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Australian Shareholders' Association

EQUITY

ASA AGM: Where Will You Take Us?

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Australian Shareholders' Association

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

FROM THE CEO

By John Cowling

AGM

This issue contains important information about the upcoming ASA AGM. I hope you can attend, either in person or by Lumi's virtual platform.

Lumi generously donates its technology so we can ensure all members with a laptop, iPad or smart phone can attend from wherever they are in Australia. Every member has a voice.

Allan Goldin has included his Chair report for the AGM in this issue. You can read about how he continues to renew the board and is recommending an update of the constitution. If you can't attend, please vote your proxies on these important motions.

Investor groups

Margaret Thorn runs the very successful Hunter Region discussion group. This group has a fantasy share portfolio, which I know many discussion groups do.

The latest results are interesting to a numbers man like me.

Of 24 members of the group, and therefore 24 stock picks, 11 are showing profits and 13 show losses so far this year.

Overall, the portfolio is down 0.65% and segmenting the portfolio further, seven stocks have shown a return in excess of +10% and only six show losses of -10%. So that means 11 were just not very good picks nor very bad. At least so far this year.

Unfortunately, the losses swamped the profits and in fact, two poor stock picks ate up 50% of the profits from the good picks.

So that reminded me how tough the decision is to sell losing stocks. And not just for us retail investors, even institutional investors have a hard time selling.

If you check out Lawrence Lam's February article in Lumenary's Knowledge Bank on its website titled "The Art of Selling" (https://lumenaryinvest.com/the-art-of-selling/) you will see we must keep three important questions in mind when looking at our portfolios:

1. Have business prospects fundamentally changed for the future?
2. Are customers migrating away from this industry?
3. Does the company still retain its competitive edge?

Lawrence's conclusion is that you need to spend as much time researching when to sell as you do when researching to buy.

He says: "Sell because of changes in business prospects, not because of stock price movements, even if you're under extreme market pressure."

Just like we all like to analyse why our buying decisions were right or wrong, we need to apply the same rigour to our selling decisions.

I know one selling decision I got very wrong – selling CSL when the prospects just kept getting better. And one I got right, due to changes in consumer habits, Coca-Cola Amatil (CCL).

I challenge Margaret and her group to apply these three tests to their group's portfolio and share what they find.

The world's greatest investors

Over the weekend while painting a new fence, I had the chance to listen to William Green talk about his new book *Richer, Wiser, Happier: How the World's Greatest Investors Win in Markets and Life* (Scribner/Simon & Schuster, April 2021). Over the past quarter of a century, Green has interviewed many of the world's best investors, exploring in depth the question of what qualities and insights enable them to achieve enduring success.

He found the most successful investors are iconoclasts who question conventional wisdom and profit from their ability to think more rationally, rigorously, and objectively than the average investor. They consciously maximise their odds of long-term success both in markets and life.

He gives us an insight into the lives of more than 40 super-investors, having visited them in their offices, homes and even their places of worship. William brings together the thinking of many of the greatest investment minds, from Sir John Templeton to Charlie Munger, Jack Bogle to Howard Marks.

It was Templeton who intrigued me the most and I have taken extracts from a recent article by Green on Templeton for inclusion in this issue. His worldview allowed him to be a contrarian investor and stay calm during market panics. When Hitler invaded France in May 1940, Templeton was 27 years old. That's when he borrowed US$10,000 (which was worth a great deal back in 1939) and invested in 104 low priced US companies. By 1945, he had made five time his money with 100 of the 104 investments being successful.

Member Letter

Lastly, I have to give a shout out to long term member Richard Browne, who wrote to ASA friend and fixed interest expert Elizabeth Moran (well known to many ASA members).

Recently, I attended your Toowoomba presentation and we spoke about the importance and attractiveness of Australian government bonds to investors. Those of us in retirement can't afford to lose capital and are looking for a safe investment. Most are happy to accept lower returns for less risk, but term deposits are a losing proposition.

Australian government bonds would be an attractive investment except that you have to pay such a high market premium.

It has long been a mystery to me that the Government can't see the value in making bonds available to retail investors at first issue. It would be good for investors and for the country and would provide secure income for retirees.

Would it not be better than an annuity that you have to buy from a retail provider?

I bet there would be a stampede!

Sound asset allocation principles suggest a proportion of one's wealth should be held in cash so Richard's idea has merit. Please let me know if you agree with Richard and we will see what we can do when we speak to the Government and the opposition.

