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JANUARY 2021
VOL 35 #01

Three questions for retail investors in 2021

Australian Shareholders' Association

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JANUARY 2021 CONTENTS

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FROM THE CEO

By John Cowling

For this first issue of *Equity* for 2021, I would like to explore what we are told we can expect from interest rates and the stock market. I will look at some past crises to remind ourselves of the risks in looking for higher returns when interest rates are low, and some of Warren Buffett's warnings. Finally, I will share my own plans for the coming year.

Interest rates

Many experts believe they will stay lower for longer. Looking out one year, I would say the experts have got this right. So, what does it mean to us? When I first retired at age 65, interest rates on and above five% had been the rule for over 20 years. I believed that having $1 million in the bank on term deposit would give interest of around $50,000 a year — enough to live on reasonably. But I was under a false impression that this would continue, because while interest rates had been high for decades, since 2012 they have been declining.

We all know that we are now lucky to earn 0.5% on a term deposit. That means the theoretical $1 million nest egg invested in a term deposit now only generates $5,000 a year. So, if we want to maintain our lifestyles at their former levels, we need to draw down some of our capital ($45,000 in fact).

Using this strategy, our nest egg would last 21 years before it is completely used up. So, there is no need to panic and rush to seek higher yields, we have time to think about what to do next.

If these low rates last five years before returning to higher historical levels, and we continue to draw down capital to support our living expenses, we will still have 77% of our nest egg intact.

Some companies are setting up mortgage loan funds to attract investors seeking higher yields and safety. Most of these unlisted mortgage funds will be well run, but we all remember the Estate Mortgage Group and Westpoint crashes, and the troubles during the GFC.

In 2010, CBA's funds management arm, Colonial First State, was forced to freeze withdrawals from its $852 million Mortgage Income Fund after being caught out by a spike in lending losses. These losses arose from over-valued and over-leveraged properties, mortgage stress and borrowers falling behind in their repayments. Sound familiar?

Although this year, with the COVID-19 epidemic, it seems it may be different. But, as Winston Churchill wrote, "Those that fail to learn from history are doomed to repeat it.".

Likewise, it is tempting during these low interest times for some to consider borrowing against the equity in their home to buy shares that have paid good past dividends, with potential capital gains. This was the business model of Storm Financial, which cost some 3000 investors over $3 billion and wrecked many lives.

Rational behaviour is to put your nest egg in as safe a product as possible at the best possible rate.

This reminds me of the difference between saving and investing.

- Saving is where you store wealth with the focus being on capital preservation while, if possible, earning some income.
- Whereas investing is risking your capital to make a higher return.

It is not possible to save and earn investment-like returns.

This is a hard distinction for many to accept, having lived through a long period of high returns on term deposits, but it remains true.

Current high share prices

Many commentators think the market is poised to continue its upward trend supported by low interest rates and central banks' monetary policies. I'm not so sure. But I do recall a few important quotes from Warren Buffett.

In a letter to Berkshire Hathaway's shareholders in 2017 highlighting the argument against ever borrowing money to buy stocks, he wrote: "When major declines occur, they offer extraordinary opportunities to those who are not handicapped by debt."

He continued: "No one can tell you when these will happen. The light can at any time go from green to red without pausing at yellow."

And: "You only have to do a very few things right in your life so long as you don't do too many things wrong."

And last "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."

To close on another Warren Buffett quote regarding the main mistakes I made last year

"The main mistakes we've made — some of them big time – are:

"1) Ones when we didn't invest at all, even when we understood it was (sic) cheap; and

"2) Starting in on an investment and not maximizing it …"We're more likely to make mistakes of omission, not commission."

My plan for 2021

So, my plan for 2021 is to be patient, rebuild my watch list over the holidays and, if the experts are correct and the stock market keeps rising in 2021, slowly accumulate the best quality stocks I can find, converting some (but not all) of my term deposits to high quality shares. And if a March 2020 type decline occurs again, I'll be looking to buy on the dip.

Good luck with your investment plan 2021, make sure you write it down so you can see if your decisions were wise this time next year. I hope it all goes well for you.

Emerging markets are the growth powerhouse globally

By Fidelity International

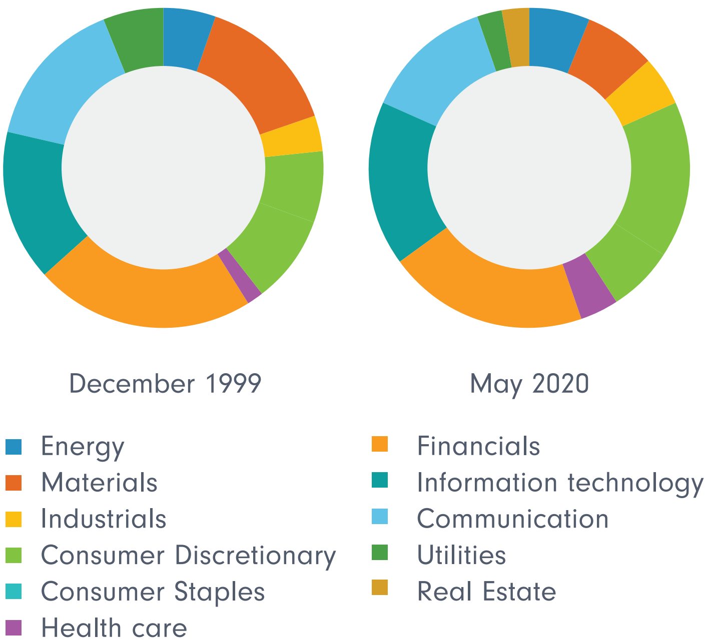
While COVID-19 has taken a toll on markets globally, growth of emerging markets is expected to be stronger than developed markets in 2021 — but selectivity is more important than ever.

Take advantage of shifting global dynamics

Emerging markets (EM) have been growing rapidly in recent years. In fact, they now contribute over 50% of global growth and are expected to contribute over 60% by 2022.[1] Once dominated by agriculture and cheap manufacturing, EM countries are today home to some of the world's fastest-growing economies and most innovative companies.

Emerging markets poised to benefit from accelerating trends

The rise of the internet and persistent technological advancement have been increasingly important drivers of emerging markets. China, which was the powerhouse of global manufacturing for decades, today rides the wave of digital innovation with the success of the BAT tech giants — Baidu, Ali Baba and Tencent. Some of the largest e-commerce, gaming, social media and hardware manufacturers reside in emerging markets, and the changing nature of the index (see Figure 1) shows just how much this changed over a decade.



Source: Fidelity International, FactSet, May 2020.

A more broad-based index composition

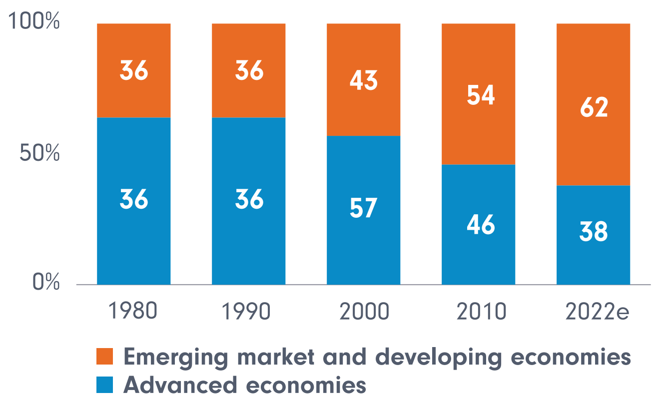
Since 2000, we have seen a reduction in energy and materials, in favour of tech, consumer and healthcare names. This translates in a less cyclical earning stream.

The structural drivers we've seen in emerging markets have only been accelerated by the pandemic.

Emerging markets are the growth powerhouse globally

With the changing landscape and growth of emerging markets, emerging market economies are beginning to account for a much higher percentage of global GDP. The IMF World Economic Outlook Database showed that in 1980 these nations had a combined GDP of less than half that of advance economies. By 2010, the two were close to level.

However, by 2022, it's estimated that emerging economies will have an output that is larger than the developed world (Figure 2). In other words, in the space of 42 years, emerging markets will have gone from a peripheral position in the world economy to a central one. Despite this, they still account for just a fraction of most Australian investment portfolios.

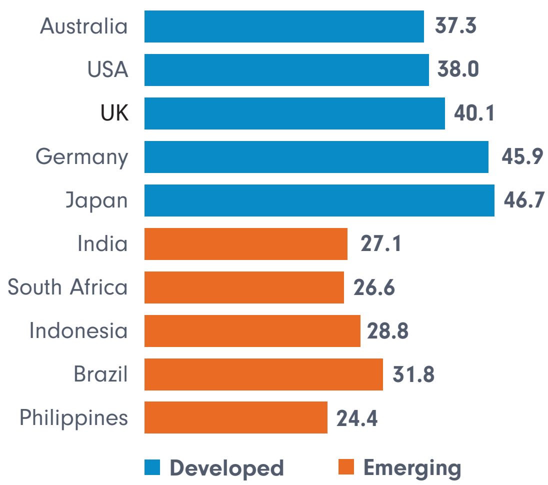


A demographic shift

If you're wondering why emerging markets are experiencing such solid growth, you've hit upon the second part of the emerging markets equation — many emerging markets are undergoing a profound demographic shift.

While much of the developed world struggles to come to terms with the cost of supporting an ageing population, developing economies typically don't have this problem, as much of their population is still young. For example, India's population has a median age of 27.1 years, compared to the EU's median of 41.7, which means there are still plenty of productive workers to keep the economy running and fewer retirement-age workers to support.[2]

As more of these young populations find meaningful work, they also tend to have more disposable income, giving rise to a new middle class in emerging market economies. Between 2009 and 2030, China alone is expected to add 850 million people to its middle class, taking it from 12% to 73% of its population.[3] With this increased affluence comes more consumption — not just of consumer goods such as cars, technology and electrical goods, but of more sophisticated products and services. China's healthcare industry, for example, grew four-fold between 2006 and 2016.[4]



From global to regional

With disruption of supply chains during the COVID-19 pandemic, along with geopolitics driving a more regional approach to trade, emerging market economies with large domestic consumption are expected to benefit.

