3b. How these costs are to be shared between Transurban, the contractor and the government is at the heart of the dispute.

A major highlight for the year was the sale of 50% of Transurban Chesapeake, which operates the toll roads in the Washington area. This allowed a $3.7b gain to be booked and freed up capital and introduced equity partners for further growth in the USA.

Transurban was also part of a consortium that was selected as preferred developer of the Maryland Express Lanes project.

After the end of the financial year, the company and its partners (including Australian Super) announced the acquisition of the 49% of equity in WestConnex it did not already own. It subsequently raised $4b to part fund the acquisition, with strong retail participation.

The distribution for the year was 36.5c reflecting the level of free cash flow generated (down from 47c). Total shareholder return for the year was +3%.

Voting Intention Report
With the adoption of a 4-year performance period this year, Transurban’s remuneration structure meets most of ASA’s guidelines. Therefore, ASA proposed to support the Remuneration Report.

Debate and Voting at the AGM
All nominated directors were comfortably elected. This was the last AGM for retiring long-time directors Sam Mostyn and Neil Chatfield. It is expected that Chairman Lindsay Maxted will retire at the 2022 AGM.

A surprise was the first strike on the remuneration report with a 28% vote against. At least two proxy advisers (ISS and ACSI) had recommended against it on the basis that the short-term incentive (STI) award was excessive given the circumstances. We spent some time delving into the STI award with the Chairman at our pre-AGM meeting and we concluded that on balance it was acceptable.

On the positive side, the new remuneration plan incorporated an increased 4-year performance period for the first time after advocacy from ASA.

There were many comments/questions put to the chairman at the meeting. Some of note were:

Both the ASA and Stephen Mayne acknowledged Transurban’s exemplary record in using pro-rata renounceable rights offers for capital raising which is fair for retail shareholders.

In response to an ASA question, the Chair revealed that the number of shareholders voting was up by 33% compared to last year, but still down by 46% on 2019 numbers, which was the last year in which Transurban mailed physical proxy forms to those shareholders opting-in to mail communication. The Chair undertook for the board to investigate the reasons for the drop off in shareholder engagement.

One shareholder questioned why there was a dominance of finance skills in the nominated directors. The chair answered that financing was an important part of Transurban’s business model and that Tim Reed brought technology skills, Peter Scott engineering, and Mark Birrell infrastructure experience.

Stephen Mayne followed up after the first strike vote asking whether the STI award was fair given the unresolved Westgate Tunnel dispute (An issue we covered in our pre-AGM meeting). The chair answered that the outcome of any resolution would factor into the STI award in that year.

Several other questions on the Westgate Tunnel came up, but the chair could not elaborate further upon his AGM address comments.

Outlook Statements and updates from the Company
The company is optimistic that its numbers will bounce back when the economies open up, as their research shows an expected increased use of private transport and a decrease in the use of public transport.

At the results presentation in August, Transurban advised that FY22 distribution would in line with free cash flow excluding capital releases. After the Westconnex announcement in September 2021, Transurban provided guidance for a first half distribution of 15 cts.
Monash Investors believe that more wealth can be created, and with lower risk, by aiming to achieve high rates of ‘absolute returns’ versus investing in a stock market index that simply rises and falls with the market.

We have achieved our two target objectives of double digit returns (after fees), over a full investment cycle, and avoiding loss of capital over the medium term, with lower volatility than investing in the equity market.

For more information about Monash Absolute Active Trust (MAAT) and Monash Absolute Investment Fund (MAIF) and the MAAT and MAIF strategies, please refer to the Monash Investors website at [www.monashinvestors.com](http://www.monashinvestors.com).