The secrets of Sir John Templeton

Extracts from an article by William Green

A pioneer of foreign investing, Sir John Templeton founded the Templeton Growth Fund in 1954 and proceeded to rack up unsurpassed returns of 15% annually for 38 years. In 1992, he sold the business, personally pocketing US$400 million. The money he managed after that belonged solely to him and his charitable foundations until his death in 2008, aged 95.

Templeton remains a towering figure, one of the few enduring masters from whom every investor can learn, even though his focus was primarily on spiritual matters. He funded scientific research at institutions such as Harvard University into mysteries like the healing power of prayer and forgiveness. He said he gave away US$30 million a year to fund his spiritual programs, including a US$1 million prize for "Progress in Religion".

While this may seem an odd departure for a celebrated stock picker, Templeton was always startlingly different – and his idiosyncrasies were precisely what made him such a successful investor. He always went his own way, hunting for busted stocks at what he called the "point of maximum pessimism" when no one else would touch them. And perhaps that's the point. Great investors, like great artists, are not like the rest of us. By studying Templeton, in all his strange and brilliant glory, maybe we can gain insight into just what spectacular investors possess that the rest of us don't.

The willingness to be Lonely

Templeton rarely thought like the rest of us. And that was one of his greatest strengths. In 1939, he called his broker with a characteristically eccentric order. He wanted to invest US$100 in each of 104 US stocks, all trading at less than US$1 a share; 37 were in bankruptcy, but he bought them anyway. Hitler had just invaded France and Templeton, then only 27, thought a world war would electrify America's shattered economy, saving even the feeblest companies. He was so sure of himself that he borrowed US$10,000 (US$117,000 in today's terms) to make the investment. "Five years later, when I liquidated those holdings, I had a profit on 100 out of 104 of them," he recalled. "I made roughly five times my money."

It was a remarkably plucky gamble. So how did he pull it off? "I had enough self-confidence to think that most of the people called experts could make big mistakes," he said.

Templeton's profound belief in his own judgement was a quality he seems to share with other famed investors. Michael Lipper of Lipper Analytical Services said Templeton, Warren Buffet, and George Soros all displayed the willingness to be lonely and take a position that others don't think is too bright. "They have an inner conviction that a lot of people do not have."

Always fly coach

Templeton's attitude towards money has always been distinctive. He was a Calvinist and he believed it was okay to make money so long as you didn't enjoy it.

He said tithing was the "single best investment" anyone could make and claimed to give away US$10 for each dollar he spent on himself. Obsessively thrifty, he boasted that he still flew coach: "I've got a lot better ways to spend my money than on a bigger seat," he said.

It was Templeton's miserly eye for a bargain that led him into foreign markets other Americans spurned. In the 1950s, when Japan's economy was reeling and many Japanese stocks were trading at a P/E of three, he figured it was the world's cheapest market. He snapped up unwanted gems like Hitachi and Fuji Film, betting 60% of his fund's assets in a country ridiculed for producing cheap knockoffs. By 1980, exuberant investors were piling into Japanese stocks and Templeton, looking for cheaper buys, had almost entirely cashed out. He'd quintupled his money.

Behind his compulsive cheapness was a belief that we don't possess our own money; we're merely "temporary stewards" of God's wealth and must shepherd it with appropriate care.

"Be here at 4:02"

Templeton had similarly quirky notions about time. He was beyond punctual. His friend Gary Moore recalled: "The first time I met John he said, 'Be here at 4:02. I've got another appointment at 4:13'." His determination to use every minute productively gave him a major edge in researching stocks – "You're only on earth a small time. Don't waste a minute of it."

The secret weapon

When the US market crashed in 1987, Templeton loaded up on stocks that had been slaughtered. This habit of diving in when stocks were getting crushed required "tremendous willpower and strength of personality", observed Mark Mobius, the former manager of the Templeton Developing Markets fund. "Everybody else is running out of the burning building."

Templeton had always been just as immune to euphoria. In 1968, when the US market was surging to breathtaking heights, he was massively underweighted in US stocks. The bubble burst and many stocks fell 70% between 1969 and 1974. In those terrifying years, his fund – largely invested in Japan and Canada – boasted a positive return of 50%.

He believed superb intellect was worth little in investing if you have the wrong temperament. "Most investors get led astray by emotions," he said. "They get excessively careless and optimistic when they have big profits. They get too cautious and pessimistic when they have big losses. I've always worked on having more self-control."