We expect to see the rise of regional economic centres, where growing demand from a large economy like China or India, fuels growth in other developing countries nearby. Put this together with strong domestic consumption driven by a rising middle class and the evolution towards growth industries, and we can see a compelling case for exposure to emerging market economies.

The importance of active management

While the case for emerging markets for investors seeking growth and diversification remains strong, selectivity is paramount. Not all emerging markets will emerge on an equal footing from the COVID-19 crisis, and regional dislocation is already evident. North Asia, led by China, has staged a sharp rebound vis-à-vis South Asia, whilst in Latin America many countries are still behind the curve in controlling the outbreak and government capacity is limited to compensate for the economic impact.

The recent crisis highlights the importance of investing in high-quality names, characterised by sound balance sheet structures that enable them to weather more challenging environments and emerge stronger from the volatility than their peers.

An active investment approach offers crucial advantages for investors as it allows our investment team to select opportunities from a much broader universe than those available in the Index. The advantage to investors is twofold: greater diversification across countries, sectors and companies and, importantly, enables us to choose our investments selectively taking into account the varying impact of the crisis on emerging market economies, the sectors and the companies themselves.

To find out more about Fidelity's emerging market funds, visit our website https://www.fidelity.com.au/funds/fidelity-global-emerging-markets-fund, or speak to your financial planner or broker. E

Endnotes

1 *IMF, World Economic Outlook Database October 2017*

2 *S&P Global Market Intelligence*

3 *The World factbook.*

4 *www.mckinsey.com*

Listed investment funds: the premium and discount dynamic

By Angus Gluskie, Chairman of the Listed Investment Companies and Trusts Association (LICAT)

Closed-ended investment entities such as LICs or LITs have a fixed capital. When investors seek to reduce their investment in a LIC or LIT, they sell their shares/units on an exchange like the ASX to a new owner, with the price determined in the free and open market by buyers and sellers.

Importantly, the LIC or LIT itself has not had to sell any investments during this process.

This process contrasts with the actions of open-ended managed funds and ETFs, where investor deposits and withdrawals result in the fund having to repeatedly buy or sell underlying investments to apply or liquidate cash balances.

The closed-end structure provides advantages

Because a closed-ended entity does not have to repeatedly buy or sell investments to handle investor deposits or withdrawals, a LIC/LIT achieves a saving in transaction and taxation costs compared to an open-ended fund.

Importantly, the fixed capital held by a LIC/LIT allows it to be a buyer of assets when markets are most fearful, when open-ended funds and ETFs are forced sellers to fund investor withdrawals, and when assets are cheap. This characteristic creates several subsidiary benefits:

- investors may benefit from the stronger investor return achieved;
- Overall market stability may be improved by having a class of investment entity with stable capital and a willingness to buy assets;
- The economy may benefit by having a source of long-term funding for critical infrastructure such as property, transport infrastructure, energy infrastructure and renewable energy generation.

A free and open market pricing mechanism

By buying and selling shares and units in LICs and LITs on the ASX, investors transact at a price which takes account of all factors those investors consider relevant. This may include asset backing, structural risks, benefits and opportunities, expectations, embedded tax liabilities or benefits, investor opinions on whether the market represents good value or poor value, and general supply and demand on the day of trade.

Accordingly, the price of a LIC or LIT determined in the open market on the ASX may be higher, lower or the same as the underlying net asset backing. This is referred to as trading at a premium or discount to asset backing.

At any point in time, LICs and LITs will trade across a range of premiums and discounts to asset backing. This is a normal and expected part of closed-ended markets and is the mechanism by which the net demand of buyers and net supply of sellers may be matched up.

Naturally LICs/LITs that are most in demand can be expected to trade at higher levels relative to asset backing, with investors ascribing added value to the attributes that they currently perceive as most favourable. These attributes and the importance investors place on them will change over time.

Some of the factors influencing the ebb and flow of premiums and discounts include the following.

- The changing preference for differing asset classes as economic conditions change. For example, in some conditions, income-producing assets are favoured, at other times growth assets, and at other times again international assets.
- The performance of underlying investment managers changes over time. In some conditions, growth managers do well, at other times value managers may outperform. There are also times when small cap managers may be in favour.
- Supply and demand of LICs/LITs and other investment vehicles will fluctuate. If there is not enough issuance of LIC/LIT capital and demand is strong prices, will tend to move towards premiums, and when the reverse occurs prices may soften.

The premium/discount dynamic adds a further dimension

This normal range of LIC/LIT premiums/discounts and their fluctuation over time provides an additional inherent dynamic to investing in closed-ended funds.

Investors and their advisers who are active in the LIC/LIT market carefully monitor LIC/LIT premiums and discounts and seek to invest where they consider the premium/discount positions and movements may be favourable or attractive.

Conclusion

Closed-ended investment entities such as LICs/LITs provide benefits for both the economy and investors. The premium/discount dynamic of LICs/LITs is a normal part of the successful functioning of closed-ended investment markets, and enables these entities to maintain a fixed capital. Investors who invest in LICs/LITs typically seek to understand this dynamic and utilise it for their benefit where possible. E

Angus Gluskie, Chairman of LICAT, notes Investors hold more than 700,000 individual investments in LICs and LITs in Australia. The sector has been popular with investors for over 95 years in Australia, providing easy access to asset classes including Australian shares, global equities, fixed income, infrastructure and property.

LICAT represents the interests of LICs and LICs and, accounting for approximately 75% of the current Australian capital invested in the sector.

For more information or to speak to LICAT directly, please contact Guy McKanna, 02 8248 3700, guy@honner.com.au

The outlook for gold in 2021

By Jordan Eliseo, The Perth Mint

Following a 19% increase in the price of gold in 2019 — gold started trading last year at USD 1,514 = AUD 2,154 per troy ounce (oz), the precious metal's strong performance continued for most of 2020, reaching all-time highs above USD 2,050/oz = AUD 2,800/oz in August.

From early August through to the end of November the gold price eased in a textbook corrective cycle to end the month trading at USD 1,762.55/oz = AUD 2,384/oz.

Year to date, the precious metal has increased by 16% in USD terms and 11% in AUD terms, with gold on track to be one of the best performing asset classes in 2020.

The strong price rise has been supported by a surge in investment demand, including for gold ETFs, like Perth Mint Gold (ASX PMGOLD), which saw holdings increase by more than 70% in the first 11 months of the year.

Why did gold rally in 2019 and 2020?

The most important contributor to the gold rally, which started in earnest in Q4 2018 when gold was trading below USD 1,200oz, was the decline in real yields on government bonds.

As an example, the yield on a US 10-year Treasury Bond fell by approximately 2% in the past two years, from +1.04% in November 2018 to -0.93% at the end of November 2020.

Declining real yields typically make gold more attractive to investors, as they reduce the opportunity cost of investing in the precious metal.

Economic uncertainty caused by COVID-19, and the steps taken to limit its spread, have also boosted gold. Meanwhile, the monetary and fiscal support deployed in 2020 has dwarfed what we saw when the Global Financial Crisis hit back in 2007/2008, with public sector deficits across much of the developed world conservatively estimated to be twice as large.

Another factor driving gold is heightened equity market volatility. While markets have rallied strongly since the COVID-19 crash in early 2020, that event did help reaffirm the need for safe haven assets in a truly diversified portfolio.

Investors turning to gold as an equity market hedge is a historical norm. Research highlights that the precious metal has on average been the highest performing single asset class in the months, quarters and years that equities decline in value.

Outlook for gold in 2021

While no one can be certain what will happen to any asset class going forward, on balance, the outlook for gold remains favourable.

On the economic front, while there is understandable optimism regarding the development of multiple COVID-19 vaccines, there will be a lag between successful trials, requisite approvals from the relevant authorities and, most importantly, successful rollouts across the world's population.

Given this backdrop, and the hit to employment and output seen in 2020, most economic commentators still expect a K-shaped economic recovery at best in 2021, whereby some sectors recover sharply while others continue to stagnate.

This subdued economic environment will continue to constrain sales-driven company earnings and profitability outside of a few select companies and sectors. This poses a significant challenge for equity markets, given many were trading at historically elevated multiples in late 2020.

This includes the S&P 500, which in late November was trading at a price to sales ratio of 2.69. This effectively means if you bought a S&P500 Index Fund or ETF, you'd be paying $2.69 for every $1 of sales companies in the S&P 500 are generating. The ratio is 14% higher than the market peak in 2000, representing a clear warning as to how expensive markets are in absolute terms.

Monetary policy is also likely to be dovish for many years to come, with the US Federal Reserve, for example, adopting an average inflation rate targeting regime in 2020. The Reserve Bank of Australia also cut rates to just 0.10% last year, as well as commencing its own quantitative easing program.

Combine this monetary environment with further fiscal stimulus next year, investor concerns regarding skyrocketing public debt levels are only likely to grow this year. Gold is expected to benefit from these potential concerns, especially given much of the debt that will be issued in 2021 will have a negative real yield.

The inflation picture should also be supportive for gold as we enter 2021. Even if inflation rates remain at or near the historic lows they currently sit at, the precious metal should still be an outperformer relative to cash and bonds, if history is any guide.

Data from the World Gold Council highlights that gold has on average delivered real returns of 3.58% in years where inflation was below 3%, like it is now. That might not sound like a lot, but it is still substantially higher than the negative real rates being paid on cash in most of the developed world. This includes Australia, where trustees have been hit hard in particular, given the large average cash balances in SMSF portfolios.

Given the above factors, it seems likely there will be ongoing demand for precious metals. The potential for gold to help improve returns and minimise risk is only enhanced by the unprecedent economic and monetary environment investors must navigate today.

For these reasons, we remain constructive on the outlook for the gold price, which is likely to remain biased to the upside for some time to come.

Jordan Eliseo, Manager, Listed Products and Investment Research, The Perth Mint.

