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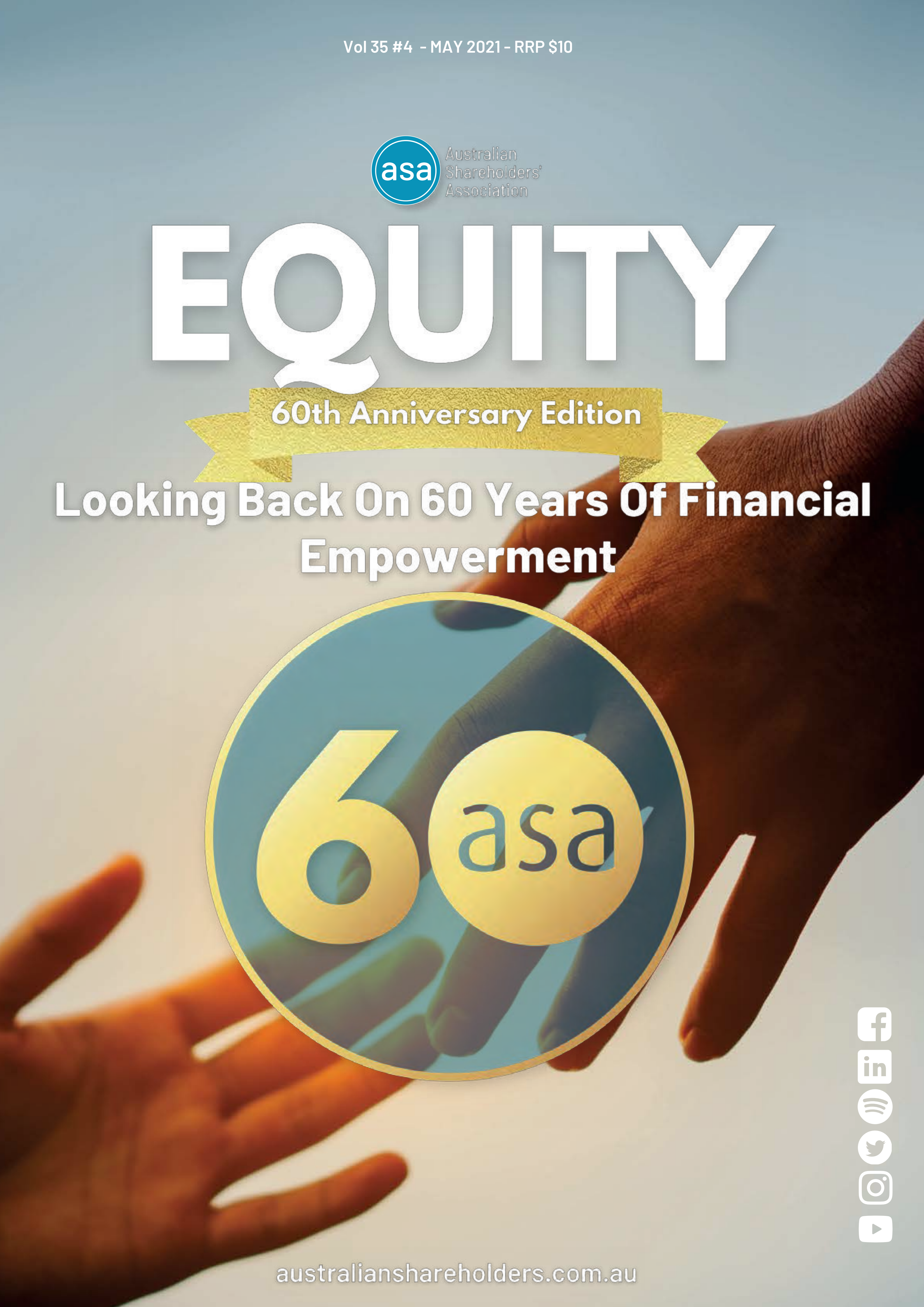

Australian Shareholders' Association

EQUITY

60th Anniversary Edition

Looking Back On 60 Years Of Financial Empowerment

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australianshareholders.com.au

Australian Shareholders' Association

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VOL 35 #04

Simon Bartnik was a major contributor to the redesign of Equity Magazine for its 60th Anniversary Edition as a Digital Marketing Intern in 2020. He was glad to be part of such an important milestone in the history of the Australian Shareholders' Association. He joined the project as an intern from the University of Technology Sydney and gained valuable experience during his time at ASA.

If you have an idea for an EQUITY article, please contact the Commissioning Editor.

FROM THE CEO

By John Cowling

I would like to discuss four things this month.

1. ASA history

2. My watchlist

3. When to decide to sell an investment.

4. Allan Goldin's proposal

ASA history

With the help of one of our bright interns, Ella Smith, we have produced a short history of ASA's first 60 years as an association. Ella, as a journalist intern, interviewed dozens of eminent ASA members and, based on these discussions, has produced this short history and highlighted some of the corporate scandals over the past 60 years.

It is a remarkable piece of work and we welcome members to submit their own remembrances so we can progressively compile a more fulsome history in the future.

What stands out for me is the tremendous work our volunteers have done over the years standing up for retail shareholders' rights and pursuing better governance from the corporate sector. It also reminds us that avoiding bad companies is half the battle to achieve a good investment strategy. Although he did not mean it in an investment context, George Washington said, as one of his rules for life, "it is far better to be alone, than to be in a bad company."

My watchlist

This will be a feature of future issues of Equity as I discuss each stock in my watchlist in turn to help explain my thought process behind selecting stocks to invest in. Please refer to Equity issue Vol 35 #02 (Feb/Mar 2021) and remember that this is educational and informational, not financial advice.

My friends at Sharesight have provided the platform to monitor the progress of my watch list and I am pleased to say that since 5 January 2021, when we started this project, the capital gain from the 10 stocks selected is 6% (versus the ASX 200 of 2%) and we have received 1.24% by way of dividends.

Although it is early days (and we do not measure an investment strategy over such a short period), it is pleasing that six of the 10 stocks are showing a positive TSR, and only four are showing a capital loss.

So that is a hit rate of 60% so far. How does that compare?

S&P Dow Jones Indices regularly researches how actively managed mutual funds perform compared to the S&P500 index. These are funds that actively buy and sell assets and are managed by professionals, often with very high salaries from management fees.

Their last report was published in April 2020 and included data for the full year 2019.

According to this report, 88.99% of large-cap US funds have underperformed the S&P500 index over 10 years.

In Australia, Ben Smythe of AFR reported on 2 February 2021 "An important research tool for SMSF investors considering the active versus passive option is the S&P indices versus active (SPIVA) report."

This essentially tracks the performance of active funds against the performance of their benchmarks. In other words, it allows investors to see by asset class the success of active fund managers in beating the market. Over five years, it shows 81.7% of Australian Equity General funds underperformed the S&P/ ASX 200 index." The index is free.

"If you drill down further, typically, the cause of this "underperformance" is the relatively high fee the active fund manager is charging the investor."

This is why many ASA members have found our educational products and discussion groups help them with stock picking or buying ETFs and is a better strategy than using a fund manager.

When to decide to sell an investment

The hardest decision facing retail shareholders is deciding when to sell a stock.

I have been searching for some guidelines and came across Richard Lawrence discussing when to decide to sell an investment. Richard is the chairman and executive director of the Overlook Group, a $5 billion investment organisation focused on Asian equities that Richard founded in 1991. Over the past quarter century, Overlook has developed and implemented a disciplined investment and business philosophy that drove extraordinary results. Overlook has compounded capital at an annualised 14.5%, outperforming its benchmark by 9% per annum. Thus, when Richard talks, I listen.

On selling he says there are five rules:

1. You realised you made a mistake in buying the stock in the first place, you just got your original investment decision wrong.
2. The stock has gone up in price and you need to rebalance your portfolio.
3. You found another great investment and need to sell something to raise the money to buy it.
4. The outlook has changed (either for the company, sector, or economy).
5. You hit your price target.

On this last point, both Richard and Charlie Munger (Warren Buffet's business partner) warn against disrupting successful investments. They advise staying with your winners.

I have earlier written in Equity how I sold down half my CSL investment when I doubled my money, the price went from $30 to $60. Talk about disrupting a compounder! I should have stayed with my winner.

Allan Goldin's proposal

Allan has been discussing with a few leading corporate directors and influential business academics a mechanism to substantially increase the monies going to underfunded deserving charities.

The basic proposal is that dividends be rounded down to the nearest whole dollar and the money from this rounding is then donated to a deductible charitable organisation.

Please take a look at the proposal and email Allan directly with your views. E

IMPORTANT DISCUSSION

From the Chairman, Allan Goldin

THIS AFFECTS YOU PERSONALLY – PLEASE SPEAK OUT

This is a major proposal; your views are important.

I would like to hear from everyone, not just the members who have a concern and don't like the proposal.

Whole $ dividends

This proposal was developed by a few leading corporate directors and influential business academics as a mechanism to substantially increase the monies going to underfunded deserving charities.

The basic proposal is that dividend payments from a company to you be rounded down to the nearest whole dollar. The money from this rounding down will then be donated to a deductible charitable organisation.

Initially, the ASX 100 would be approached to commit to this scheme, with each company making the donation to a charity of their own choice. Preliminary discussions with senior figures in AICD and leading directors of some of the target companies and tax lawyers have given a very positive response. The support by many companies will be driven by the fact that while being good citizens, they can get a tax credit.

The proponents of this scheme see ASA's endorsement as crucial.

Firstly, it is believed that our support would mean that most companies would sign up for the scheme if ASA, as representative of retail shareholders, are in favour, as it makes it harder to say no.

Secondly, virtually all the companies would need a special resolution to effect such a change to their constitution, since rounding down dividends to the nearest dollar would require a constitutional change. Companies would be very loath to do this if it were likely ASA would be voting against them.

For these reasons, ASA would be on any committee/group formed to shape and then to promote this charity initiative within the Australian corporate sector.

BENEFITS TO ASA

Closer ties to corporate Australia

This activity would see ASA working hand in glove with the corporates to support community good works, which would both help charities do their essential work, and improve our image and some of our relationships with the corporate sector.

Shareholders are not greedy

This counters the claim that shareholders are greedy and self-interested, and bolsters ASA's statements that our members are long-term holders looking to the future and conscious of the importance of social license for sustainable companies.