His secret weapon? His unerring ability to stay calm as an investor was bolstered by his religious faith, which seemed to free him from the fears and doubts that paralyse others. Even when he took a beating, Templeton said he was never depressed or despairing. E

Bond Yields: What do they mean for listed and unlisted commercial real estate?

By Adrian Harrington, Head of Capital and Product Development, Charter Hall

One of the many reasons investors are attracted to commercial real estate is the yield.

With bond yields on a downward trend since 2010 and hitting a record low of 0.60% in March 2020, investors have sought higher-income assets such as listed REITs and unlisted commercial real estate, which have seen yields (cap rates) compress and prices increase. The one exception are retail malls, which due to structural changes in the retail landscape with the rise of e-commerce, have seen yields rise and values come under pressure.

However, the rebound across the global economy has shifted growth and inflationary expectations, lifting bond yields from historically low levels. Bond yields spiked in the back half of 2020, peaking at 1.88% in November 2020 and have drifted sideways since. Notably, these levels are still low in a historical context, having broadly trended down over the past 40 years.

The big question for both listed and unlisted real estate – and arguably the reason for the recent volatility in listed REITs – is whether bond yields have peaked or whether yields will continue to trend upwards. Should investors be worried about the prospect of increasing interest rates (bond yields) for listed and unlisted commercial real estate? And importantly, what should the implied risk premiums be in a lower interest rate environment?

A lower for longer environment

Technology and broader demographic forces have had disinflationary impacts across global economies. Although the economic recovery has been significantly stronger than projected, further recovery is required before sustained inflationary pressures emerge. The global economy has significant spare capacity, which will take some time to be taken up and this will continue to put downward pressure on companies' pricing power and wage growth. The RBA is still not expecting annual inflation to move within its target range of 2-3% for several years. As a result, Charter Hall believes bond yields will stay lower for longer, although we expect continued volatility and short-term movements of bond yields.

Implications for real estate

Average risk premiums (measured by the gap between the property and bond yield) should reflect the associated risks and future growth of an investment.

The spread between bond yields and property has closed in the listed market in recent months, and despite the steepening of the yield curve, there is still an attractive buffer in the direct market. Direct assets are well placed to absorb any sustained further rise in bond yields.

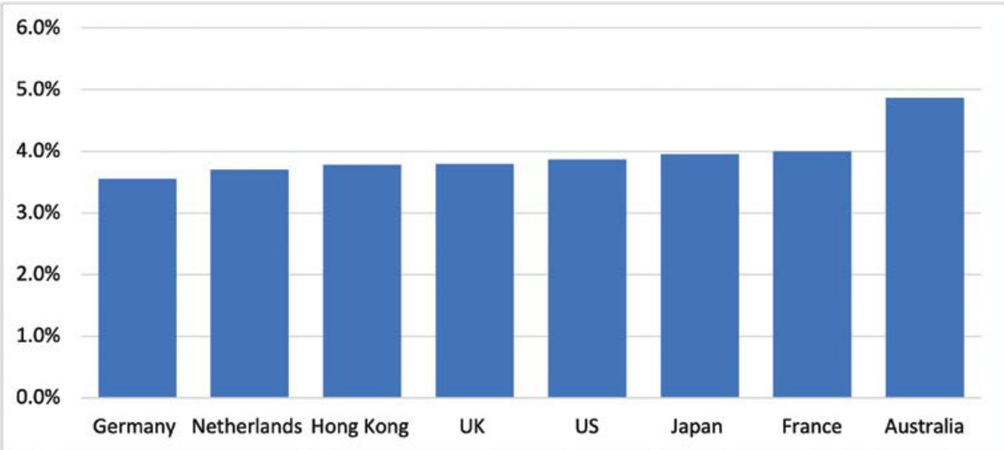
Figure 1: Bond and listed and unlisted (direct) commercial real estate yields

Source: Morgan Stanley and JLL

One sector in which we expect to see further yield compression is industrial and logistics. Driven by strong growth in capital flows into the sector and robust demand tailwinds from both the growth in e-commerce and the continued modernisation of supply chains, yields on well-located distribution centres and logistics facilities could compress a further 0.5% to 1% in the next few years.

As at the end of March, the yield on prime industrial property was 4.9% and looked very attractive relative to the 10-year bond of 1.79% yields and to other global property markets where yields were between 3.5% and 4.0% (Figure 2).