Three questions for retail investors in 2021



By Sebastian Vanderzeil, Ashleigh Steeles and Phil Vernon

This year, environmental, social and governance (ESG) investing continued its meteoric rise. The 2020 Responsible Investment Association Australasia (RIAA) investor survey found that $1,149 billion — 37 per cent — of all professionally managed assets in Australia is now dedicated to responsible investment in Australia, with 87 per cent of responsible investment managed using ESG investment processes.

While ESG investing, with its ESG-related shareholder resolutions and push for greater disclosure of key risks, can be seen as the domain of large institutional investors such as superannuation funds, the size of ESG investing now means that ESG investment issues impact all investors. Retail equity investors with their flexibility in choosing equities and smaller percentages of ownership, will be impacted by the decisions made by large institutional investors moving towards greater ESG investment, as well as the rise of impact investing. Overall, ESG will continue to make the public markets more diverse and complex as companies create new opportunities and risks for retail investors in 2021.

Net zero

There are, in our view, three key ESG-related questions for retail investors in 2021.

1. How will retail investors be impacted by the $247 billion of REST, Cbus, HESTA and UniSuper that has been committed to being invested in net zero portfolios by 2050?
2. What resources are available for small retail investors to understand and investigate the growing number and sophistication of ESG-related shareholder resolutions?
3. Finally, will impact-first investing, currently growing in private markets and alternative assets, come to the public markets?

In November 2020, REST Super, a $57b superannuation fund, settled a court case with a member who accused it of failing to act in his best interests by not properly considering the risks the climate crisis poses to investments. The settlement required the fund to ensure its actions are consistent with a "net zero carbon footprint" by 2050, and showed that any long-term asset owner may face compelling legal action on its climate integration strategies (or lack thereof). REST has now joined other major superannuation funds, including Cbus, HESTA and UniSuper, that have committed to aligning their portfolios with a net zero by 2050.

Net zero is a commitment to achieve net-zero carbon emissions. This can be achieved by divesting from fossil fuel industries, financing clean energy, working with emissions intensive industries to reduce emissions and commitments to climate initiatives. The overall aim is to help reach the Paris Climate Agreement to limit global temperate rise to two degrees Celsius above pre-industrial levels.

In our view, more superannuation funds moving to net zero will restrict the access to capital for high-emissions companies in public equity markets. Superannuation funds (and their asset managers) targeting net zero will push capital towards lower-emissions businesses. In order to raise capital from net zero companies, high-emissions businesses will have to include emissions reduction targets as part of their capital-raising pitches. Companies that provide emissions reduction solutions to other companies will have committed supporters in the net zero superannuation funds. The result will be a "greening" of the public equity markets over time.

Resources to understand investment risks and opportunities

To better understand the investment risks and opportunities, retail investors can use resources such as the *Inevitable Policy Response Report (IPRR)*, available free through the Altiorem's sustainable investment library. The IPRR is a guide for investors that matches the forecast impacts of climate change to a likely set of major policy responses implemented in the next decade. It then also provides a framework for forecasting results of these policies on sectors and investment returns. Investors committed to net zero will have to actively restructure their portfolios away from the high emissions sectors identified in this report and into low emissions sectors. Retail investors can then position their investments to benefit from the likely flow from high emission sectors to lower emission sectors.

In 2020, the Australasian Centre for Corporate Responsibility (ACCR) recorded 19 ESG-related shareholder resolutions lodged with ASX200 companies. Seven of the resolutions targeted governance changes, including the right to lodge non-binding shareholder resolutions. Six sought to drive company responses to climate change. Two focused on cultural heritage; three relating to lobbying and one on world heritage protection.

Overall, ESG-related resolutions in 2020 received an average support of 18.03 per cent from shareholders. This is higher than in 2019, which saw 32 ESG resolutions put forward and an average support of 10.07 per cent. However, climate change-related resolutions lodged with Santos, Woodside and Rio Tinto received support greater than 35 per cent, meaning that, in some cases, a majority of investors want these companies to address climate issues and risks.

In 2020, a number of resolutions were also lodged and then withdrawn after the companies agreed to implement the principles of the resolution. For instance, a resolution on climate-related lobbying by Rio Tinto was withdrawn after the company agreed to implement a range of initiatives proposed in the resolution. This is significant as it shows that companies can be pushed to act on ESG issues by the lodgement of resolutions, even if the likely percentage of shareholders that support the resolution is low.

While 2020 had a lower number of resolutions, our view is that the long-term trend will be a growing number of increasingly sophisticated shareholder resolutions, and that these resolutions will lead to higher engagement by companies on the resolution of issues. Company strategies, particularly on climate change and community issues, will be highly impacted by these shareholder resolutions, so involvement from all investors is important.

Role of retail investors

Retail investors have a role to play in ESG shareholder resolutions as voters, but they face two challenges: accessing relevant ESG information on shareholder resolutions that they are able to vote on, and the lack of ongoing resources for monitoring and evaluating actions that result from shareholder resolutions. Retail investors can become informed on ESG resolutions through organisations such as the Australian Shareholder's Association (ASA) and by accessing relevant research at the Altiorem sustainable investment library. Information on how companies are performing on ESG issues after a shareholder resolution can be accessed through the ACCR.

Retail investors can also review progress made in other countries on ESG-related engagement to get an idea of how it might affect Australian companies. The *Mapping of Global Responsible Investment Best Practices Report* by Inflection Point Capital Management and the Norwegian Ministry of Finance, is also available at Altiorem. The report sets out the diverse range of governance and organisational arrangements used by institutional investors, as well as different approaches and tools, to take their responsible investment and ESG agenda forward. Using these resources, retail investors can understand the direction ESG-related shareholder resolutions may take over time.

Growth in impact investments

Apart from the headline increase in responsibly managed assets, another fascinating signal from RIAA's *2020 Benchmarking Report* was the high growth in impact investments in Australia. From 2019 to 2020, investments that aimed at addressing social or environmental issues while also creating positive financial returns for investors grew 44 per cent to $19.9b, with $195m invested in public equities. This small but high growth base is mirrored by the Global Impact Investment Network's "2020 Annual Impact Investor Survey", which noted that impact investing was increasing and that $41b was held in public equities.

Key impact investments include green bonds, community finance products, and property or infrastructure funds that are largely separate from the public equity markets. Some publicly-listed companies have begun to discuss their business models in terms of impact, such as the amount of carbon dioxide emissions avoided by installing renewable energy. However, there is limited impact investment available to public equity investors in Australia.

In 2021, we will see the continued emergence of public listed investment that generate impact, driven by an increasing appetite from institutional and retail investors to pursue opportunities in the listed market. In turn, these investors offer impact-focused companies a greater opportunity to source capital. Investors are pushing back on the view that impact cannot exist in the listed markets as the pursuit of profit would somehow water down the conviction to generate impact.

But as this trend evolves, the definition of "impact" needs to be clear. In our view, this purpose can be maintained through a focus on three core principles: intention, additionality, and reporting. The listed company should have clear intention to focus on its core purpose of making a positive impact while being additional in that it brings new capital to the impact theme rather than simply competing against and crowding out existing organisations. Finally, there is regular measuring and reporting of its social and environmental impact on a par with its financial reporting.

B Corp rating system

A tool for assessing the impact credentials of a company is the "B Corp" rating system. The non-profit B Labs Australia applies a rigorous assessment of the social and environmental credentials of companies and assigns a numerical score, allowing the ranking of alternatives. To date there have been only a handful of publicly listed B Corps, with only five in the Australian market: Australian Ethical Investment, Arowana, Kelly and Partners, Synlait Milk and Kathmandu. The evolution of the listed impact market may see that change over time and retail investors can use tools like B Corp reporting to understand the impact of the growing number of publicly listed B Corps.

As the ESG sector continues to grow in size, a range of new considerations will be included in stock selection for retail investors. Net zero portfolio commitments mean that superannuation funds will be rotating their investments out of high emission companies into lower emissions companies. Shareholder resolutions will increasingly be used to drive engagement in key ESG issues between companies and investors with ESG concerns. Impact investing is also arriving in the public equity markets. Retail investors will be impacted by the range of ESG investment strategies being developed, particularly investing in companies that will benefit from the net zero portfolio commitments, but there are greater responsibilities for voting on the rising number of ESG resolutions. Impact investing in the public markets provides another potential avenue for enabling retail investors to generate impact with their investments. It is an exciting time in the public markets for retail investors.

Sebastian Vanderzeil is a ESG and impact consultant with Strabo Rivers and supports sustainable investment advisor, Cornerstone Capital Group, as a member of their Global Advisory Council.

Ashleigh Steeles works in the financial advice industry and is passionate about using ethical and socially responsible investments to make a positive change for clients and society.

Phil Vernon is the former Managing Director/CEO of Australian Ethical Investment and current Director of Beyond Zero Emissions and the Environmental Defenders Office.

Research update: ESG issues impacting your investments

By Team Altiorem

Introduction

Each month we will share Altiorem's newest and most popular research with ASA members, keeping you up to date and, hopefully, sparking your interest in some of the pressing ESG issues that are impacting your investments. Our research summaries make it simple for shareholders to grasp key concepts without being an expert, which will help you to make informed decisions and smarter investment choices.

Altiorem is the world's first community-built sustainable finance library. Our free online library supports investors interested in long-term performance and the allocation of capital towards a flourishing economy, society and environment. Altiorem's resources help shareholders better understand the role ESG issues play in portfolio construction, risk management, returns and shareholder advocacy.

Free access to sustainability research

Altiorem provides members free access to the sustainability research that investment professionals use. Research is summarised and categorised by key issues and leading sustainability standards. Our goal for Altiorem is to give the investment community access to free, high quality, relevant and accessible material they can easily use to inform and ignite the case for change.

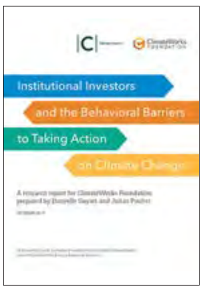
Trending research

Deloitte Australia cleantech (DACT) index.
Deloitte

Outlines the quarterly performance of 93 cleantech stocks listed on the ASX. Measured in relation to the ASX 200, the findings reveal the cleantech industry's growth in comparison to Australia's already established powerhouse companies.