ESG

Although we have difficulty as a members' organisation to take a firm stance on some aspects of ESG because many of our members have opposing views, this action will add to our credentials in this area, showing we are actively promoting a better future for all stakeholders.

Positive PR

Positive PR – There is a monetary cost for us all. Since the rounding exercise is done by the company on the total dividend amount they pay out, after franking credits and tax, the most you as a shareholder will forgo is up to 99 cents, but on average 50 cents from the total dividend you receive from a company. For a retail shareholder with a portfolio of 25 stocks each paying semi-annual dividends, the average cost will be $25.00 p.a. But aggregating all these rounding donations will mean charities will benefit by tens of millions of dollars a year, making many of us feel better that we are helping others.

Retail shareholders make up the vast number of shareholders in the ASX 100 companies, and therefore it is us as a cohort who will be making the largest proportion of the donations. By asking companies to match the donations, the institutional investors, who own the vast majority of the value of shares, will making their donation too.

As an organisation, ASA will generate substantial positive PR.

NEGATIVES

Politics

ASA has a firm policy against companies making political donations. It would be agreed that donations have to be made to non-political deductable charities.

Reporting

How do we know the money has been properly spent? All companies would have to agree to show in their annual report exactly how much money was raised and exactly how it was spent.

No company money

Our members can rightly say all this is good PR for companies at our members' expense. Therefore, if we wish, we can write into the proposal that all companies have to contribute to the chosen charity an amount equivalent to the monies raised by shareholders forgoing a small part of their dividends.

It is not the role of corporates to donate to charity

The concept of companies needing a social licence to operate is becoming much stronger. The large sums donated by companies a year ago for bush fire relief resulted in virtually no negative comment. The recognition of this social license was seen as important by those companies who received JobKeeper, then found they didn't need the funds and returned the money to the government.

I want to decide where my money goes

This will be the attitude of a few members. To partially alleviate this concern in discussion, it is thought that companies without their own foundation would be willing to list in the NOM a choice of companies for charity and for shareholders to choose.

ACTION: I WANT TO HEAR FROM YOU!

Please email me your views on this proposal so I can represent your views.

Allan Goldin Chairman ASA | allangoldin@asa.asn.au

ASA 60TH ANNIVERSARY — a brief look through the decades

By Ella Smith

1960s

The 1960's saw significant increases in the stock market, with the market doubling over the decade. There was also a property boom and commodity price rises culminating in the oil and mining booms.

Formation of ASA and its early activities

In 1960, Nick Renton was working as an actuary in the insurance industry in Melbourne. Fed up with the lack of attention given to retail shareholders by big companies, he called a meeting to discuss the foundation of an association for small shareholders.

This is what happened, according to minutes from the meeting on 20 July 1960.

> "Mr Renton submitted a statement which pointed out that there had been a rapid expansion in recent times of the number of persons owning small blocks of shares. One of the problems facing these people was that, for all practical purposes, they had little or no voice either in the running of companies or in the activities of governments or stock exchanges in relation to shareholding matters."

It was agreed that an association would be formed, named the Australian Shareholders' Association (ASA).

The annual membership fee would be £1 for individuals and £5 for companies.

Six weeks later, on the 6 September 1960, the inaugural meeting of the ASA was held. The minutes from this meeting showed that a committee was formed chaired by Nick Renton, and Mr Gardner as secretary, along with 14 members.

John Baily was one of the earliest members of the Securities Institute, founded in 1966, when he entered the stockbroking game in the mid-1960s. It was there that he met Nick Renton, who told John,

> "You're one of the well-known analysts working in stockbroking, you could help train the people that come along to the meetings.
>
> "We used to hold the meetings in the offices of the Gas and Fuel Corporation in Flinders Street, near the State Theatre. where the portfolio manager there made a room available. Maybe 20 or 30 people would come along and we would try and help them with their investments and tell them how to analyse the market and so on."

Good Oil

THE Australian Shareholders' Association is troubled by the belief that few Australians have the background knowledge necessary to successful dealing in oil shares.

With this in mind, it has organised its 1962 lecture series on the theme of oil investment.

Talks on every facet of the subject will be given by a panel including geologists, university lecturers, stock brokers, chairmen of oil-prospecting groups and a director of the Petroleum Information Bureau.

The lectures will be held in the Assembly Hall, June 12, 13, 19, 20 and 26. Anyone wishing to attend should get in touch with Mr. S. T. Brown at 62 6962.

Image 1: The Age, 1 June 1962

The ASA was immediately active in its pursuit of shareholder education. From 1961, it ran annual public lecture series aimed at improving shareholder knowledge and confidence, starting with its "Background to Making a Million" series, and another on oil the following year (Image 1). It was also very active in demanding company/board accountability; it wrote submissions to government and companies, participated in senate inquiries and committees (such as the Senate Select Committee on Share Trading), challenged directors and CEOs to public debates, and

Investment School

The Australian Shareholders' Association is holding its first week-end investment school at the Mayer Chalet (Warburton) from Friday evening, November 8 to Sunday, November 10.

Image 2: The Age, 22 October 1963

14 The Age, Tuesday, October 22, 1963

Women Study Investments

OF the 50 people who have already enrolled for the Australian Shareholders' Association first week end investment school, about 30 are women.

The school will be held at the Mayer Chalet at Warburton from the evening of Friday, November 8 to Sunday, November 10.

The honorary organiser of the week end, Miss Joan Bishop, who is also the treasurer of the association, said yesterday that the course would be of particular interest to members of investment clubs.

"Women in particular get more satisfaction from belonging to an investment club, since they can invest together and discuss their investments.

"They get from the clubs, great personal interest that is often lacking in business transactions between their brokers or the stock exchange.

"They can't lose much money this way either. If 20 women invest about £5 each in shares, there would not be much individual loss if the shares slumped."

Investing Age

Miss Bishop, who is a chartered accountant and who has done some financial advising, said that few women under the age of 30 become investors.

"Few women under that age have sufficient capital to invest," she said.

"It is certainly the policy of the association to advise people to have some money in the bank for emergencies before they start investing in stocks.

"The types of women who invest are a mixture. Widows, who have a small income which they want to increase but protect, often invest in shares.

"Some wives who have a little money of their own and who want a common interest with their husbands, also become interested in buying shares. Business women, too, see it as a way of increasing their income."

She said that the increase in the number of women investors was because women now had more money and they were more aware of how to buy shares.

For Protection

The association was formed to protect and inform investors who wished to invest a small amount of capital in shares.

This was carried out by informing investors how to go about buying shares and how to judge what shares were safe and worthwhile to buy.

The programme at the school at Warburton includes discussions on the problems of investors, the aims and principles of investment methods of appraising stocks, and the fitting of the investment to the investor.

The cost of the school is £6 and inquiries and enrolments may be made with Miss Bishop, Box 1049 R, G.P.O. Melbourne (67 5912 during day).

Image 3: The Age, 20 March 1968

wrote to the Prime Minister directly on numerous occasions. From its formation onwards, the ASA was an authority on shareholder and investing issues, and was regularly quoted in newspaper articles.

In 1963, the ASA held its first weekend investment school which ran programs on the basics of investing and how to navigate and decide on investments. As this article from October 1963 shows, at least 30 women participated in the weekend.

By the mid-1960s, the ASA was holding monthly meetings which were advertised in Melbourne's The Age newspaper.

In 1966, the ASA welcomed Miss Lilli Weigert as its first female president.

Scandal

The Stanhill Development Group

The ASA's first major assault was on the Stanhill Development Group run by brothers Stanley and Hilel Korman. They'd initially founded the Stanhill Pty Ltd textile company in 1945, and by the 1960s had a collection of public and private companies whose transactions were shrouded in secrecy and complexity — and were likely illegal.

Shareholders weren't happy; at one of the Stanhill companies' AGMs in 1961, Stanley Korman had to shout into his microphone to be heard over heckling from over 400 shareholders shouting questions at him.

In 1962, Nick Renton and the ASA were the first to call for an official inquiry into the business.

He lambasted the decision of companies within the group to "put all their eggs in one basket", because they were borrowing short and lending long. He mentioned the group's inability to release accounts or balance figures for nearly a year, and that there was no proof of a supposed leadership change after management decisions had caused retail shareholders to lose millions of pounds. Nick commented:

> "That any board of businessmen would presume to embark on such an ambitious project as the Chevron Sydney without having a guaranteed source for the necessary funds is amazing."

Just over a year later, the Victorian Government ordered an inquiry into the group's eleven companies. In 1964 Stanley Korman was charged with issuing a false prospectus, which was reportedly the first time someone had been charged with this offence in Australia. In 1967, he was sentenced to six months in jail. In the same year, the investigator, Mr Peter Murphy, QC, handed down his final report. He suggested that the survival of the group's private companies was funded by taking funds from public companies, which resulted in a £50 million loss to the public.

Establishment of NSW branch

In 1963, NSW shareholders stepped onto the scene. The inaugural meeting of the NSW branch of the ASA was held on 2 August 1963. In 1965, it ran a meeting as if it were the annual meeting of a fictitious company, “Enterprising Industries Ltd”, in an effort to make more people aware of the structure of AGMs. In 1964, the lecture series which had been introduced in Victoria was run in Sydney, the first one titled “Your Rights as a Shareholder”.

The two branches worked largely independently from one another throughout this time, each one focusing on issues and companies in their capital cities.

Scandal

Amalgamated Wireless Australasia (NSW branch)

The NSW branch’s first major confrontation arose in response to attempts by electronics company, Amalgamated Wireless Australasia (AWA), to appoint a non-director as company president in March 1966. The ASA was strongly opposed to this decision because it threatened corporate accountability. They were concerned that such a provision would create a precedent that “less scrupulous” companies would follow and circumvent provisions of the then Companies Act. The ASA commented:

> “Every one of the association’s objections to the AWA proposal would be overcome if the proposed article made it mandatory for the president to always be a director of the company … Such an amendment would in no way impede AWA directors’ plan to honour persons who have served the company.”

ASA announced that it would accept proxies from shareholders and use these to vote for an amendment, and received proxies from 200 shareholders. However, a week later, at an extraordinary general meeting, the AWA board won the vote (37-12) and were allowed to appoint a non-director as president of the company.