Figure 2: Global industrial yields

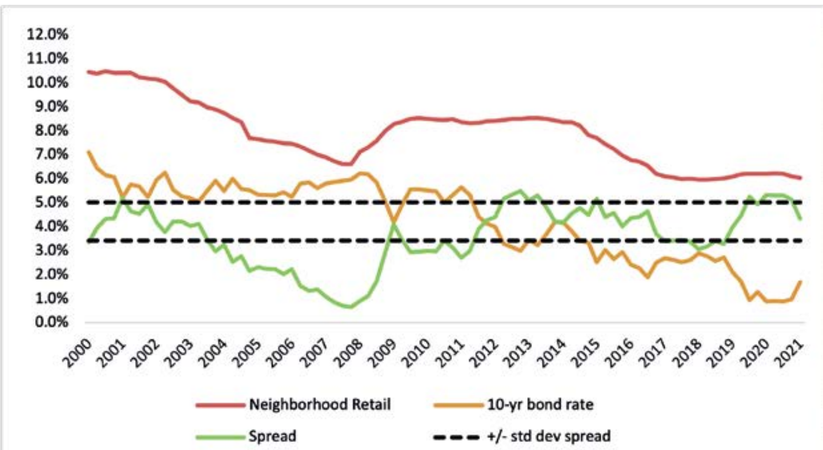


Source: JLL

The recent $3.8 billion acquisition by ESR, a Hong Kong-based group, of Blackstone's Australian industrial portfolio at a yield of circa 4%, and according to JLL, the more than $45 billion in capital chasing industrial assets, suggests Australian industrial yields are set to compress further.

Figure 3: prime Australian neighbourhood retail yields

On the retail front, yields for regional and sub-regional shopping malls are rising given the structural headwinds from online shopping and retailers' rationalising their store footprints, while the yields on neighbourhood shopping centres, which are focused on non-discretionary spending, continue to firm. Neighbourhood centres continue to generate strong investor demand given their non-discretionary cash flow characteristics and the strong anchor tenant covenants – Coles, Woolworths, and ALDI.



Source: JLL, RBA

A continued low-interest rate environment will be conducive for investors looking to increase exposure to listed and unlisted commercial real estate. We see the potential for further yield compression and price appreciation for quality assets with long-term leases in place underpinned by strong tenant covenants and annual fixed rental escalations.

The all-terrain equities portfolio for today

By Lawrence Lam, Managing Director and Founder, Lumenary

Epicormic buds lie dormant, hiding underneath tree bark waiting for the right conditions to sprout. They serve a regenerative purpose in the overall forest system and flourish when conditions are at their most dire. Bushfires, for example, trigger epicormic buds to sprout with extreme heat and the clearing of nearby vegetation. In other words, the emergence of new growth stems from the wreckage of the established.

Just as a botanist studies epicormic growth, I've been looking at buds and shoots in a different world. The questions remain the same. Which environments foster this latent growth? Where can I find the most regeneration?

Noise, distractions, smoke and epicormic buds

There's a lot of noise in financial markets. Think back to the Trump presidency. The headlines were anxiety inducing. We had it all, from a promise to clamp down on big pharma, to the US expulsion of Chinese companies accused of breaching data security and the US withdrawal from the Paris Agreement. But as much noise as these headlines created at the time, they have all fizzled out like an old balloon. The world keeps revolving.

Today, the noise is all to do with interest rates and inflation. Endless predictions about the actions of central bankers and the interpretation of every word spoken at press conferences. The problem with short-termism and quick news is that everyone is focused on it. Everyone has an opinion. It's a crowded space. It is not where you can get a competitive edge as an investor. Instead, the edge comes from being able to strip away the noise and focus not on the smoke and fire, but on seeking out the epicormic buds that are developing underneath.

The most common themes of today

Let me paraphrase today's rhetoric: A huge wave of inflation is coming. As a result, bond yields and interest rates will rise. This leads to a revaluation of assets as the time value of money increases the value of predictable cashflows as opposed to the uncertain.

This means companies with predictable cashflows come back into favour (value), as opposed to those with unpredictable future revenues (growth). It's a matter of perception – interest rates alter how analysts value companies. But the fact remains, a valuable company will remain valuable. The effectiveness of growth or value strategies is driven by the prevailing market conditions and whichever curries favour.

Growth investors flourished last year as technology companies soared, but if your allocation had been solely to growth, you would be having a rough couple of months of late. The key to a resilient strategy is to remain adaptive. This means having a balanced portfolio that flexes with prevailing conditions without being overly extreme any which way.