Unlocking potential: A blueprint for mobilising finance against slavery and trafficking.
Liechtenstein Initiative

Includes goals and implementation strategies to strengthen the role of the financial sector in the global effort to end modern slavery and human trafficking, and accelerate action in line with the 2030 Agenda.



Institutional investors and the behavioral barriers to taking action on climate change.
ClimateWorks Foundation

Examines why leading climate investors are rapidly outpacing their peers despite having access to the same information. Revealing cognitive biases to be an important barrier to taking action on climate change.

SDG Industry Matrix: Food, beverage and consumer goods.
KPMG and UNGC

This report aims to inspire and inform the food, beverage, and consumer goods industry to take action to drive inclusive sustainable prosperity. Includes opportunities for shared value from company actions.

New Research

Investing with an LGBTQI lens: Rethinking gender analysis across investing fields.
Criterion Institute

This guide sets out a theoretical grounding, demonstrating why LGBTQI lens is germane to investment decision making and providing the tools needed to conduct financial analyses.

Fiduciary duty in the 21st century:
Final report.
UNEP FI and PRI

Demonstrates that environmental, social and governance integration is a component of investors' fiduciary duty. To fulfil this duty, regulators and policymakers must better understand fiduciaries' needs and establish policies that support this approach.

Valuing ESG: Doing good or sounding good?
Bradford Cornell, UCLA & Aswath Damodaran, NYU Stern School of Business

This paper considers a framework for company valuation that incorporates social responsibility in order to evaluate whether or not "doing good" creates value for environmental, social and governance (ESG) companies, and for investors.

2 degrees of separation: Transition risk for oil and gas in a low carbon world.
Carbon Tracker Initiative and PRI

This methodology was developed for the supply side data and demand scenario used in the asset level analysis of oil and gas production in a carbon constrained world. It shows the marginal costs for oil and gas produced by intersecting 2°C demand with supply curves are higher than the currently prevailing prices for those fuels.

We believe Altiorem can help ASA members better incorporate sustainability issues when investing and voting. Head over to Altiorem and become a member at www.altiorem.org. Membership is free and includes access to all research, and soon we will be offering webinars, e-books and more benefits for members.

Brexit talks are about how abrupt the final break will be

By Michael Collins, Investment Specialist, Magellan Financial Group

No option removes the existential threats to the UK stirred by its EU departure.

The allegations went like this. The now-defunct UK arm of the US political consultancy Cambridge Analytica employed a Russian-born computer whizz to make an app-based survey. The app was placed on Facebook. When 300,000 people used the app, data was secretly gathered on 87 million users. The political consultancy boasted of models and analysis that could "change audience behaviour". The Russian meddled in some way. Lo and behold, UK voters opted 52% to 48% to leave rather than stay in the EU in the 2016 referendum, in defiance of the business, cultural, financial, political and technocratic elite.

That Cambridge Analytica, Facebook and Russia manipulated the UK's industrial class and hijacked the referendum inspired a TV drama and a Netflix documentary. The Information Commissioner's Office launched a probe. Over three years, the body that enforces data-protection laws examined 42 computers, 31 servers, 700,000 gigabytes of data, more than 300,000 documents, and more still.

And it found nothing. Well, that's one Brexit controversy resolved. But others need addressing even though the UK left the bloc on 31 January 2020, an action that ended the first phase of the post-vote saga. That period was essentially a rerun of the referendum. "Remainers" sought to nullify the 2016 result while pushing for a "soft" Brexit — where the UK effectively stayed under EU control within the common market. "Leavers" pushed for a "hard" Brexit, where the UK recouped its sovereignty and faced conditional access to the common market. They feigned calm about a "no-deal" Brexit, where the UK suddenly sits outside the common market, thus a likely economic blow epitomised by truck queues, shortages and rising prices.

The triumph of Prime Minister Boris Johnson's Conservative party in the 2019 elections torpedoed the Remainer campaign. The UK left the EU and moved to the second part of the post-vote saga. That comprises an 11-month "transition" phase during which the UK stays a member of the EU common market while Brussels and London settle on their future relationship. The options are a hard or no-deal Brexit.

Most of the details are agreed on how to manage EU-UK trade and security, but three disputes prevent an agreement. One is over fishing rights. The UK eyes restoring a distinct aquatic zone while the EU seeks to maintain a quota system across connecting waters. The second quarrel is over state aid to companies. The third is on how to resolve disputes.

These and other issues are almost distractions compared with the problem of Ireland, an EU member. No one has solved how Northern Ireland adheres to UK laws while staying within the EU customs union to ensure a frictionless border and political calm across Ireland. London's latest proposal, the Internal Markets Bill, violates agreements that demand an invisible border across Ireland. The conundrum for London is that a seamless EU-UK border across Ireland splits the UK as an economic entity because Brussels won't countenance an ex-member staying in the common market. It's possible the impasse over which laws and legal system apply to Northern Ireland could lead to border barriers and political violence that could push the province to reunite with the south.

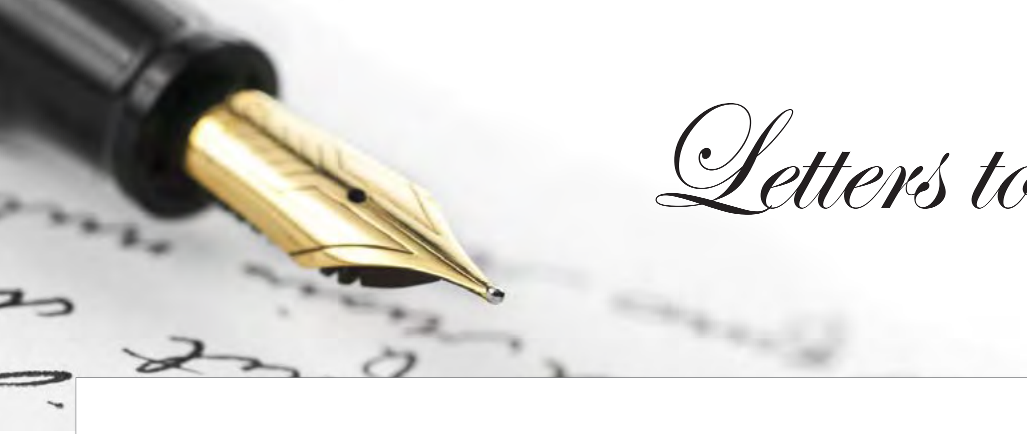
The EU has warned it will take legal action against the UK if the Internal Markets Bill becomes law. The threat is mixed up with the ambit claims, bluffs, brinkmanship, broken deadlines, fruitless summits, theatrics and ultimatums between Brussels and London that are reviving a more-pressing existential threat to the UK. The Brexit saga is fuelling support for Scotland to depart the UK to rejoin the EU.

The year-end deadline could soon force decisions, and a messy divorce is possible. Some last-minute fudge that all hail as satisfactory and final is likely. But whatever the shape of any deal, Brexit will be an economic and political shock that will reverberate through the UK for years and could even break it.

Some caveats. Brexit is a secondary issue since the novel coronavirus escaped from China. Given the economic damage of the pandemic, a no-deal Brexit holds fewer concerns for many than before. Hard Brexit covers a range of outcomes that include a soft-enough exit that disappoints Leavers. Would Scotland really flee the UK and trigger the mayhem involved? Would Ireland unite after a century of partition? These were possibilities before the Brexit vote and could take years to occur.

Even so, the Irish problem appears unsolvable and Brexit has marked UK politics for the foreseeable future by making identity politics around Remainers versus Leavers the country's biggest political tear. The latter manifests in issues from immigration and inequality to the environment and, ominously, in pushing component nations to leave a UK troubled by however visible or invisible is the border across Ireland. All because of that vote in 2016 when enough UK voters, for some reason not linked to Cambridge Analytica, Facebook or Russia, defied the elite. E

For the full version of this article and to view sources, go to: magellangroup.com.au/insights/



Letters to the Editor

Read the small print

Recently I received two dividend advices — One for CBA Perls V11 and one for my shares. I looked at both — dividend down but still a worthwhile amount; Perls V11 a miserable amount for my $10,000 investment.

I was about to file the items for next year's tax return, when my wife asked to see how much money she had available to spend, so I showed her the two items and went about doing other things.

She then asked why I didn't tell the share registry my bank account details so that they could deposit my dividends. This information, of some seven lines, was clearly printed on both advices yet I had not bothered to read it — I just looked at the amounts.

Her comment startled me as I have had these investments for many years and knew Link had my bank details.

With further checking and on ultimately ringing Link, I explained that about eighteen months ago I changed from Service Brokers to an online broker, thus gaining for myself a new HIN number. I explained to Link that all the other shares involved in the consolidation to the online broker successfully transitioned, including my bank account details, yet I found that with CBA the details had been omitted.

Link advised me that because of the market value of my CBA holding, when such holdings change vital information, bank details are NOT transferred. Apparently, some sort of security safeguard.

To restore these details, I needed to request a security code by going on line, whereupon I would be mailed a password. When received it some days later I went back online, via computer, and following the instructions included in the letter (this time reading them very carefully) entered the password and provided my mobile phone number. Immediately thereupon my mobile rang and showed a code number which then needed to be inserted. After doing so, I had achieved the ability to update my bank account details. Link advised that it might take up to four weeks to now deposit the withheld payments into my bank account.

So please read any small print on your dividend advices as you too may be missing the dividends going into your bank account.

I'm just glad that due to the delayed dividend — actually there were in total some 18-months' of CBA payments withheld — that I didn't have the money when my wife purchased her replacement car a couple of months previously. Maybe the Victorian lockdown is not such a bad thing after all.

Paul Rankin

14/10/20

This item, whilst true, is meant as a bit of a joke on me. But it may have a point in that just looking at the amount of a dividend is not the only bit of important information that might be on the advice.

Another couple of thoughts.

Re Equity: It's a good magazine full of appropriate information, but not every investor is in need of such in-depth details. It could be interesting if members could be allocated their own page where they would be encouraged to tell something of their own story about investing. Such as mine above.