Three years later, in June 1969, the ASA took issue with another of AWA’s plans, this time their move to restrict voting powers of individual shareholdings from 25% to 7.5% of issued capital. The ASA’s opposition to this was again due to a concern that this could create a precedent, and gained the proxies of over 200 shareholders to vote against AWA’s plan. Despite this, AWA’s plan did pass with the support of 58% of shareholders — a slim majority, at which ASA members Mark Stead and R Blackburn took aim, especially given the unprecedented powers that this decision could give directors.

ASA’s vocal dissidence to the plan gained broad attention, including from the Associated Stock Exchange (ASE), the forerunner to the ASX). In newspapers from the time, it was reported that the ASE, helped by watchdogs from the ASA, pressured the board of AWA in behind-the-scenes conversations to discard the ruling in the future.

Shares and ballet

MISS LILLI WEIGERT, president of the Victorian branch of the Australian Shareholders' Association, took out a Bachelor of Commerce degree.

Miss Weigert is the first woman to become president of the branch, which has about 300 members.

She is also a ballet teacher and runs her own ballet school, and has been woman's chess champion of Victoria several times.

★

Image 4: The Age, 17 March 1966

Investigation Of Korman Group Sought

MELBOURNE, Thursday. — The president of the Australian Shareholders' Association, Mr N. E. Renton, today called for an official inquiry into the Korman group of companies.

Image 5: SMH, 6 April 1962


Shareholders' Association

The first meeting of the N.S.W. branch of the Australian Shareholders' Association yesterday elected the following to the committee: Mr J. T. Corbett, chairman, Mr R. E. Llewelyn, secretary, Mr M. Dowd, treasurer, and Messrs E. B. Dreesde, J. North, G. Harrison, J. R. P. Partridge, A. J. Maken, S. T. Brown, M. O'Mahony, K. M. Cruise and J. R. Parker.

Image 6: SMH, 3 August 1963


AUSTRALIAN SHAREHOLDERS' ASSOCIATION
LECTURE SERIES 1964

"YOUR RIGHTS AS A SHAREHOLDER"

Subscribers to the 1964 Lecture series being conducted by the Australian Shareholders Association are hereby notified that the first lecture "THE SHAREHOLDER AND THE LAW," will be held as scheduled at Stawell Hall, 145 Macquarie Street, Sydney, at 6.15 p.m. this evening.
Mailing difficulties will have interrupted deliveries of applications and acknowledgements and evidence of payment will not therefore be required at this lecture.
Application by Members and Non-Members still wishing to attend can be made at the Hall.
Any inquires please ring, J. R. P. Partridge, Chairman, 28-4367.

Image 7: 1964 ASA lecture in Sydney, SMH, 8 April 1964

1970s

The 1970's was a difficult decade; it saw the collapse of the mining boom, the OPEC oil crisis, a credit squeeze and the election of Gough Whitlam in 1972. The stock market fell to its lowest level for a decade, however after "the dismissal" and subsequent election of Malcolm Frazer in 1975, the stock market rallied and rose 400% by the end of the decade. Major crashes and major booms were the flavour of the decade.

As the ASA entered its second decade, membership fluctuated. According to a 1972 *Sydney Morning Herald* article, at this point the ASA represented 1,000 retail investors. Another article suggests that the public attention gained from the saga with AWA led to a peak membership of 5,000 by 1972.

Despite a broad interest and growing membership, members who participated in monitoring and other advocacy work were small in numbers but strong in conviction, remembers Ted Rofe, who joined in 1976 while working as a solicitor in Sydney. Of the NSW branch, where he later became chair, he recalls:

> "It was fairly small when I joined, mainly friends who had an interest in finance. There were perhaps half a dozen people who went along to AGMs to ask questions about particular issues that companies were having."

There was a rivalry between the NSW and Victorian branches during his time:

> "There was a bit of a friendly debate at the time about where the Association was formed. During the 1970s, we were aware of the Melbourne association, but had no close contact. There was obviously a need for shareholder advocacy in each state, because some companies were based in Melbourne and some were in Sydney."

There was one particular event that pushed ASA into the spotlight — Vehicle and General Insurance Group.

Scandals

Vehicle General Insurance Group (V&G)

Nick Renton, the ASA's founder, began looking into V&G after he became suspicious of the company's reported performance, which was unusually successful. Nick declared that the insurer was not making sufficient provision for its unexpired risks, and thus gave an illusion of profitability which was simply untrue. In his tribute to the late actuary, John Gilmour described the furore from the company, its backers and brokers about the claims, to the point of threatening legal action — and worse.

> "Renton was untroubled and unmoved. V&G was hit by a tidal wave of claims and collapsed, ruining many investors and the reputations of some brokers and investment experts."

Renton was proved right, and he was catapulted into the media as a financial guru. It also launched into the public arena the little-known organisation that Renton had founded — the Australian Shareholders' Association — and which published his study.

The ASA participated in the 1972 Senate Select Committee on Foreign Ownership and Control, pushing the argument that it did not object to foreign takeovers of Australian companies, provided the foreign investors followed Australian law. ASA had no objection to 100% foreign ownership and control if they were the highest bidders and shareholders were willing to sell.

Poseidon

Globally, there was a shortage of nickel due to strikes in Canadian nickel mines, with Canada generating 60% of the world's nickel. This, coupled with the fact that the Vietnam War was underway created a high demand for nickel. These two facts created a context where the supply of nickel couldn't satisfy the huge demand, and the Australian mining company, Poseidon, was able to capitalise on this.

On 29 September 1969, Poseidon made a preliminary announcement that nickel had been found, and this pushed the share price from $0.85 to $5.60. On 1 October company directors made a more detailed announcement. indicating that they had a major nickel find. The share price jumped from $6.60 to $12.30 that day and then kept going up.

However, the stock price gains were largely speculative in nature, as while some nickel was found, it was low grade and the extraction costs were very high. In reality, the mine was in no more than a break-even position. However, Poseidon's share price continued to rise as speculation increased.

The AFR suggests many of the stories were seeded by Poseidon's management. On 5 February 1970, Poseidon reached $280 in intraday trading and closed at $269.

The bubble then started to burst after investors saw the underperformance of other fringe nickel companies that rode the speculative wave, and read the critique of the mining boom in the AFR. Shareholders lost millions as the bubble burst and the company was eventually delisted.

This sorry affair led to the Rae Committee in 1972, which handed down its report on the Poseidon bubble that highlighted a number of cases of improper trade practices. The committee recommended a number of changes to the regulation of stock markets, which ultimately led to Australia's national companies and securities legislation.

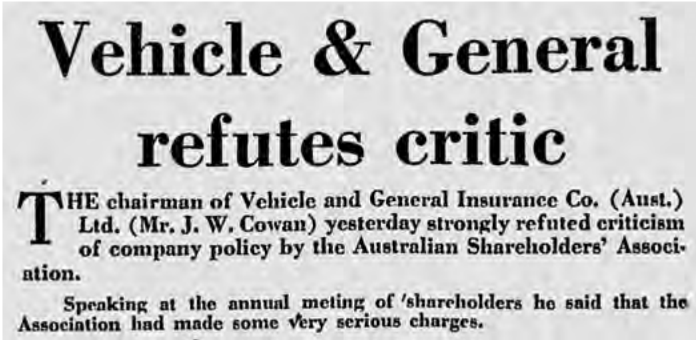
MinSec

A second scandal around this time involved Minsec, a public investment and share trading company formed by Kenneth McMahon. McMahon developed a growth plan to acquire control of selected mining companies around the start of the share market mining boom of the late 1960s. Minsec's profits from investing in the share market were reinvested into resource companies. By 1970 — five years after its formation — Minsec had turned $200,000 into a group worth more than $100 million. The huge expansion of Minsec's share trading activities was evident, as in the last 18 months of its life it was the largest share trader Australia had ever known.

When the stock market started to fall in 1970, Minsec sold off most of its stock holdings but held on to its shares in Poseidon. Minsec lost $2.8 million on those shares — a great loss at the time. McMahon decided to delay reporting that loss until the following year (called "backdating") as MinSec had substantial profits for the current year.

Mr Mark Stead, a prominent member of the Australian Shareholders' Association, makes a point at yesterday's A.W.A. meeting.

Image 8: SMH 15 June 1969



Vehicle & General refutes critic

THE chairman of Vehicle and General Insurance Co. (Aust.) Ltd. (Mr. J. W. Cowan) yesterday strongly refuted criticism of company policy by the Australian Shareholders' Association.

Speaking at the annual meting of 'shareholders he said that the Association had made some very serious charges.

Image 9: The Age, 16 December 1966

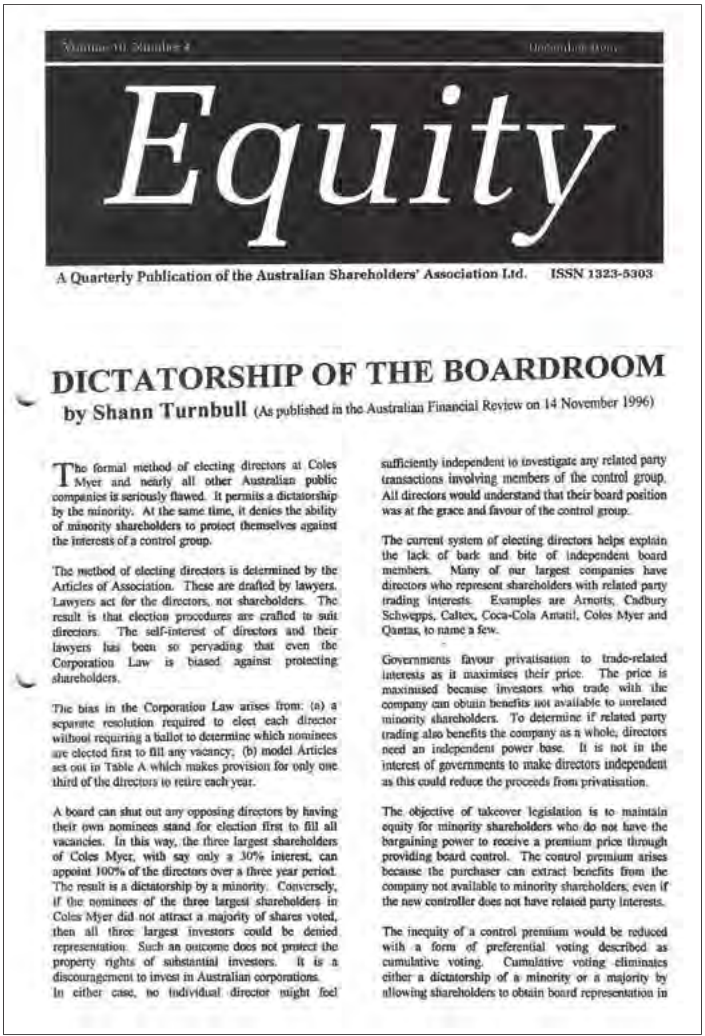
The only note in small print attached to the balance sheet as at 30 June1970 was a short sentence saying:

> "Market value of the investments of the group has been calculated on the basis of the last sale price of each stock on 30th June 1970 ~ with the exception of one stock which has been further written down in the light of post-balance date events to the realised value."