Structuring a portfolio in today's environment

Given the inherent uncertainty, there is opportunity to profit from both growth and value when markets flip from one school of thought to the other. With a dual structure, a portfolio remains balanced. There are no big bets and risk is tempered. What I'm seeking is a resilient portfolio that focuses on two types of buds.

Bud Ones are emerging companies selling a compelling new product or service which solves a problem the world has struggled with previously. They aren't start-ups. They have proven growing demand and they face few competitors. If they're selling a new product or service, they should be one of the first movers.

Bud Twos are existing companies experiencing temporary price dislocations, but which are due for a resurgence. They may be facing a challenging macro environment or negative headlines. The bigger the market overreaction, the better the opportunity. They can be established businesses that haven't fully recovered from the pandemic. And there are plenty of them. Look across Europe, US and Asia. Industries such as entertainment, hospitality, drinks, logistics and leisure will explode when their lockdowns abate.

Areas with the greatest anxiety are where you'll find the greatest value. Value investing is about picking up immediate mispricings and targeting shorter term profits. But when stocks reach full value, you'll need to offload and recycle the strategy when growth plateaus to normalised rates.

Balancing the risk and reward

This structure captures the rise of both growth and value whichever the direction of sentiment. A 50/50 split at the start, which is then flexed when opportunities prevail.

How the portfolio gels together is equally important as each individual investment. Think about the correlations between each investment to ensure the all-terrain portfolio spreads volatility. Look far away to Europe and Asia which are on a different recovery trajectory to the US and Australia. I find European and Asian founders more prudently focused on generating profits than pumping revenue metrics, which again tempers the risk.

As the world recovers from this once-in-a-century event, pay attention to both the emerging new buds and the recovery of existing trees. There are two types of gains to be made, so ensure your all-terrain portfolio places you well for both.

Australian banks need to do more to boost financial inclusion

By Jennifer Asma and Rachel Halpern, Altiorem

Jennifer Asma

Rachel Halpern

With the rising demand for financial services in the wake of the COVID-19 pandemic, the vulnerability of financially excluded groups – those who do not have access to financial services, typically a bank account – has become increasingly stark.

Most financial institutions in Australia have yet to sufficiently meet the demand for banking services from these groups. This is an untapped opportunity for Australia's banks. Banks that recognise this opportunity will be best placed to deliver benefits to shareholders by access to markets and improved reputation among the increasing number of ESG-focused investors, customers, and regulators.

Despite the upside, Australia does not have an overarching framework in place to facilitate financial inclusion. The big four banks introduced financial inclusion goals in 2016/17 but appear to have made little progress in meeting these. Given this, Australia's banks could learn from the successes of financial inclusion programs abroad.

What financial inclusion means

Financial inclusion can be defined as the population's access to and usage of basic financial services. Women, the very young and the very old, people with low or irregular income, people in remote locations and immigrants tend to have lower levels of financial inclusion. As financial inclusion increases, benefits accrue to individuals accessing those services and the broader economy in which they spend.

Small business access to financial services, such as credit and loans, correlates with increases in employment and reduced financing constraints. Therefore, improvements in household and small business spending can result in growth, and increased income equality.

Financial inclusion in Australia

Currently, Australia's levels of financial inclusion are vague as no measurement has been recorded since 2015. A report, titled *Financial Resilience in Australia in 2015*, revealed that three million adults were excluded. This means that at the time, one in 10 people had no savings, one in six were over indebted or barely met their financial obligations and one in five had not had access to credit in the preceding 12 months.

Since then, these numbers are only likely to have deteriorated, given the economic hardship of COVID-19 suffered by the very demographics of our population who were already likely to be at risk of financial exclusion – for example, women and casual workers.

The Australian situation

Despite this, progress has been made. In 2015, the Good Shepherd Microfinance initiative was established by the Commonwealth following its commitment to the G20 Financial Inclusion Action Plan (FIAP) and the United Nations' Sustainable Development Goals.

Westpac, CBA, NAB and ANZ have all correspondingly issued FIAPs following the Commonwealth's commitment. These documents provide an extensive outline of their targeted areas of improvement and their plan to alleviate the gaps in financial inclusion. For example, in CBA's FIAP, one of the statements calls for action to develop policies to support victims of domestic abuse. As a result, in 2020, CBA launched Next Chapter to provide support for victims. However, the banks have not provided regular updates on their FIAPs and this makes it difficult to keep them accountable.