Re Monitor reports: Again this year I have noticed that some monitor reports still fail to mention what skin in the game some directors have. I understood from reading about what is expected of monitors, that such comments are encouraged.

Is it not possible to include some specific details, such as what the basic director's fee is and what number and value of shares is held at a nominated date.

Remembering Gerry Pauley

By Anne Pryor, WA ASA Member

Vale Gerry Pauley

Gerry developed a nose for a dodgy deal at a young age, having frequented the Kalgoorlie Racecourse for most of his childhood. He went on to develop computer programming skills and achieve a degree in mathematics and then worked as a statistician prior to developing his own website, Gerry Pauley Australian Stocks and Shares, and becoming a full-time investor.

Gerry became ASA WA Branch's inaugural Treasurer around 1999, and how fortunate were we to have someone with such a deep knowledge of financial markets, dodgy deals and dodgy corporate types. Gerry's interests lay in small cap companies.

During his time with ASA's committee the single biggest issue in WA was the issue of "in the money options" to directors, executives and non-executives alike. We opposed these with considerable gusto, doing mailouts to the larger shareholders, often — the top 800 shareholders, addressing AGMs and so on. I believe our actions resulted in the cessation of this largesse which had been at shareholders' expense. The other issue we tackled was related-party transactions, of which there were many.

Many corporates took an active dislike to Gerry Pauley, one labelling him "the stone thrower from the ASA". He wore this like a badge of honour.

Around 2000, Gerry started a coffee morning for ASA members. These were held monthly at a public venue South of the River. The CEO at the time, Tony McLean, was so impressed with the strategy that he spread the word far and wide, which lead to the plethora of coffee mornings now conducted Australia-wide under the shingle of the ASA.

In recent years, Gerry was frustrated with market manipulation by the high frequency traders that gonged off his trades or disrupted his trades so that he only got a few shares and paid full brokerage for his order. He was able to see this activity so clearly using the huge TV screen dominating his lounge room and his subscription to IRESS. Other investors would not have seen this level of detail or understood the ramifications, and probably still don't. Gerry was disappointed that ASA, despite his best efforts, did not take this on as a major issue.

I share a comment from Gerry in 2016:

"I reckon our stock market is a terrible disgrace right now. I have never seen such bad things before even after being brought up on the Kalgoorlie race course — horse punters seem honest compared to high frequency traders and punting institutions."

We all owe Gerry a debt. Without his drive, skills and deep knowledge, I feel certain that the WA Branch would not have been established at the time it was.

BRICKBATS & BOUQUETS

By Vishad Sharma

Brickbats

To Wesfarmers Chair Michael Chaney for comments at the annual general meeting suggesting that providing actual take-home pay figures in the annual report is "misleading" and a disservice to retail shareholders. Other shareholders attending the meeting disagreed with Mr Chaney's criticism and have contacted ASA to indicate their support for an actual take-home pay for executives. Mr Chaney's criticism also implies that the dozens of other companies that do report the actual take home pay have done so with the intention of misleading shareholders rather than promoting greater transparency and better corporate governance.

To Worley for advising that a recorded version of their AGM will not be made available to shareholders through their website. ASA regards this decision as one reflecting poor governance and being disrespectful to shareholders who were unable to attend the online event. With changes to the Worley board being made on recommendations from majority shareholding Dar Group and other shifts in Worley's corporate governance, it is imperative that shareholders are provided every opportunity to understand how and why their company is being stewarded the way it is.

To Melissa Yeo and Christine Lacy for using a media platform to denigrate questions from genuine retail shareholders. While reporting on the Newcrest Mining AGM for The Australian's Margin Call column, the two journalists mocked a concerned and inexperienced retail shareholder's query as being "priceless" and other questions and concerns as being "mundane". While snark is enjoyable, experienced business journalists deriving amusement from a shareholder's confusion instead of realising the market has been flooded by inexperienced investors who may lack basic investment knowledge is not.

To the Australian Securities Exchange for the market outage that took place on Monday, 16 November 2020. The Australian equities market relies on the uninterrupted and appropriate functioning of the ASX for its integrity and reputation. While every enterprise can suffer from technical issues, shareholders are justified in expecting Australia's most prominent stock exchange be better prepared for unforeseen shocks and circumstances in light of the many technology-based improvements the ASX plans to make in the future.

To Hollista CollTech Limited for issuing inaccurate ASX announcements in early 2020 pertaining to revenue from the sale of one of their products in the USA. In April 2020, the company announced it would be making $3.8m in revenue from a sale and in July 2020 the reported revenue was $0.5m — a reduction of 87% from projected revenue. The company also misrepresented one of its products as being effective against COVID-19 through a March 2020 statement, while in fact the product's efficacy was being tested against feline coronavirus and not SARS-COV-2. The company has now been restricted from issuing reduced content prospectuses or reduced content disclosures until 17 October 2021.

To Smiles Inclusive Limited for not lodging a financial report, directors' report, and auditor's report for the half-year of the company as required by the Corporations Act (2001). Continuous disclosure is an important aspect in ensuring retail investors operate in a transparent environment. Companies that do not honour these obligations should be penalised as Smiles Inclusive was through a suspension of trading as well as being restricted from issuing reduced content prospectuses to raise equity through retail investors.

To Skyring Funds Management Limited for promoting its Skyring Fixed Income Fund as a stable product that is comparable to a term deposit. Having previously been warned against misleading advertising in June 2020, Skyring Fixed Income Fund advertisements suggested that investing in the fund was at the same or at a similar level of risk as bank-issued products. This statement is misleading to retail investors as the fund's underlying investments make it more significant in terms of financial risk than a bank-issued product.

Bouquets

To Anne Mathison, an ASA member, who helped put a stop to a financial scam through vigilant reporting. In January 2018, Ms Mathison reported that a friend had been contacted by OT Capital, a representative of AGM Markets Pty Ltd. A broker from OT Capital was pressuring her to pay them more money or risk losing her initial payment. Ms Mathison raised the issue with ASA, and we made a complaint to ASIC who stopped the business from trading very shortly after this. ASIC then pursued a case against the over-the-counter derivatives issuer based on other complaints and through 17 witness affidavits, and fined AGM Markets and its former authorised representatives to the tune of $75 million. This is one of the most significant of such fines awarded in a case like this.

To PointsBet (PBH) for raising over $150 million through the ASA preferred Pro-Rata Accelerated Renounceable Entitlement Offer (PAITREO) with retail rights trading. The retail entitlement offer raised $82.8 million from the issue of 12.7 million new PointsBet shares at an issue price of $6.50 per new share with a take-up of 92%.

To ANZ Bank for providing shareholders with better disclosure through their explanations on the issues surrounding the tenure and performance of their external auditors. The report can be viewed on the ANZ website, on their Corporate Governance page where it is titled *External Auditor Tenure (PDF)*.

Members are welcome to send in their suggestions to equity@asa.asn.au. Comments included here do not necessarily reflect those of all members.

East Coast gas market – front and centre

Chair Glenn Davis opened the meeting with the 'Welcome to Country'. He promptly explained how Beach Energy is positioned to take advantage of the looming under-supply of gas in the East Coast market. He included charts that, taking global warming initiatives into account, show a significant short fall of affordable gas in the coming years. This applies to Australia and globally.

He also stated that all of Beach Energy's activities will comply with the Paris Accord scenarios. This includes the 25% carbon reduction by 2025 and a carbon storage initiative.

Managing director Matt Kay informed the meeting that the extensive development program is still underway to supply the East Coast gas market. However, he stated that $4pj gas was fanciful and that $8 - $11 was more reasonable. The free cash flow projections were reduced from $2.7m to $2.1m.

ASA contributed to comments and questions by applauding Beach on its solid management in difficult times. We voted for resolutions 2 to 5, which included REM and re-election of Glenn Davis and Richard Richards. We voted against the resolutions proposed by activist shareholders to change the constitution. The reasons given were that the resolutions were flawed, and the company communicates well with shareholders. On resolution 6(a), we believe shareholders can already pose questions and ensure that the company answers them which means that a change to the constitution is not entirely necessary at the moment.

For resolution 6 (b), we believe the company's current sustainability report are adequate. Voting for the resolution would possibly create an unwarranted distraction. This in turn can likely affect current and future operations in a way that could negatively impact shareholders and shareholder value.

Resolutions 2 to 5 were passed with more than 95% for and resolutions 6 and 6a were defeated by against votes above 95%.

The line of questions included queries concerning the company's ability to prosper in a low carbon environment, payment of additional dividends and how a fall in gas demand would affect the company. The chairman answered by repeating that Beach Energy is compliant with the Paris Accord, is a growth company and gas supply is falling faster than gas demand.

The meeting ended with a digital wine raffle.

BEACH ENERGY AGM

1 year chart

MONITOR: James Hahn

Date	25 November 2020
Venue	Virtual AGM
Attendees	43 shareholders plus 75 visitors
ASA proxies	1.7m shares from 80 shareholders
Value of proxies	$3.2m
Proxies voted	Yes, on a poll.
Market cap	$4.1 billion
Pre-AGM meeting	Yes, with Glenn Davis.

Boral Reset on US Investments

The chair, Kathryn Fagg, opened the meeting with an acknowledgement to country and a fairly lengthy explanation of the meeting procedures. She then moved to a review of the challenges Boral had faced during the year including bushfires and COVID-19. Boral had a total of 381 confirmed COVID-19 cases mostly in the US and whilst they continued to operate in many countries, they were substantially affected by slowdowns and temporary closure orders particularly in Asia and North America.

After welcoming recently appointed directors Rob Sindel and Deborah O'Toole, Ms Fagg reviewed the appointment of Ryan Stokes and Richard Richards as directors following the acquisition of a 19.98% holding in Boral by Seven Group holdings and confirmed that the nomination of Richard Richards as a director had been withdrawn.