In June 1970, Minsec decided to re-enter the falling market. The story was reported at the time by the AFR:

> "Minsec's mistake was to invest heavily in Queensland Mines and its parent, Kathleen Investments, which had announced a rich uranium strike at Nabarlek in the Northern Territory.
>
> "Nabarlek turned out to have only a small fraction of the stated uranium, a fact which the companies kept hidden from the market for a year. By the end of the year, Minsec lost $5.5m on buying $30m worth of shares.
>
> "When the truth became known, the shares in Queensland Mines crashed and so did Minsec."

Minsec had been financing its long-term investments by short-term borrowings — an unwise strategy then as it is now. The company's $100 million investment portfolio had been financed by $62m of debt, much of it borrowed from small mining companies.



Equity

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DICTATORSHIP OF THE BOARDROOM

by Shann Turnbull (As published in the Australian Financial Review on 14 November 1996)

The formal method of electing directors at Coles Myer and nearly all other Australian public companies is seriously flawed. It permits a dictatorship by the minority. At the same time, it denies the ability of minority shareholders to protect themselves against the interests of a control group.

The method of electing directors is determined by the Articles of Association. These are drafted by lawyers. Lawyers act for the directors, not shareholders. The result is that election procedures are crafted to suit directors. The self-interest of directors and their lawyers has been so pervading that even the Corporation Law is biased against protecting shareholders.

The bias in the Corporation Law arises from: (a) a separate resolution required to elect each director without requiring a ballot to determine which nominees are elected first to fill any vacancy; (b) model Articles set out in Table A which makes provision for only one third of the directors to retire each year.

A board can shut out any opposing directors by having their own nominees stand for election first to fill all vacancies. In this way, the three largest shareholders of Coles Myer, with say only a 30% interest, can appoint 100% of the directors over a three year period. The result is a dictatorship by a minority. Conversely, if the nominees of the three largest shareholders in Coles Myer did not attract a majority of shares voted, then all three largest investors could be denied representation. Such an outcome does not protect the property rights of substantial investors. It is a discouragement to invest in Australian corporations.
In either case, no individual director might feel sufficiently independent to investigate any related party transactions involving members of the control group. All directors would understand that their board position was at the grace and favour of the control group.

The current system of electing directors helps explain the lack of bark and bite of independent board members. Many of our largest companies have directors who represent shareholders with related party trading interests. Examples are Arnotts, Cadbury Schwepps, Caltex, Coca-Cola Amatil, Coles Myer and Qantas, to name a few.

Governments favour privatisation to trade-related interests as it maximises their price. The price is maximised because investors who trade with the company can obtain benefits not available to unrelated minority shareholders. To determine if related party trading also benefits the company as a whole, directors need an independent power base. It is not in the interest of governments to make directors independent as this could reduce the proceeds from privatisation.

The objective of takeover legislation is to maintain equity for minority shareholders who do not have the bargaining power to receive a premium price through providing board control. The control premium arises because the purchaser can extract benefits from the company not available to minority shareholders, even if the new controller does not have related party interests.

The inequity of a control premium would be reduced with a form of preferential voting described as cumulative voting. Cumulative voting eliminates either a dictatorship of a minority or a majority by allowing shareholders to obtain board representation in

1980s

The volatility of the 1970's was repeated in the 1980's. The decade started with a crash in commodity prices and finished with the pulling down of the Berlin Wall. This was Paul Keating's decade as Treasurer, during which Australia deregulated its financial markets, introduced capital gains tax and fringe benefits tax, and saw commodity prices lift with the rise of South East Asian economies. Although there was a major world stock market crash in 1987, the decade ended on a positive trend.

By the 1980's, the Victorian ASA group had all but disappeared, the NSW group was very small but still received plenty of mentions in the newspapers. It has been a common thread in the history of ASA that when markets boom so does ASA membership, and when they bust members leave. It seems no one likes to talk about losing money or investing in duds.

Peter Kent joined in 1986 at the invitation of Bob Walker who was chair of ASA at the time. He recalls the 1980s as a time of "buccaneer aggregators" — Spalvins, Bond, Skase — and "There seemed to be little analysis of the economic effects, both favourable and unfavourable, arising from free-wheeling takeover activity."

ASA's membership had significantly declined from its early heyday, and by the mid-1980s there were only approximately 40 members. But while small, this cohort was passionate and active. The ASA was vocal in commenting on proposed legislation and participating in advisory committees, and worked to boost membership numbers and public relations by holding a regular radio spot on Radio 2GB. Peter Kent, who became chair in 1990, recalls:

> "ASA also commenced analysis of corporate governance arising from matters which could not be specified in legislation. Particular emphasis was placed on there being at least some directors who were independent of the major shareholders and who were not beholden to the CEO or chairman.
>
> "The 1980s also saw the commencement of a campaign to protect retail shareholders from being disadvantaged by insiders and share placement policies, which makes up a large portion of ASA's activities today."

The ASA began publishing a newsletter in the 1980s, which became Equity a few years later after a naming competition was run, and it has since developed to the magazine we know today.

Peter Kent recalls:

> "ASA was run by an elected board and following monthly board meetings the floor was opened to any members who wished to attend, and who could quiz the board on its activities and suggest matters that the it should look at."

Scandals

Bond Corporation

Bond Corporation (BCH) was formed in 1967 by Alan Bond, a house painter and sign writer migrant from England.

Bond managed the expansion of his empire by buying existing companies, revaluing their assets and then borrowing on the strength of the revaluations. However, growth-by-acquisition using funds borrowed on the revalued assets, and using those assets as collateral depends upon the veracity of the valuations. It is a recipe for trouble — and trouble came knocking.

Bond acquired the Nine Network from Kerry Packer for $1 billion — an enormous sum at the time — to which Packer famously said: "You only get one Bond in a life-time."

The acquisition was funded by debt which grew to $6 billion.

Further troubles came with the failed takeover of Lonrho, an international trading house.

Bond had a cordial relationship with Tiny Rowland, the CEO of Lonrho, until Bond suggested BCH buy shares in Lonrho to help protect the company from corporate raiders. In September 1988 Bond launched a raid on Lonrho, spending $655 million buying 20% of the company. The acquisition made BCH the largest shareholder of Lonrho.

Realising that BCH had to borrow to fund the purchase, Rowland decided to make the banks lending to Bond very nervous by attacking BCH's credibility.

Rowland launched a full-scale attack on the Bond group's accounts.

He circulated a report from his accountants which said "Bond group companies are technically insolvent, the commercial existence of which is propped up through extraordinary bank support." When published, the report caused the share price to halve from $2.25 to $1.12

After Lonrho's attack, Bond's troubles escalated.

His credit rating was downgraded from B to CCC (poor debt protection levels).

The *ABC's Four Corners* program investigated Alan Bond's balance sheet and revealed the company was on the point of collapse, and had lied to its shareholders and bankers. Then the end came; Bond Corp was unable to repay its debts and failed.

The 1990s was also a period of growth for the ASA. Brendan Birthistle, who became chair in 1992, recruited the first employee, Tony Mclean, who became the ASA's executive officer in November 1992. He recalls the association's growth throughout this decade:

> "When I joined ASA, we had a total membership of about 700, including one or two corporate members, we had a newly formed branch in Victoria, we had a quarterly pamphlet called Equity.
>
> "By the time I left in 2001, the ASA had a membership of about 7,000, with a corporate membership of about 160. It had branches in Victoria, Queensland, South Australia and Western Australia."

ASA reached a milestone at the end of 1993 with over 1,000 members (1,005 exactly), and reached over 3,000 by 1998, the year our website was created.

With the expansion of the ASA came increased exposure, legitimising the ASA as a serious and professional organisation.

Ted Rofe, who was chair from 1981-87 and again in 1994, recalls.

> "As ASA expanded we were able to do more, for example to participate in various government inquiries into companies.
>
> "As we participated more actively, we were more able to get involved with things. We got a certain amount of government support, perhaps not as much as we would have liked. ASA became representative of shareholders, we were invited to make submissions which we did."

Victorian branch

After fading out through the 1970s and 1980s, the Victorian branch was re-established in 1992 with monthly meetings at the ASX building.

A past Equity article explains:

> "We began with only Kathleen Gawler and Doug Hawley, some advice from Nick Renton, and an offer of accommodation from the ASX."

Doug Hawley became state chair from 1992 to 1997, during which time Victorian membership increased five-fold, largely due to his and Kathleen's work.

The first regional ASA meeting was held on the Mornington Peninsula in 1994.

1990s

With the Cold War over, the world and Australia saw a decade of unprecedented economic growth. The stock market doubled in value and Paul Keating again introduced a fundamental reform — compulsory superannuation. The 1990's was a great decade to be in the stock market.

Tom Rado was recently retired, and was wondering what to do with a hefty severance package when he came across the ASA.

> "There was a small icon in the local newspaper: 'ASA has set up shop in Melbourne.'" he remembers.
>
> "They called a meeting, and there were about 30 people who turned up. They asked for volunteers and somehow I put my hand up and joined the committee."

Tom played a major role in growing the Victorian membership base. One initiative, which he stumbled onto by accident, was a partnership with Macquarie Equity. He recalls:

"I rang up the contact person for Macquarie and they told me they had just branched out into retail and wanted to build up clients. She asked us to promote it, and I told her we would if she could provide an incentive.

"They called me back and told me they would give us a great brokerage rate, around 0.75%. Back in those days, it was normal for a 2% brokerage rate.

"That really drove a lot of people to join the ASA. A lot of people in their 50s and 60s were given severance packages and needed somewhere to put their money."