In closing Ms Fagg announced the results of the portfolio review and the sale of Boral's 50% share of USG Boral to the joint venture partner, Knauf, saying that the price achieved represented a very attractive offer. She acknowledged that whilst the review had confirmed that the Headwaters acquisition had a sound strategic rationale, it had failed to achieve expectations and left it to the new CEO to outline planned actions. Finally she reviewed Boral's progress towards adoption of science-based emissions reduction targets saying that these had been delayed somewhat due to the need to focus on managing through the COVID-19 crisis but would continue in 2021 in order to understand how Boral can deliver reduction targets aligned with the Paris Agreement.

CEO Zlatko Todorevski spoke from what appeared to be an office situation giving a further review of Boral's safety and financial results and a Q1 trading update with EBIT down 5% on the prior corresponding period. He then moved to the outcomes of the portfolio review saying it had highlighted significant opportunities for improvement in nearly all Boral's businesses.

All directors spoke to their nominations and all resolutions passed by comfortable majorities with new directors Rob Sindel and Deborah O'Toole, remuneration and both rights awards achieving greater than 99%. The re-elections of Kathryn Fagg and Mark Rayner were passed with 81-85% support whilst the election of Ryan Stokes received 76.6% support.

Questions were taken under each item of business with many general business items included under the financial report. Many questions related to environmental and sustainability issues. No guidance could be given as to future dividends or capital injection plans due to the uncertainty still prevailing around COVID-19.

BORAL AGM

1 year chart

MONITORS: Ian Anderson and Estelle Renard

Date	27 October 2020
Venue	Virtual AGM
Attendees	541
ASA proxies	1.79m shares from 232 shareholders
Value of proxies	$8.6m
Proxies voted	Yes, on a poll.
Market cap	$5.8 billion
Pre-AGM meeting	Yes, with chairman Greg Martin and others.

CARSALES LIMITED AGM

1 year chart

MONITORS: Henry Stephens and Hans Ha

Date	30 October 2020
Venue	Virtual AGM
Attendees	Not available
ASA proxies	0.272m from 91 shareholders
Value of proxies	$5.7m
Proxies voted	Yes, on a poll.
Market cap	$5.4 billion
Pre-AGM meeting	Yes, with Chair Pat O'Sullivan.

Moving forward (slowly)

The Carsales AGM was a very business-like affair with very few questions from the online audience although a couple of shareholders asked questions about Jobkeeper and the new app which Carsales has developed. The CEO gave a presentation which comprised a discussion about the company's financial highlights, a review of the domestic and international operations, management's response to COVID-19 and some comments on FY2021 trading conditions.

You can read about the company's results in the latest ASA Voting Intentions document or you can view the presentation by clicking on the following link: http://shareholder.carsales.com.au/FormBuilder/_Resource/_module/cTXplyuazkGLCLMfDtk2hA/ file/AGM/2020/AGM-Presentation.pdf

Your ASA Monitor asked a question about why the board decided to adopt a total shareholder return approach (favoured by the ASA) and why the maximum Short Term Incentive opportunity was increased to 110.4% from 87% in the previous year and the Long Term Incentive was reduced to 94.7% from previously 100%. The answers to these questions are summarised in our Voting Intentions report. Your monitor asked the board about their views with regards to the government's plan to make all annual general meetings virtual only. ASA believes that virtual AGMs are a sterile format that are moderated and can restrict genuine shareholder participation. The decision to hold online-only meetings can restrict meaningful discussion between participants including shareholders and their representatives, the non-executive directors of the company.

The chair answered this question by saying he agreed that the old AGM format was more accessible to small shareholders and currently no decision has been made by the board at the time of the AGM. He added that the culture of the company was to focus on people and that his preference was to be all together. The ASA voted in favour of the motions and all the motions were carried. The motion to re-elect Walter Pisciotta received more against votes (4.4% of votes cast) than any other motion. The ASA voted in favour of his re-election because Mr Pisciotta was one of the founders of the company and he brings an enormous wealth of knowledge and ideas to the Board despite being on the Board since 1996 (which is contrary to the ASA's guidelines).

CROMWELL PROPERTY GROUP AGM

1 year chart

MONITORS: Kelly Buchanan assisted by Mike Stalley and Michael Leyland

Date	18 November 2020
Venue	Hybrid – online and at Brisbane headquarters
Attendees	200 shareholders and 100 visitors
ASA proxies	1.19m shares from 38 shareholders
Value of proxies	$1.693m
Proxies voted	Yes, on a poll.
Market cap	$2.5 billion
Pre-AGM meeting	Yes, with chair Leon Blitz and others.

Stealthy takeover results in AGM bloodbath

Over the past two years competitor and major shareholder ARA Group has continued to accumulate shares in CMW and earlier this year launched a proportional takeover bid which was opposed by Cromwell. After two EGMs this year, ARA now has two members on the CMW board, Gary Weiss and Joseph Gersch and it now owns over 30% of the company.

On the morning of the AGM CMW shares went into a trading halt that appeared rather mysterious. The meeting was held live in Brisbane with Chair Leon Blitz attending from a 4am London time zone. Company founder, CEO and MD Paul Weightman conducted the in-person formalities while most other directors attended online. NED John Humphrey was an apology. As this monitor attended online, it was difficult to observe the tone of the room.

In the last 18 months, the board has undergone significant renewal. NED David Blight, CEO and director of ARA Australia, the Australian arm of ARA Group which is a major shareholder and competitor, resigned in July 2019 after CMW deemed ARA a related party and refused to allocate shares to ARA as part of a $375m institutional placement. Ms Tanya Cox and Ms Lisa Scenna were appointed as NED's in October 2019 and elected at the subsequent AGM. NED Michelle McKellar retired at the 2019 AGM. Mr Geoffrey Levy retired in February 2020. Since year-end, Mr Gary Weiss and Mr Joseph Gersch were elected to the board at an EGM in October 2020 over the objections of the company and now the above.

Even though Australia's four major proxy advisory firms' recommendations aligned with those of ASA, the chair and two NED's were voted off the board with about 59% of the votes cast against. The remuneration report was rejected by a similar majority and a motion to spill the board was passed. Since the meeting, NED Jane Tongs has been appointed chairman of the board.

ASA questioned whether the board would continue to function in the best interests of retail shareholders and received the usual boiler-plate answers. Following the meeting the AFR headlines read "Cromwell board torpedoed in AGM bloodbath". And the trading halt was lifted with a "nothing to see here" explanation.

ARA has repeatedly claimed that CMW is poorly managed and has made bad investment decisions, all the while accumulating more shares. In this latest move it has used its shareholding to effectively take over the company by use of the spill motion on remuneration. And the competitor to Cromwell has not paid a premium to shareholders for gaining control.

Cochlear up for the next 100 years

A webcast recording, and the AGM addresses of chair and CEO are available from the website.

Chair Rick Holliday-Smith mentioned the very long-term mission of the company, then dealt with how FY20 had progressed. It started reasonably well, but there was a sudden stop to elective surgery early in H2, with the complete stoppage in sales of implants. Around the same time, the result of the litigation lawsuit was adverse. There was no certainty when "normal" operations could resume.

These two blows meant the company had to respond quickly if it wished to fulfil its mission of being around to service cochlear implants in new babies now and for the next 100 years. At this time, financial markets were very uncertain, so it was very difficult to get an initial taker for the capital raising required. The initial offer to shareholders was low, but it was always stated that this could be increased on demand. The overall proportion of individual shareholders to corporate holders was preserved

CEO Dig Howitt described the current extensive range of devices, for both Cochlear and bone implants. A long term process has led to various improvements.

Both chair and CEO commended the staff for their commitment under difficult circumstances, noting that no incentives were paid at this time.

ASA did question diversity, of both board and senior management, and when the targets set might be achieved. It was interesting to find out that, of the 4000 staff, around 1 in 12 were in the "senior leaders" category, where the aim is 40% female. There are staff in very many countries, so it indicates a leadership structure in each, to varying extents, and the identification and training of future leadership candidates. We also commended the company for its expansion of the SPP offer.

Other questions were by several others, including past monitor Dan Steiner: re legal advice around the issue, also whether there might be need of an increase in the directors fee pool (no, as it was mainly to allow overlap during changes at this stage).

Elections for board: Prof Robinson received a vote of only 87%, perhaps because of length of tenure. Other current directors had around 98% support, as did other board-supported resolutions.

Stephen Mayne was permitted a recorded message, and he argued that shareholders were disadvantaged by the raising. He received only 5.9% support.

COCHLEAR LIMITED AGM

1 year chart

MONITORS: Patricia Beal and Chandra Agnihotri

Date	20 October 2020
Venue	Virtual AGM
Attendees	122
ASA proxies	0.163m shares from 191 shareholders
Value of proxies	$36.0m
Proxies voted	Yes, on a poll.
Market cap	$14.6 billion
Pre-AGM meeting	Yes, with chair Rick Holliday-Smith and others.

Great company but poor AGM

The chair and CEO each gave pre-recorded talks, essentially summarising their reports in the annual report. The CEO also spoke to the trading update released to the ASX in early November. Goodman's focus on site selection, innovative development of infill sites, building sustainability into its developments and responding to increasing sophistication and automation within its projects are crucial to the company's success.

Mr Farrier noted that this was his final AGM as chair and welcomed Stephen Johns to the chair's role from the conclusion of the meeting. The chair invited questions relating to General Business but only one question was read out, which the CEO answered. A written question from ASA was not acknowledged or read out.

The chair then moved to the re-election of Stephen Johns and the election of Mark Johnson as directors. Each spoke to his nomination and questions were invited. None were read out. A question submitted by ASA requesting details from Mr Johnson on how he would manage his many other director and chair roles was not read out. Both resolutions were easily passed with about 98% of votes in favour of Mr Johns and 99.5% of votes for Mr Johnson. ASA voted against Mr Johnson because of excessive workload.

The chair then spoke to the remuneration report emphasising the importance of strong performance outcomes in order for senior executives to achieve short and long term awards of securities. Questions were invited but none were read out even though ASA had submitted a statement challenging the report. The resolution passed with 86% of votes in favour. ASA voted against this resolution on the basis that the remuneration levels are excessive.