Queensland branch

The Queensland branch was established in late 1993, after long-standing member Jack Curran offered to "activate things" in the Sunshine State, leading to the establishment of meetings in Brisbane in 1994.

By 1999, regional meetings were being held at Noosa, Gold Coast, Rockhampton, Sunshine Coast, Fraser Coast and Toowoomba.

Other branches

Canberra held its first meeting in 1995. From the late 1990s, meetings in Canberra were organised on an ad hoc basis and became bi-annual in 1998.

In 1996 the South Australian branch was established, and held its first public meeting in Adelaide in 1997.

In 1999, ASA meetings began in Perth.

Investor relations committees

ASA introduced company monitoring to its activities in the early 1990s, with the hope of broadening ASA's presence at AGMs and increasing its ability to vote proxies. A 1993 *Equity* article advertised the role of "executive volunteers" to its readers, a job described as "minimal effort from the comfort of your own home"! Little did they know that ASA would go on to have a team of company monitors by the turn of the century, and that monitors would become spokespeople for shareholders in both AGMs and newspaper articles.

As more people with financial experience became members of ASA, the association's ability to question and interact with companies and their boards grew.

Tony Mclean explains:

"Committee members would meet regularly, they would monitor company activities, they would look at the makeup of boards and they would write to companies. They would flag issues that they would take up at AGMs and then they would attend the meeting, and then write up a post-mortem of their activities pertaining.

"The committees improved our value. It was quite a deliberate campaign right at the outset to recruit corporate members, with the idea that they would fund activities of the ASA."

The impact this had was substantial. Company boards began to take ASA more seriously, which not only allowed under-performing companies to be held accountable, but it also improved relations between boards and the company monitoring committee.

As corporate members paid seven times the individual membership fee, and with corporate membership peaking at around 180, this was good news for the ASA.

Shareholder boom

But it was not only improved corporate relations and the establishment of branches that facilitated the growth of ASA, there were also more shareholders.

Demutualisation and partial capitalisation of big Australian companies (Colonial, National Mutual, AMP and Telstra) brought a flood of new shareholders into the marketplace and helped grow membership considerably.

There was an explosion of executive remuneration, which increasingly became a sore point for retail shareholders, and has since become one of ASA's key areas of focus year after year.

Shareholders were also much more militant in their demands for accountability from companies and chairpersons, a shift which grew out of the free-wheeling 1980s. In 1992, the ASA secretary told The Canberra Times:

"It's been a slow realisation that, as individuals, shareholders don't matter, but if they stick together, they become the mouse that roars."

Tony McLean thinks the best way to describe ASA's activities in the 1990s is with one word: "aggressive". This tactic generated substantial media attention.

Focus issues

In the early 1990s, the ASA was focused on compliance and better disclosure in annual reports. However, as membership grew and the association professionalised, the focus pivoted towards companies' financial performance, dividends and the impact on long-term shareholder value. To reinforce this focus, ASA released its official yearly blacklist of under-performing companies which, from 1998, was based on objective and credible figures.

Tony McLean explains:

"Our position was that if a company was failing its shareholders, that was attributable to the poor performance of its board and management at some level."

And what did he make of companies' responses?

"Not good. They were invariably defensive about their positions and pointed to issues other than poor management."

ASA constitutional changes

While the 1990s started out with disparate, sometimes opposing state groups, it entered a period of unity throughout the decade as the ASA directors realised a streamlined system was needed.

A new constitution was written by John Curry to unite the association.

"They came together to unite financial support and improve cohesiveness between states," remembers Ian Curry, John's brother.

Scandals

GIO Class Action

Between August and November 1998, GIO, its directors and Grant Samuel & Associates made statements to GIO shareholders in the course of defending a hostile takeover led by AMP Limited. The statements were made in a formal report called a "Part B Statement", and also in various other public statements in newspapers. The shareholders were advised to reject the takeover offer of $5.35 per share, and many did so. Six months later the company suffered losses of $2 billion and the shareholders received only $2.75 per share.

The ASA was quite involved in this case, says Tony McLean.

> "We liaised with solicitors involved in this class action, we supported it. The solicitors in turn supported us in a mailout to GIO shareholders and we were able to point out to shareholders that the GIO directors had failed to disclose a lot of detail that they knew about regarding the state of GIO when an AMP take-over offer was received initially ($5.35 a share), Some shareholders did not accept the AMP offer on the basis of GIO board recommendation."

However, when information became public that GIO shares weren't worth anything near the AMP original offer price, AMP trimmed back the offer to $2.75. The shareholders who did not accept the original AMP offer missed out considerably and were the instigators of the class action.

The case was bitterly contested, but the claim was upheld by the Federal Court, which made many important rulings regarding class action law during the case. For the size of the claim, the number of affected shareholders and the nature of the dispute, the case is recognised as a landmark by many shareholders, lawyers and legal writers.

22,051 shareholders, the vast majority of whom were small investors, received compensation for their loss.

BHP

Even the best companies can make mistakes. That's when ASA speaks out.

In 1996 the Big Australian decided to take on the world with its $3.2 billion takeover of Magma Copper of the US. This was the largest ever takeover of a foreign company by an Australian one. BHP immediately became the second biggest copper producer in the world and it was shooting for number one. Tom Rado recalls this takeover as a "fatal decision".

At the time of acquisition, copper prices were over US$1.30/pound. But within just three years, prices fell to US$0.60 cents. By 1998, the company had written down US$4 billion of assets.

ASA responded strongly to BHP's activities. At the 1996 AGM, an ASA representative called the board arrogant in response to the company reporting losses after the purchase of Magma Copper, such that its share price had fallen $7 from $19.74 in early January to $12.08 by September of the same year.

In July 1998, ASA called for the re-election of the entire board and the resignation of the directors. However, to be realistic, they singled out two of the longest-serving board members: Jerry Ellis and David Asimus.

The ASA easily gained 100 signatures from BHP shareholders to move a motion at the AGM that two board members stand down.

At the meeting, ASA director Julian Stock pointed out that there had never been an apology from Jerry Ellis to shareholders:

> "At no stage can I recall you saying sorry.
>
> "You have in fact inflicted enormous pain on shareholders and I believe it would be appropriate if you had the dignity and courtesy to say sorry."

It was only after this request that Jerry Ellis issued a formal apology.

Unhappy with the lack of resignations from the BHP board, the ASA decided to take a more public stand. Tom Rado and Julian Stock reached out to media outlets and told reporters to meet at the coffee shop in the ASX building foyer. The circular that ASA had sent out to gain signatures from BHP shareholders had returned over 1,000 responses. Tom bought a filing box to hold the shareholder signatures, and fronted up to the ASX building foyer.

> "We walk in the foyer and there are all these cameras; all these media people!" He recalls.
>
> "The Chairman of BHP resigned on the morning we said we would ceremoniously deliver the petition. As soon as he resigned, all the media were reaching out to us. Even Alan Kohler wanted to interview us."

In 2003, BHP announced that Magma's San Manuel copper smelter in Arizona would be closed. The smelter was the jewel in the crown of what was once the prized acquisition of Magma in 1996.

Coles Myer - Solomon Lew

This was ASA's first big confrontation with its fresh new look.

Solomon Lew became chair of Coles Myer in 1991.

In 1992, ASA applauded Sydney QC Laurence Gruzman after he continuously challenged Coles Myer chair Solomon Lew at the Coles Myer AGM to disclose information on transactions between Coles Myer, trucking magnate Lindsay Fox, and Lew's private company. This followed the announcement that companies associated with the two men had received $170 million in revenue from Coles in the past year.

Image 11: Betty Clarke-Wood and Ian Curry

West Australian 22-11-2000

Closed door: A security guard checks people wanting to attend the Surfboard Securities annual meeting yesterday. PICTURE: GUY MAGOWAN

Surfboard puts up shutters at meeting

Image 12: West Australian, 22 November 2000

Hot issue: Anne Pryor of the ASA and shareholder John Lloyd discuss Exodus Minerals' scrip issue plans. PICTURE: MEGAN POWELL

Exodus dismisses ASA scrip claims

Image 13: Anne Pryor in the West Australian, 11 April 2000

Coles Myer adjourned their AGM in response to Gruzman's confrontations, an unprecedented occurrence at an AGM.

The following year, ASA chair Brendan Birthistle promised Coles Myer that they would get a similar grilling again.

In 1994, Coles Myer gained shareholder approval for a history-making $1.26 billion share buy-back scheme in which the company would buy back the 21.45% stake held by US-based Kmart Corp. While Solomon Lew promised this move would "Australianise" the company, the ASA and Gruzman strongly opposed this move because it would concentrate power in the hands of Lew and fellow director Bails Myer. At the time, Julian Stock called the board "incompetent".

In 1995, ASA again criticised Coles Myer for the appointment of Solomon Lew as senior executive of Coles Myer, because it undermined corporate governance guidelines as he had a personal interest in the company.

Later that same year, at their AGM, ASA called for a board purge because it was unable to act independently with Lew as both executive chair and major shareholder. The tide had begun to turn against Lew as major institutional shareholders questioned the board's independence. In October, the company announced a multi-billion dollar restructure at which Lew relinquished his executive position but maintained his chair role.

Public pressure on Lew grew only days later when Rupert Murdoch called for the resignation of Lew, citing a similar request from the Coles and Myer families. Public and institutional pressure led to Lew stepping down a week later, this time from chair to vice-chair.

By this point, public opinion had also begun to turn against Lew, and the company announced plans to split its businesses into separate entities. This was in response to major institutional shareholders being unhappy with Lew holding major control of the company as both chair and shareholder.

ASA's case against Lew was first led by Ted Rofe and then by John Curry, as it was their belief that in the case of Solomon Lew, the issue was that it was alleged he was doing business between his private companies and Coles when he was chair of Coles, and this was a clear conflict of interest. John said:

> "As I recall, this was the reason that ASA opposed his re-election. We were supported by a number of institutions.
>
> "Of interest was the fact that when proxy votes were counted to see whether he would be re-elected as a director, he forgot to lodge a number of votes that had been given to him in his capacity as chairman."

2000s

The decade from 2000 to 2010 is famous for two major stock market crashes — the 2001 Tech Wreck and the 2008 GFC — and one fizzer — Y2K, where no planes fell from the sky due to computer clock resets, but we did get the Twin Towers attacks on 11 September 2001 and the ensuing heightened tensions between the West and the Middle East. Australia saw commodity prices fall again, causing the Australian dollar to drop 30%.

At the turn of the century, ASA went regional.

As membership outside of Melbourne and Sydney increased, so too did the demand for local branches and regular meetings between like-minded members who didn't want to commute to the major cities each time.

John Curry, Victorian director, was one of the forces behind the establishment of the Victorian branch network. He helped set up the network, and from around 2001 onwards travelled to all of the branches in Victoria roughly once a year. He also ran several courses to help members improve their financial literacy, and produced material for attendees to use.

John became the ASA's chair in 2002 after Ted Rofe, who had created a good impression with the media, stepped down. John aimed to continue this growing relationship with the media, saying:

> "It encouraged membership, we put our message across in a calm and professional fashion. I could go into their studios and I never turned down an invitation to speak about ASA's policies.
>
> "We always gave a quote, which was a bit dangerous, because we could be quoted out of context"

The growth of regional Victorian groups

Betty Clarke-Wood was living in regional Victoria with her husband, and they had a broker but felt they didn't have enough information about the companies they had shares in. She went to an AGM of a company which she doesn't even remember. But what was memorable was the way in which the ASA representative questioned the CEO and board.

> "It was done so well with so much dignity and respect.
>
> "I just came home and said to my husband, 'Wow. That man really stands up for investors.'"

Betty and her husband joined soon after.

Betty was part of the state committee in 2002, when John Curry was the state chair. Emails were sent to ASA members from Ballarat, Geelong, Albury-Wodonga, Gippsland, Bendigo and Mornington about the possibility of creating regional groups so that they didn't have to travel to Melbourne for meetings.

> "They invited us all to Lakeview Hotel and said if we all came and had lunch then we could set up a group. But we would have to run it. We went around the group saying our experience and afterwards they all turned to me and said 'well you're the one to run it'."

The first Ballarat meeting in June 2002 had 12 attendees. By the time Betty retired in late 2019, the Ballarat group had grown to 130 members and is one of the most active groups in Australia. When she retired, her job was split between four different people.

Betty was responsible for setting up night meetings, coffee meetings, seminar dinners, and public meetings, so that as many investors as possible could get involved. With all of these combined, "We basically had an ASA meeting every two weeks," she remembers.

The Wild West

Since its formation in 1999, the Western Australian ASA branch exceeded 200 members by the 21st Century, a number which has remained relatively stable since then. But while small, this cohort was strong, and took on many big companies. The foundational chair was Garry Palmer, until he took a holiday and Anne Pryor agreed to act for a month or so in his absence — where she remained until her resignation six years later.

Anne Pryor, while chair of the WA branch, recalls the activities of the ASA in what she describes as the "Wild West".

> "We had some enormous campaigns — most of them were against the issue of options. They used to hand them out to non-executive directors and dilute shareholders willy-nilly."

There were some cowboy practices in WA that ASA spoke out against including:

- **Surfboard Securities**: a struggling dot.com company which closed their 2000 AGM meeting to anyone who was a visitor, only allowing shareholders and proxy holders to attend. They turfed out ASA and the media, and just got on with the meeting in private.
- **Exodus Minerals**: where the management team allocated themselves options. The problem was, when they privately allocated them at 20c, the company was trading at 18c, however by the time they made the options announcement public, the share price had skyrocketed to 45c. This would have resulted in a half million dollar windfall for the executives upfront without any incentive to improve performance. ASA vocally opposed this decision, and was successful in forcing management to lift the options to 32.5c.

And they'll never forget when a certain chair closed the AGM after half an hour because he wanted to watch the cricket.

Reflecting on her time as chair during the formational stages of the WA branch, Anne believes they were quite successful, "despite the odd threatening lawyer's letter on the finest quality of stationery." On the other hand: "the press, by and large, were pretty supportive."

WA also started coffee mornings, which "grew like mushrooms all over the state." Anne recalls one, south of the river, which simply involved going to the pub, having a coffee, and talking about shares.

Company monitors

During the 2000s the ASA took company monitoring to the next level.

Don Hyatt, a company monitor from the Victorian branch, speaks about the role.

> "One of the important things: you cannot go into a company and expect them to change if your approach is adversarial.

> If you go in and you are simply dogmatic, then they're going to put up the walls and there won't be any opportunity for advancement. Sometimes you have to look at being consistent.
>
> "Engage and educate — but don't be adversarial.
>
> "There were cases where we know that there are CEOs or chairpersons who are not at all interested in engaging, so you might as well be adversarial — anything run by Kerry Packer. The worst of the worst was the late Reg Commode [CabCharge].
>
> "Most of the companies that I've been involved in are prepared to listen and engage, some have some interest, and there are the few that are just a lost cause. But those are the ones you get your media headlines from — if you're working constructively — you won't get up and grandstand them, but you will if they don't listen."

Scandals

Coles Myer - and Lew's conflict of interest

Solomon Lew and Coles Myer remained in ASA's sights into the next century. Major issues were exorbitant executive salaries and the high number of directorships that directors held.

In September 2002, a resolution to remove Lew from the board of Coles Myer was successful after Stan Wallis, the chair of the company, campaigned for Lew's removal. Wallis successfully lobbied major institutional shareholders, including insurance companies, banks and large investment firms to take the rare action of voting against an incumbent director.

John Curry recalls:

> "There was a lot of fuss at Coles Myer because the chairman was keen to stay on the board, but we felt there were a lot of conflicts of interest and we voted against his re-election. We sided with Stan Wallis and the banks and insurance companies that he had successfully lobbied to vote against re-election."

Prior to the vote, Lew campaigned heavily, spending an estimated A$10 million campaigning for his re-election, focusing mainly on smaller shareholders. He was successful in obtaining millions of proxies but they were ultimately insufficient.

2010s

The 2010s will go down in history as one of the best decades for investors. It became cheaper and easier for everyday people to invest in the stock market, and the past 10 years were among the best ever for stock returns. The decade started with the All Ords index at 4,597 and it finished at 6,802 — a growth of nearly 50%. This occurred while interest rates continued to fall.

Meanwhile, the decade saw iPads launched, the birth of Instagram, Uber, Wikileaks; Netflix went global and Facebook went public; and Tesla and SpaceX were launched.

Corporate responsibility for ESG has grown over the decade; the Paris Agreement was signed and was framed by BP spilling oil in the Gulf of Mexico, Volkswagen lying about emissions from their vehicles, Aussie banks and finance houses admitting to ripping off their customers and Qantas supporting same sex marriage.

Professionalisation of the ASA

Despite the ASA's consistent growth and influence in the shareholding sphere, it was "very much an individualistic organisation", recalls Ian Curry; "people did their best, but they did it without a strong set of principles".

Stephen Mayne and Ian wrote guidelines in 2012 which put in place a set of directions for monitors to follow, and gave ASA the chance to provide these guidelines to companies. They sent the guidelines to companies which told them:

> "This is how we look at you and this is how we will ask you questions both pre-AGM and at an AGM — we're not going to ambush you at an AGM, you will be prepared to see what's coming."

When Diana D'Ambra joined ASA as chair in 2015, she helped introduce a monitoring review panel which allowed monitors from the different states to discuss their opinions and perspectives on monitoring, and which created a unified voice nation-wide amongst monitors. This ensured consistency when holding companies to account and was instrumental in moulding ASA's monitoring to what it is today.

ASA took a strong education direction in this decade. Peter Rae became education state convenor and he put an education program together with Silvana Eccles. Together, they organised seminars, sourced speakers and hosted seminars, and introduced online webinars to increase ASA's reach and accessibility, which Peter thanks for membership growth. With increased education came additional discussion groups forged from the goodwill of committee members, says Diana, and which was instrumental in increasing members' activation.

A decade of "firsts"

The ASA's professionalisation in the 2010s went hand-in-hand with the ASA pushing the boundaries and reaching beyond the parameters of previous decades. The education focus, mentioned above, was made possible by grants that were awarded to ASA for the first time in its history. We received funds from ASIC in 2016 to support monitoring and education, and in 2017 received a grant from Financial Literacy Australia to further develop education programs. Combined, these grants totalled $220,000. While the ASA had applied for grants previously, Diana says that the increased effort put into the grant application led to ASA's success.

The ASA became the first unlisted public company to host a hybrid AGM in 2017, which received an overwhelmingly positive response, largely due to the fact that it democratised the AGM process and allowed members nation-wide to actively participate and vote at the AGM. The ASA was ahead of its time in this sense, and Diana recalls pushing the point "that we had to be leaders, not followers all the time".

Membership growth

Richard McDonald became chair of the NSW branch in 2015, with his main priority being to boost the NSW membership numbers. He decided an effective method would be to create more investor groups, and helped set up six groups, including in Port Macquarie, Orange and Batemans Bay. This task "wasn't easy", but helped boost membership.

In Victoria, Don Hyatt, who had been an ASA member since 2007, stepped down from his state chair position to join the ASA board, with a responsibility on education. Within this position, he wrote three important high-level papers arguing for the inclusion of paid education events on the ASA calendar to ensure the organisation's financial survival, due to the diminishing number of people joining clubs and associations. It was his recommendation that ASA move online to reach a broader audience. Don also initiated the Kingston share tipping competition, which has now been running for over a decade and which has a perpetual trophy, which "came in on time, and on budget".

Scandals

Cabcharge

Allan Goldin joined the ASA in 2009 and began company monitoring soon after. He tells of the chaos that often ensued at Cabcharge AGMs.

> "There was a company called Cabcharge — if you talked to any director of a company and compared them to Cabcharge they were offended. Everybody knew it was a totally mismanaged company. They had the same software that Uber uses to order a cab online, and introduced it into Singapore but never into Australia, because it would take away revenue from them. It's because of Cabcharge that Uber came to Australia. Everyone on the board had been there forever, there were no fresh ideas."

Legislation was brought in some years ago that if a company has a 25% vote against its remuneration policy, they are on notice, so the next time they have an AGM there will also be a vote on remuneration. If the 25% vote happens again, there needs to be a motion for the board to be spilled. This legislation is known as a "two-strike rule", and the issue with it is that no one is ever going to actually spill a board on an ASX200 company, and there is thus poor accountability and follow-up on this rule.

> "Cabcharge had a strike against it five years in a row (because they knew that nobody would spill them). They had very few institutions as investors because the professional investors knew it was a bad company, but they had a monopoly so they made good profits."