The next 3 resolutions related to the award of Performance Rights to the 3 Executive Directors, namely Greg Goodman, Danny Peeters and Anthony Rozic. Again, questions were invited, and none read out though ASA had submitted statements on each of them. Each resolution was passed with about 73% of votes in favour.

There being no further questions, the chair closed the meeting.

ASA was very disappointed that none of its questions or statements were acknowledged. ASA sought an explanation from Goodman's Investor Relations as to why our questions were not acknowledged and why the quality of the virtual meeting was so poor. We were advised that questions were overlooked due to confusion between Goodman and Computershare. It was also acknowledged that the virtual meeting did not go as planned. Investor relations were quite apologetic and will respond to ASA's questions in its next quarterly report to security holders.

GOODMAN GROUP AGM

1 year chart

MONITORS: Lewis Gomes and Richard McDonald

Date	19 November 2020
Venue	Virtual AGM
Attendees	140
ASA proxies	0.489m shares from 74 shareholders
Value of proxies	$9.25m
Proxies voted	Yes, on a poll.
Market cap	$34.5 billion
Pre-AGM meeting	Yes, with chair Ian Ferrier and others.

IOOF HOLDINGS AGM

1 year chart

MONITORS: Alan Hardcastle and Christine Haydon

Date	25 November 2020
Venue	Virtual AGM
Attendees	38 shareholders and 353 guests
ASA proxies	0.986m shares from 130 shareholders
Value of proxies	$3.65m
Proxies voted	Yes, on a poll.
Market cap	$2.41 billion
Pre-AGM meeting	Yes, with chair Allan Griffiths and others.

'Rebel' shareholders use AGM to show displeasure over dilution

Shareholder angst over share dilution and a fallen share price following a large capital raising was on display at IOOF's (IFL) annual general meeting. Despite 'protest votes' by what was described as a 'rebel' shareholder body, comprised of both retail and institutional shareholders, all resolutions were passed.

In August 2020, IFL announced it was to acquire MLC Wealth from NAB for $1.44b in order to create a wealth industry market leading position with $510m funds under management and administration (FUMA) and more than 1800 financial advisors. The acquisition was funded largely by an accelerated non-renounceable entitlement offer (ANREO) of 1 for 2.09 shares at $3.50, complemented with a share purchase plan (SPP). A very low take-up by smaller retail shareholders resulted in significant shareholding dilution as well as marketplace unease.

ASA's AGM questions, and comments were presented in full and all received thorough answers. Activist Stephen Mayne also found voice with a handful of questions and comments, largely pertaining to the MLC Wealth acquisition and its concomitant capital raising. Mr Mayne's refrain was that IFL had overpaid for MLC Wealth and that 'overpaying in takeovers is the easiest way to destroy shareholder value'. The chair seemed comfortable in batting away the criticisms as well as inviting non-executive director (NED) John Selak to comment. Mr Selak emphasised it's not just 'the deal price' that needs to be considered; and that independent advisors were consulted during the buying process.

In response to ASA concerns regarding the new remuneration scheme's limited financial hurdles, the chair stated that "all non-financial hurdles have a direct correlation to financial hurdles" and incentives (for key management personnel) could not be realised without them achieving non-financial hurdles. The chair added that the scheme will be "reviewed from time to time". ASA also queried NED Elizabeth Flynn's lack of 'skin in the game' but the chair rightly pointed out she had been buying shares at significantly higher prices ($8 per share plus), pre-MLC Wealth acquisition and capital raising.

The resolution voting produced mixed outcomes, reflecting splits in the 'rebel' group's voting. The grant of performance rights to the CEO was passed 98% for; financial assistance passed 92% for; remuneration report passed 80% for; and the re-election of NEDs John Selak and Elizabeth Flynn passed 83% for and 75% for respectively. ASA voted 'for' all resolutions. It is understood the 'rebel' group included ex-IFL senior executives and Bruce Neil, the largest individual retail shareholder.

INGHAMS GROUP AGM

1 year chart

MONITOR: Elizabeth Fish

Date	5 November 2020
Venue	Virtual AGM
Attendees	58
ASA proxies	0.287m shares from 29 shareholders
Value of proxies	$0.95m
Proxies voted	Yes, on a poll.
Market cap	$1.16 billion
Pre-AGM meeting	Yes, with chair Peter Bush.

No golden eggs here

The chair opened his address speaking about the unprecedented disruption to the operating environment caused this year by the COVID-19 pandemic and the close call to the Tahmoor and Bargo sites from the bushfires. He said that despite the drought, record feed prices and fires, financial performance was ahead of target when COVID-19 hit. He continued speaking about the problems encountered, such as getting products to customers when roads were closed by fires as well as the enormous raft of challenges and changes necessary to keep staff safe and to meet regulatory obligations.

The chair noted that he had received significant feedback from shareholders with regard to executive remuneration and committed to working with stakeholders to better understand their expectations. He agreed that the experience and qualifications of directors should be covered in more detail.

The CEO opened his address saying how proud he is of Inghams staff. He went on to speak about the five-year plan, which was presented to investors in October 2019, saying that it was fortunate to have the plan in place in a year like no other. He said the company would continue to invest in product technology to mitigate risks and to expand the business. The production plan horizon is now 52 weeks and with plans to increase it even further to a 72 week horizon.

The company is constructing two new hatch-care hatcheries which allow for better nutrition to day-old chicks. This investment will translate to a lower feed ratio conversion and lower production costs. Steps were taken to maintain staff safety and staff were supported during school lockdowns, through flexible shifts and working from home arrangements. Finally, he said feed costs should be reduced in the FY21 due to an improved grain harvest which will help the bottom line.

Apart from a slight glitch when voting numbers were not being shown but were delivered verbally the meeting went very well. The resolutions for the re-election of the three Non-Executive Directors, items 2,3 &4 were passed at 98.88, 90.99 and 99.81% respectively.

The resolutions on the Remuneration Report and granting of performance rights to the MD under the FY20 transformational incentive plan (TIP) items 5 and 6 were voted against at 51.25% and 51.11%. This is a first strike for Inghams. The chair commented on how seriously the board has taken this message from shareholders and committed the Board to addressing shareholder feedback from the meeting.

The final item: the approval of grant of performance rights to the MD under FY21 long term incentive plan (LTIP) was passed at 82.03% in favour.

Ready for blast off?

What a year this has been, almost as exciting as a rollercoaster. FDA approval imminent, FDA approval delayed, agreement with Novartis etc etc. You wouldn't want to have a faint heart owning shares in Mesoblast.

The meeting was opened by Joseph Swedish who is based in the USA and introduced the meeting procedures. He discussed the development of a potential treatment for ventilated patients with moderate to severe acute respiratory distress syndrome (ARDS) due to COVID-19, an exclusive worldwide license and collaboration agreement with Novartis, a leading global medicines company and how they will continue to rigorously pursue an approval pathway for remestemcel-L in the treatment of children with steroid-refractory acute graft versus host disease (aGVHD), where they are seeking FDA approval. He also discussed the maturing and diverse portfolio of cellular medicines for other serious acute and chronic inflammatory conditions such as chronic heart failure and chronic low back pain due to degenerative disc disease.

This was followed by the CEO Silviu Itescu who gave more detailed information on the product pipeline, the relationship with Novartis where payments of $505m may be achieved, the mechanism for remestemcel-L and the key milestones, including approval by the FDA, as well as its application for heart disease and back pain.

The re-election of Donal O'Dwyer was approved (89.4%), as were the remuneration report (96.2%), and options for the MD and CEO (95.0%). In each of these cases ASA voted in favour. The ratification of shares to existing and new shareholders was approved (98.0%), even though the ASA voted against this item, due to the exclusion of retail shareholders from the offer.

We asked questions regarding the levels of cash held vs the cash burn rate, the lack of TSR hurdles in the CEO's LTI and the exclusion of retail shareholders from the SPPs. A TSR hurdle was not seen as relevant at this stage in the company's development and short-term goals related to clinical development were believed to be more relevant. With regards to the SPP, the company wanted to move quickly, and the shares were issued at a relatively small discount. They did say they valued their retail shareholders and did discuss a SPP.

MESOBLAST AGM

1 year chart

MONITORS: Stewart Burn and Steve Van Emmerick

Date	24 November 2020
Venue	Virtual AGM
Attendees	NA
ASA proxies	0.247m shares from 45 shareholders
Value of proxies	$1.1m
Proxies voted	Yes, on a poll.
Market cap	$2.5 billion
Pre-AGM meeting	Yes, with Director Donal O'Dwyer.

NST and Saracen merge to go for gold

The Executive Chairman's address focussed on the past year, including the impact of the COVID-19 pandemic, the Kalgoorlie Superpit (KCGM) and Echo Resources acquisitions and the benefits of a proposed merger with Saracen Holdings (SAR), their partner at KCGM. The merged entity would have the rare attraction (for a top 10 global gold miner) in that all its operations would be in Australia and North America (only Kirkland Lake (KLA) a Canadian headquartered producer with a secondary listing on the ASX, has similar credentials for a major 1mozs/year+ gold producer).

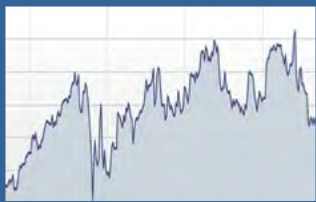
Many synergies were claimed which could lead to improved shareholder returns. The chair also referred to the record but delayed annual dividend of A$0.27/share fully franked. The company expects the merger to take place at around February 2021 after SAR obtains shareholder approval for which an independent expert report will be presented.

NST did a capital raising for KGCM in December 2019 with only $50m allocated to all shareholders as a SPP which was significantly over subscribed. ASA commented that we would like the company to be fairer to retail shareholders. The chair agreed to consider the matter for future capital raisings

ASA queried the Chief Operating Officer's "retention bonus" of 150,000 performance shares (at $14.64/share - about $2.2M) with vesting in October 2020 and 50% in October 2021. This question was lost in transmission, however on tabling resolution 1 proxies, the chair commented that the proxies indicated a "first strike" on the company due to "against" votes being greater than 25% and he speculated the reason to be the view of proxy advisors to the "retention" bonus granted to the Chief Operating Officer in what he described as a "white hot" employment demand for such talent.