In 2011, 40 per cent of investors voted against remuneration at the Cabcharge AGM, prompting CEO Reg Kermode to lash out at "two-strike rule". At the time, he was being paid three times the median salary of CEOs of similar-sized listed companies, had very few independent directors, and no female directors. Kermode passed away in 2014, yet remuneration remained an issue. Allan Goldin gave a quote to the AFR in 2014.

> "We have been in a situation that Reg promised us things for many years and it never happened. Bonuses used to be handed out at random just because Reg wanted to do it."

Allan also recalls incidences with taxi drivers at AGMs, likely feeling the squeeze working for a company that was struggling to fight off rideshare competitors like Uber and Ola.

> "You go up to speak against Cabcharge at their AGM and the biggest taxi drivers would go and nudge against you while you were talking. One of my co-monitors is a very small woman and when this happened to her she turned around and screamed at them. 'You can't intimidate ASA monitors'."

In 2018, in response to the growing competition from rideshare companies, Cabcharge changed its name to A2B Australia Ltd and overhauled its operations.

Positive influence of ASA

But not all AGMs have to be horror stories. Don Hyatt, former Victorian director and chair, monitored CSL from 2011 for eight years.

> "During that time, they went from being the 15th-largest company on the ASX to the third-largest company (behind CBA and BHP), but since that time they have grown to be the largest.
>
> "Because I had met the chairman and the CEO, we got to indulge in a little bit of banter which was quite pleasant. I also went to the 25th anniversary of the CSL listing on the stock exchange (2019). Fiona Balzer was there too; CSL management had invited us to attend as a group — there was a recognition that ASA was a worthy organisation to attend."

Ian Curry agrees, and has also experienced the private approval of ASA from various ASX company chairpersons.

> "The number of letters that I had from chairmen and lawyers threatening to sue me or the ASA because they didn't like the things we said. Some of those chairmen have now become quite good friends of mine, because they recognise privately that we do a good job. Most chairmen say thank goodness for the ASA."

Companies' appreciation of ASA can largely be attributed to the increasingly important role that company monitors play, he says.

> "Company monitors themselves have better backgrounds in terms of qualifications, work experience, and are better able to understand differences and challenges. There is also a better structure of support and information, in the work that Fiona Balzer does."

Change to short-term incentives

One of the major impacts that ASA had in the 2010s was pushing for a change to short-term incentives, as Allan Goldin recalls.

> "Senior executives used to get a salary and if they did something exceptional they would get a bonus. But then corporations brought in the idea of short-term and long-term incentives. Short-term incentives became automatic payments — the criteria was just to turn up, and their role was simply to bolster salaries. They were paid 100% in cash. The idea of ASA and other critics is that if it's a bonus it should be in line with investors' interests, and so some should be paid in equity."

Allan recalls the then-CEO of Metcash saying, "I'll continue getting paid in cash as long as my bum points to the ground." Thanks to ASA's advocacy and pressure on companies to change this policy, most ASX200 companies now pay most of their short-term incentives in equity. As for the Metcash CEO, whose company followed this trend?

"As far as I know he was still standing," says Allan Goldin.

2020s - and beyond

On 1 January 2020 John Cowling became the CEO. This was the first time an ASA member stepped into the role and brought a members' viewpoint to the national office. Although only in the job for two years John has refocused on increasing member benefits.

As this brief history has shown, the ASA has a long tradition of keeping boards to account. This is still relevant today; and although the regulators, ASIC, APRA, ACCC and the ASX are all exercising more regulatory muscle than ever before, it is still important that retail shareholders have a voice through the good work of the ASA volunteer monitors.

But increasingly important are the educational offerings helping members become better investors.

Again, it is the volunteer convenors supported by state chairs that do the heavy lifting, giving members both a social connection with other members and the benefit of sharing their knowledge and experience.

There are two new trends emerging regarding the volunteer cohort.

- Firstly, interns from universities are finding ASA is a great place to gain practical experience and is helping them to decide on their careers. During their internships they see the practical side to investing as well as keeping the ASA in touch with the younger generation. Student and "Young Member" memberships are available, and we hope they will be a source of future growth for the ASA.
- The second trend is a more youthful board of directors. The current board is a 50/50 mix of traditional ASA volunteers who have been with the association for many years and new volunteer members who bring fresh insights. But we still have a long way to go to encourage female participation in the ASA, both at the volunteer and member levels.(A list of past and present female board members appears further below.)

The ASA, as a trusted organisation, is well positioned to leverage its institutional knowledge towards helping others. For young people setting out on their investing journey and females determined to take control over their financial affairs, the ASA can and will help them both.

With the changing nature of business and society, ESG is becoming more relevant and important, and ASA has the job of helping members understand the importance and implications of this trend. Likewise, lower- for-longer interest rates have created both a search for yield among retail investors and a higher price for shares. Both trends can, and probably will, end in tears, and it is ASA's job to be the wise council to its members. E

Some notable past female chairs and directors

Anne Pryor (WA) first female board member, 2000.

Marilyn O'Brien (VIC) was a director early in the 2000s.

Helen Dent (ACT) followed around 2005 and became Chair in 2008.

Betty Clarke-Wood (VIC) a director from 2008 to 2017.

Diana D'Ambra (NSW) a director in 2013 and chair of ASA in 2015.

About the author of the 60-year history of ASA

Ella Smith has spent the past few months as ASA's first journalism intern. Her major project during this internship was to research and write the association's history in celebration of its 60th anniversary. She came to the project as a journalism student, and despite having little financial knowledge, her research uncovered the extraordinary characters and showdowns within the association's past. She is incredibly grateful to all the current and former members who made time to speak with her to shine a light on the association's rich history. Ella finishes her studies at the University of Technology in Sydney this year, and has just started a new job at Southern Cross Austereo. She hopes to work as a news reporter or a producer in broadcast media.

ASA constitutional changes

At the AGM on 24 June 2021 the directors will be asking members to vote on a number of changes to the ASA Constitution to bring it up-to-date. Michael Jackson, a newly appointed director and company secretary summarises the proposed changes below. These changes will be explained in the Notice of Meeting sent to members separately.

Member-initiated special resolutions

Under the *Corporations Act 2001* (Cth), if a shareholder wants to have a special resolution considered at a meeting that has already been arranged, they generally need to collect at least 100 signatures from other shareholders who also support the change. Special resolutions are needed for important changes, such as changing a company's constitution.

ASA is an organisation that urges listed companies to be transparent. Transparency enables us to protect shareholder rights. The 100-signature requirement is reasonable in relation to a major listed company, but the board believes that the 100-signature requirement is too high a hurdle for an ASA member who might want our company to consider a change that needs to be made by special resolution.

We can change the ASA Constitution to agree to a less onerous requirement than the *Corporations Act* stipulation. For this reason, at the 2021 annual general meeting the board is going to ask members to agree to insert in the Constitution a clause making clear that 25 members will be able to propose resolutions for inclusion on the agenda of general meetings that have already been called.

Remove "show of hand" voting at ASA

The board is proposing the removal of the "show of hands" voting option at ASA general meetings. In future, all decisions would be decided by an accurate poll of votes.

This will bring ASA into line with what we ask of the companies we monitor.

Virtual meetings

The change we are proposing clarifies that members or their representatives may be present at a meeting via video technology.

Board resolutions

Sometimes the board needs to make a decision between its scheduled meetings. These decisions are often "housekeeping" in nature. Under our Constitution these decisions need to be unanimous. Previously these "inter-sessional" board resolutions needed to be physically signed by each director. Now it is more convenient for directors to confirm agreement via an email, without a physical signature.

Special resolution proposed by a member

One of our members has asked that the 2021 AGM consider a change to the Constitution to increase the size of the board.

Because this request was received not long before consideration of the board proposal to make it easier for members to initiate major changes, on this occasion we have decided that rather than making the member find 100 supporters, we will put it up as a special resolution without insisting on the legislative process. However, the proposal is not supported by the board and the board will vote proxies against it.

The formal Notice of Meeting will include the member's arguments in favour of the change and the board's reasons for opposition.

Directors standing for re-election each year

The Constitution says that at each AGM, one third of directors (disregarding any fraction) need to stand for re-election. The board is suggesting that the fraction be changed to one quarter.

As mentioned, there are eight directors of ASA. Eight divided by three equals 2.66, then disregard the 0.66, so two directors will generally stand for election. The Board recommends maintaining the current maximum number of directors allowed under the Constitution (namely eight). The change makes the clause more transparent.

There will be no change to other Constitution requirements that could impact the number of directors standing; for example, that each director needs to face the members at least every three years.

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Domino's Pizza: using EPS and GRT to identify top opportunities


By Robert and Russell Markham, VectorVest

How do you find great opportunities in a few clicks of your mouse each day? I want to concentrate on two indicators that can assist you in identifying top opportunities for your portfolio.

Earnings per share (EPS)

The first one I want to look at is earnings per share (EPS). This indicator is not a standard indicator but one that looks forward rather than backwards. Such an indicator is the 12-month leading forecast on earnings. It can be obtained from broker reports or investing platforms like VectorVest. It is forward looking and is the engine room of price appreciation potential. You want to ensure you are finding stocks where the EPS score is rising. Over the years, I have been guided by the EPS indicator and benefited handsomely by buying those rising EPS stocks. But every now and then, I come across stocks where the earnings are firing up, but the stock remains stubbornly unwilling to rise in price. Therein lies the opportunity.

For years, I have watched the earnings profile (EPS) of Domino's Pizza (DMP) shine. I am not talking about the price, just the EPS. The price of DMP slid down from $77.00 per share on 18 August 2016 to $36.86 per share on 6 August 2019. Over the same time, the EPS was trending upwards in a steady direction. Since then, the EPS has continued to power on. The share price fired up in August 2019 and has continued to do so as of March 2021.

Notice how EPS was continually rising!

Why is it that DMP's share price did not rise on rising earnings from late 2016 through to early 2020? In short, the earnings results did not meet market consensus and brokers expectations. Despite making record profits in 2017 and 2018, the share price came under pressure due to earnings results falling short of what the market had forecast and expected. Again, therein lies the opportunity. Looking back to news items in August 2017, I came across a report entitled: "Domino's Pizza shares go cold as record profit fails to satisfy investors".