ASA voted proxies "against" resolutions 1, 2 and 3 but "for" the other resolutions. Note that the 25.12% vote against resolution 1 is a "first strike" pursuant to section 250U of the Corporations Act meaning that if there is another "strike" at the FY21 AGM then the NST board must resign. During the meeting, the ASA representative was unconvinced by the Executive Chairman's address and his comments and answers to questions on resolution 1 and consequently changed the ASA proxy "open" votes on resolution 3 from "for" in the voting intentions to "against".

NORTHERN STAR AGM



1 year chart

MONITORS: David F Brooke assisted by Robert Kelliher

Date	25 November 2020
Venue	Virtual AGM
Attendees	NA
ASA proxies	0.5m shares from 71 shareholders
Value of proxies	$6.58m
Proxies voted	Yes, on a poll.
Market cap	$3.0 billion
Pre-AGM meeting	Yes, with Lead Independent Director and others.

SEEK LIMITED AGM

1 year chart

MONITOR: Claudio Esposito

Date	19 November 2020
Venue	Virtual AGM
Attendees	145
ASA proxies	0.35m shares from 81 shareholders
Value of proxies	$5.8m
Proxies voted	Yes, on a poll.
Market cap	$3.0 billion
Pre-AGM meeting	Yes, with chair G Goldsmith and others.

Seek avoids second strike – crisis averted

The chair opened his address with the impact COVID-19 had on the company this year. The chair also spoke about other changes such as remuneration, board, and executive leadership. In terms of remuneration as previously discussed in our pre AGM report, Seek have removed cliff vesting structure, the spot price on the day from which rights were calculated and have added a 60-day Volume Weighted Average Price to calculate the starting share price for targets set. The loss of long serving Non-executive director Emeritus Professor Denise Bradley AC has been replaced by Linda Kristjanson and Seek also welcomed Kendra Banks and Damien Wodak as additions to their executive team.

The chair summarised financial measures implemented to offset the impact of COVID-19 by cutting discretionary spend and their final dividend. It was indicated that Seek also assisted hirers and candidates who had been affected severely such as removal of any expiry for Seek services that hirers had paid for and the relieving hirers of 12 month minimum spend obligation charging only for ads used. All directors up for election had strong votes for and they also had support from the ASA.

This year Seek were faced with the prospect of a second strike having received a 25.9% vote against last year. Whilst this year the company had avoided a second strike, they still received an against vote of 16.72% which is still considered significant from ASA's perspective. Seek indicated that there were proxy advisors that still do not agree with Seek remuneration philosophy but would work with them to make further changes.

The changes to the remuneration report were positive but we still felt that the adoption of equity rights and/or options and the valuation methods used for allocation are not acceptable due to the complexity and disproportionate volumes upon vesting. ASA had asked that they should drop the Options/Equity valuation methods as well as use of options. Seek justified that it adequately incentivises the executives and drives company performance that mirrors shareholder value.

During question time we had a question from an investor who wanted to know the reasons Seek had disposed of IDP Education which what is now in hindsight a successful business. Seek responded that they felt that it was the right decision for them at the time given that Seek had competitive concerns over LinkedIn and Facebook that needed attention. There were a large number questions asked both prior and during the webcast with no questions left unanswered by the end.

VICINITY CENTRES AGM

1 year chart

MONITORS: John Virgona assisted by Rod McKenzie

Date	12 November 2020
Venue	Virtual AGM
Attendees	511
ASA proxies	1.1m shares from 74 shareholders
Value of proxies	$1.8m
Proxies voted	Yes, on a poll.
Market cap	$7.4 billion
Pre-AGM meeting	Yes, with chair Trevor Gerber and others.

Hope for a positive recovery

Mr Trevor Gerber opened his first AGM as chair summarising Vicinity Centres performance and outlining steps taken to respond to COVID-19. The pandemic severely impacted Vicinity Centres, an owner and manager of shopping centres, in the second half of the 2020 financial year.

However, Vicinity Centres now believe that it is well positioned for recovery.

After presentations by the Chair and the CEO the meeting was opened to questions.

ASA asked why an institutional placement and a security purchase plan was used in the recent capital raising rather than employing a PAITREO style raising where non-participating security holders may get some benefit. The response was that speed was of the essence in these volatile times and the option chosen was deemed to have less risk.

The remuneration report was passed with a 99% 'for' vote.

Item 3(a) on the agenda was the re-election of Mr Peter Kahan as an Independent Director.

ASA asked the chair that, while Mr Kahan met the various regulatory criteria to be considered independent, was he sufficiently independent being a past board nominee of the Gandel Group, a major security holder and co-owner of the Chadstone Shopping Centre.

The chair responded that he showed independence, has no financial ties to Gandel and that he was elected an Independent Director in 2017 with a 94% vote.

This time there was a protest vote against Mr Kahan's re-election with only 78% 'for' votes received. It is understood that proxy advisor ISS recommended voting against his re- election due to a perceived lack of independence.

The other director standing for re-election, Ms Karen Penrose, was comfortably returned receiving a 97% 'for' vote.

Pleasingly, both directors addressed the meeting regarding their re-election.

Chief executive Grant Kelley received a substantial vote against his pay package, with an 18.9 per cent protest vote.

The online AGM ran smoothly with all questions submitted by ASA being put to the meeting.

The meeting was over in 1 hour.

Wesfarmers shareholders missed their 'refreshments' and showbags

The chair restated the company's primary objective being to provide satisfactory returns for shareholders, commenting that maintaining such returns in the long term was dependent on looking after all its stakeholders, including employees, suppliers, customers, communities and the environment. He said that the bushfire and COVID-19 emergencies during the year had provided Wesfarmers with opportunities to demonstrate its commitment to stakeholders. The group had not sought government support through the JobKeeper program but continued paying salaries to employees laid off through lockdowns, particularly in Victoria and New Zealand.

Safety was improving incrementally. Inventory stock-out problems in July and August at K-Mart had been overcome. The Target restructure was going well with good customer support for new K-Mart Hub stores. Concerns with possible supply chain disruptions to Chinese-made goods were raised. In diversifying sources of supply, Bunnings for instance sourced 35% of its lines from Australian producers and they were the second largest supplier to Officeworks. Wesfarmers preferred Australian goods where cost competitive to do so and urged reform of regulation and taxation to assist the manufacturing sector.

ASA had recommended against the resolutions approving the remuneration report and the grant of performance-tested shares to the CEO, whilst supporting the resolution for the grant of KEEPP-scheme shares to him. We asked why Wesfarmers did not disclose take-home pay and were told that the ASA was doing its members a disservice by requesting this disclosure because in (Mr Chaney's view) it was more misleading than the existing statutory disclosure. We also asked why WES kept fiddling with its KEEPP-scheme for remuneration and were told that it needed to maintain competitiveness and relevance, and there was no disconnect between using last year's scorecard to determine the incentive for good strategy in long-term management.

All resolutions were approved with votes ranging from 95% to 99%. In addition to the ASA's 2.9m proxy votes against the above two resolutions, there were also 15.3m votes against the remuneration report and 23.8m against the performance-tested shares grant.

WESFARMERS AGM

1 year chart

MONITORS: John Campbell assisted by Ian Berry

Date	12 November 2020
Venue	Virtual AGM
Attendees	Not available
ASA proxies	2.8m shares from 1131 shareholders
Value of proxies	$140.4m
Proxies voted	Yes, on a poll.
Market cap	$55.3 billion
Pre-AGM meeting	Yes, with chair Michael Chaney.

Virtual meeting leads to inadequate answers and fewer fireworks

Gordon Cairns, the Chair opened the meeting by introducing Uncle Timothy Gray to give a welcome to country. Apart from the usual review the chair emphasised new ways of working including mental and physical health support for the staff. On the underpayment issue he made a plea that awards be made less complicated for simpler compliance. Sustainability is key for Woolworths and he cited diversity (including indigenous and refugee employment), modern slavery and plastics reduction as key issues.

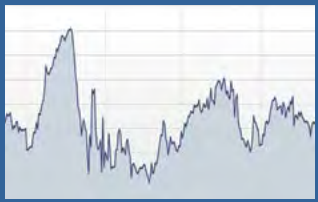
Brad Banducci reviewed performance and strategy in the usual manner, but he also emphasised sustainability. WOW had published a comprehensive Strategy Report in late August. ASA had criticised this report as being short on targets, but before the AGM they released their 2025 Sustainability Plan which lists specific targets. ASA commented this was a good thing.

ASA asked five questions. Three of these (on the staff share scheme, the underpayment issue, and growth after the pandemic) were answered cursorily, though Mr Cairns referred to a "healthy and robust" engagement with ASA. In a virtual meeting there is no real opportunity to clarify or follow up questions, to engage in a discussion. Our question on the future of Big W was answered with Mr Cairns saying that he was happier now than he was four years ago about their performance. He also said that there would always be room in Australia for a discount department store, but maybe not for three.

The proposed Dan Murphy's store in Darwin was also questioned. Mr Cairns indicated that there were plans to move to another site and that the company was in close contact with the aboriginal communities affected. He also reported that these communities were not happy with others speaking on their behalf. Stephen Mayne asked questions about poker machines and money laundering, the composition of the Endeavour Group Board and political donations by the Australian Hotels Association. Mr Cairns said that WOW has a policy of not making political donations, but they preferred to remain in the AHA and deal with it from within.

ASA supported all resolutions and they all passed comfortably. The lowest "For" vote was for the remuneration report at 96.4%. When the meeting closed the chair advised that the money that would normally be spent on catering at an AGM will be donated to OzHarvest.

WOOLWORTHS AGM



1 year chart

MONITORS: Don Adams assisted by Julieanne Mills

Date	12 November 2020
Venue	Virtual AGM
Attendees	589
ASA proxies	3.2m shares from 1,118 shareholders
Value of proxies	$122.7m
Proxies voted	Yes, on a poll.
Market cap	$48.31 billion
Pre-AGM meeting	Yes, with chair Gordon Cairns and others.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