The report detailed some of the reasons for the sliding share price, but in the report, it was interesting to note the following:

> "Domino's Pizza share price has taken a pounding despite the fast-food business delivering a record full-year profit. Domino's net profit of $103 million was up 25 per cent on the previous year, and underlying earnings rose 29 per cent to $118 million. However, this was below both the company's guidance and market expectations, leading [to] a nasty case of investor reflux as the stock came off the boil."
> https://www.abc.net.au/news/2017-08-15/dominos-pizza-result/8807674

Take a step back to digest this information — here we have a company making record profits year in and year out. The point I am getting at here is that we have seen time and time again — rising earnings will lead to rising share prices. Despite the market reacting over earnings expectations versus earnings outcomes, the fact remains that DMP was and has been making record profits. There is only so long that a company can continue to have a rising set of earnings before the share price increases to reflect this.

Earnings growth rate (GRT)

Let's drill in a bit further. In addition to EPS, you can also look at the earnings growth rate (GRT), the second VectorVest proprietary indicator I want to introduce you to.

GRT reflects a company's one to three year forecasted earnings growth rate in per cent per year.

If you graph GRT, it can be trending lower, but if GRT is a positive number, it means that the earnings growth is trending higher — just not as quickly. Conversely, a rising GRT gives you notice that forecast earnings growth rates are on the rise and the earnings are growing. If you see a negative GRT, then you need to be careful as this depicts earnings are falling, and therefore there is no growth in earnings. DMP.AX has not been negative since 2009.

GRT never went negative — earnings were still growing.

There is a short video on DMP which shows between 2017 and 2018, the GRT for DMP had started to pull back a fair bit. However, GRT was still positive. To be clear, I really want companies with those smooth left to right rising EPS stocks, but I also want those companies where the GRT is holding up well. A falling GRT is not the end of the world, I am happy to have a GRT that goes from say 15% to 10% — a 10% earnings growth rate is still a very good rate. However, I am alerted to the fact that the rate of earnings is starting to slow down. The momentum of the EPS score will slow down as well, but as in the case of DMP — the EPS figure still powered on since earnings were growing and positive.

Having said all this, EPS is still key! A rising EPS is what you are after, and you want to see your EPS graph going up. GRT gives you that extra insight regarding the growth expected on your earnings — and I prefer a strong consistent GRT score.

At VectorVest we are dedicated to helping investors make smart investing decisions. Check out our free videos at www.vectorvest.com.au. or to see the power of VectorVest's EPS and GRT indicators in action!

Sharesight
My Investments

How can business have a more positive impact on society?

By Shann Turnbull

How can the business world become more ethical and create more positive impact on the society at large? I argue that the existing governance model is based on the centralised power of exploitative hierarchies accountable only to shareholders, not to stakeholders or society. A new political model of governance is required to provide shareholders and their ethical directors formal feedback from stakeholders, independently of management, if stakeholders are exposed to harms, risks, mismanagement, misconduct and/or malfeasance.

A difficulty for individuals wanting to become an ethical investor or director is that most corporations are organised as centrally controlled hierarchies that provide power for managers to exploit their stakeholders. Ethical directors become reliant on the same managers to report problems that they may have created.

Also, managers may have little knowledge about stakeholder operating issues or their existential risks. These could be serious problems. It may also expose the firm, its managers and directors to existential risks that could threaten their jobs and shareholder funds. Ethical and prudent directors would require corporate constitutions to recognise and give voice, independently of management, to any concerned stakeholder constituency.

Another systemic challenge for ethical directors is that publicly traded corporations hide insider traders. This is because corporations do not require registered shareholders to routinely disclose their ultimate beneficial owners and/or controllers (UBOCs). Some jurisdictions may require this type of disclosure for companies offering to take over another. Ethical directors would require corporations to amend their constitutions to require all their owners and/or controllers to be identified. Identifying whom you are acting for is an absolute ethical requirement.

Neither of the above two problems is removed by so called "for benefit" or "B" corporations. There is no need for B corporations to make changes in their corporate constitutions as described above. In addition, they replicate the same centralised toxic power relationships found in political dictatorships and most other corporations.

Ethical directors and shareholders would require that their corporations did no harm to stakeholders or society. The largest investor in the world, Blackrock Inc. with $US8.7 trillion under management wants to do more. Larry Fink, the CEO of Blackrock, wrote to all the CEOs of their investee companies in 2018 wanting them to: "benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate."[1] To achieve this outcome, Fink wants "A new model for corporate governance". 180 other CEO's in the US who had BlockRock as a shareholder and were members of the US Business Round Table issued a press release in 2019 stating their commitment to benefiting all stakeholders.

A new model is required because the existing model is based on the centralised power of exploitative hierarchies accountable only to shareholders, not to stakeholders or society. Nobel laureate Elinor Ostrom has shown how benefits can be negotiated for all stakeholders without necessarily overturning shareholders' primacy in corporate decision making. It would mean that ethical investors would want their financial advisers to become accountable in the court of public opinion on how well stakeholders and society were treated by their investments.

Reference

1 *Larry Fink's Chairman's Letter to Shareholders Sunday, March 29, 2020*

About the Author

Shann Turnbull PhD has been a serial entrepreneur founding enterprises and re-organising listed firms. In 1975 he co-authored the first educational qualification for company directors in the world. His PhD research established the science of governance for evaluating and designing organisations by using bytes as the unit of analysis.

Continued - Three ways to get your portfolio out of lockdown

international investors' portfolios, China remains underweight, but in the post-pandemic world, investors seeking growth may want to consider an allocation to Chinese assets.

The BetaShares Asia Technology Tigers ETF (ASIA) offers exposure to the 50 largest Asian technology companies (ex-Japan) in a single ASX trade.

A lot of these themes for 2021 are not new. They were starting to become popular before the virus took hold, however COVID-19 has accelerated these themes to the forefront, creating growth opportunities. And whilst it is difficult to predict what 2021 will hold, COVID-19 has changed the world and the way we do things forever.

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Justin is senior member of the BetaShares Distribution team responsible for supporting Institutional and Intermediary Broker and Adviser channels. He has over 18 years' experience in the ETF market, initially in North American and more recently in Australia.

Three ways to get your portfolio out of lockdown

By **Justin Arzadon**, BetaShares

Imagine you had fallen asleep in January 2020 and woken up in March 2021, and before watching any news or taking a walk around your suburb, you looked at the levels of a few financial markets around the world. You might conclude that it was a fairly uneventful period in which US markets continued to be dominated by technology, whilst Aussie markets lagged.

Looking just at the starting and finishing points, and not what happened in between, you wouldn't have realised that the economy and financial markets have been through one of the most turbulent periods in history, the world is only just starting to emerge from a global pandemic, and the way the world travels, shops, works and is entertained has been changed forever.

However, with such dramatic change often comes tremendous opportunity.

A focus on underlying investment themes that we believe will drive society, the economy and the markets over years, rather than on fads that last a few months, is a sound way to ensure your portfolio is well-positioned regardless of what the rest of 2021 may hold. Today, I'll take a look at some of the key investment themes that experts are focusing on, that offer the potential for growth within investment portfolios.

Global themes and megatrends

Thematic investors try to identify long-term transformational trends and the investments that are likely to benefit if those trends play out. Thematic investing focuses on structural, rather than cyclical trends. These are themes that tend to be one-off shifts that irreversibly change the world, driven by powerful forces such as disruptive technologies or changing demographics and consumer behaviour.

A theme that we believe may be in the "sweet spot" right now, that is not in its earliest stages, but which also is still far from maturity, is climate change.

Global warming is one of the defining challenges of the 21st century. Unaddressed, it will have a catastrophic impact on our planet and the lives of future generations. Given the dimensions of the challenge, the size of the response and the amount of money needed to be spent on it is correspondingly large. The Energy Transitions Committee (ETC), a global organisation of energy producers, financial institutions and environmental groups, estimates that the investment required to achieve a net zero carbon-emissions economy by 2050 will be US$1-2 trillion p.a.[1]

To tap into the long-term growth potential of this theme, BetaShares has launched the Climate Change Innovation ETF (ERTH).

ERTH provides investors with exposure to some of the world's leading companies at the forefront of tackling climate and environmental challenges. ERTH's portfolio comprises up to 100 of the largest global companies that derive at least 50% of their revenues from products and services that help to address climate change and other environmental problems through the reduction or avoidance of CO_2 emissions.

The deep cuts to emissions that will be required to limit global warming call for innovation on a range of climate and environmentally friendly activities. ERTH provides exposure to a broad range of solutions, including clean energy, electric vehicles, energy efficiency technologies, sustainable food, water efficiency and pollution control. Companies with direct involvement in the fossil fuel industry and certain other negative business activities are excluded.

ERTHs index includes companies within five key sectors:

Source: Professor Guillen, M.; '2030: How Today's Biggest Trends Will Collide and Shape the Future of Everything,' published 2020. Data as at 28 February 2021.

ESG reaches a tipping point

According to Nasdaq's Five Bold Predictions for the 2021 stock market,[2] ethical and sustainable investing will accelerate.

While global warming took a temporary breather in 2020, as economic activity and consequently carbon emissions slowed dramatically, the climate crisis remains as urgent as ever. In addition, many governments have included spending on sustainability in their billion dollar plans to support growth and jobs, raising hopes for a green recovery.[3] A solid ESG performance has been found to contribute to long-term sustainable returns, making it an important building block in security selection. This should make ESG investing a long-lasting and durable trend for years to come.

Investors seeking to invest ethically can consider:

- the BetaShares Global Sustainability Leaders ETF (ETHI) — in one trade, get diversified exposure to a portfolio of large global companies that meet strict sustainability and ethical standards
- the BetaShares Australian Sustainability ETF (FAIR) — in one trade, get exposure to a diversified portfolio of Australian companies that meet strict sustainability and ethical standards.

Allocating to China

Unlike the rest of the global economy which saw growth fall, the Chinese economy grew by almost 2.3% in 2020. Despite being its worst year since 1976,[4] China managed growth without the government having to suppress interest rates through quantitative easing or increase the government's debt burden by stimulus spending. And whilst most of the world is still trying to contain the COVID-19 virus, Chinese consumers, one of the key drivers powering China's economic rebound, have regained confidence and are spending at levels seen before the outbreak of the COVID-19 pandemic.[5]

Not only is China likely to remain the fastest-growing large economy in the world, its equity market offers numerous innovative companies and a host of opportunities. In many