The lessons from abroad

Kenya currently has the most successful mobile money sector through M-Pesa, a mobile wallet that allows users to transfer money, make payments, receive their salaries, and apply for loans. This allowed over 80% of the population to be financially included in 2019 with over 58.3 million mobile accounts. The success of M-Pesa is based on:

- **Private-led innovation:** Heavy investments by private companies to establish retail agents in both rural and urban areas to facilitate M-Pesa services.
- **Regulatory reform:** Reforms to Kenyan regulatory frameworks have allowed M-Pesa to be approved due to its innovative business model.
- **Low barriers to entry:** For verification purposes, M-Pesa users applying for banking services only need to provide the same documents that were used during their registration for M-Pesa (for example, a passport or national ID).

India found success by connecting the population to bank accounts through digital channels. This has increased the share of India's adult population with bank accounts from 53% in 2014 to 80% in 2017. India's success is based on:

- **Technological infrastructure:** The simplified identification authentication using biometric technology for opening bank accounts.
- **Government intervention:** The Government helped establish the digital infrastructure and introduced legal reforms to protect consumer rights and establish a regulatory body to oversee the payment system.

What we can do in Australia

The Government could give financial inclusion more priority and change the legal frameworks to facilitate fintech development for it.

Financial institutions should prepare reports on their progress so that shareholders can hold the institutions accountable for their commitment to the FIAP.

Shareholders can make a difference by writing to the financial institutions they are invested in and encouraging them to report on their progress and make stronger commitments to delivering financial inclusion in Australia.

Shareholders attending AGMs can also ask directors of these organisations for updates on their progress. Retail and institutional shareholders have an important role to play in improving financial inclusion in Australia.

Economic recovery and the wealth effect

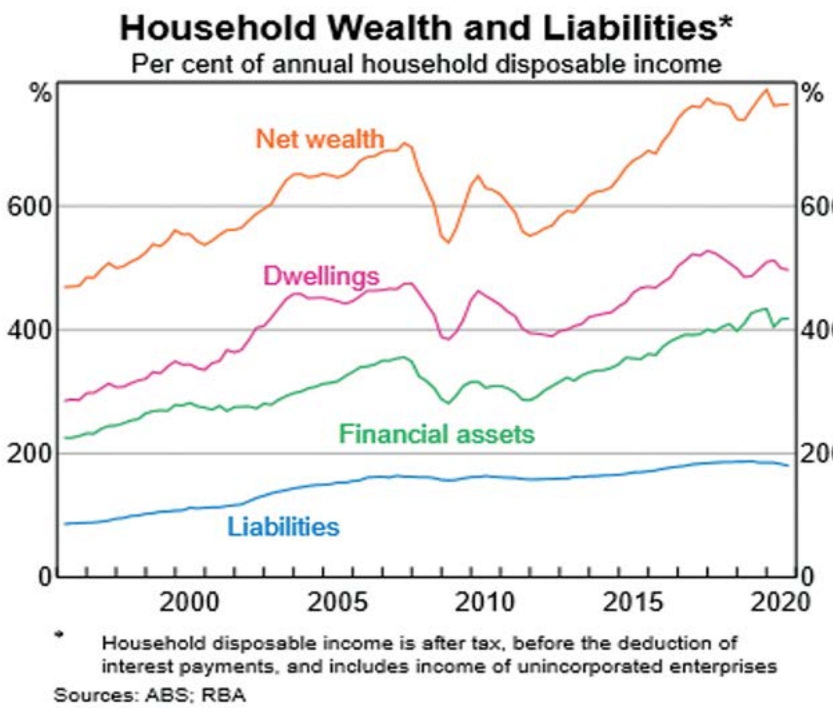
By **Michael Watson**, Executive General Manager, Head of Distribution - Asia Pacific at La Trobe Financial

The rebound of Australia's economy from the economic hibernation imposed throughout 2020 has been the focus of intense local and broad overseas interest. The final months of 2020 and the first quarter of 2021 have seen an economic recovery which has been robust, economy wide and V-shaped. Overall, Australia experienced a low total health impact from COVID-19 comparable to other nations, which combined with the demonstrated resilience of our economy has placed us in an enviable position globally.

Further, the economic outlook remains far better than we had reason to expect 12 months ago as we took our first steps into the pandemic period. Economic growth in a post-pandemic world now appears baked in and forecasts show healthy economic growth set to continue into the coming years.

While optimistic, we remain entirely cognisant of the key issues which may present as headwinds or tailwinds to the economy, with all economic recovery globally remaining set against a fickle backdrop of residual pandemic risk. Financial advisers and investors alike face serious challenges posed by an ultra-low interest rate environment and continued volatility in markets, with fixed income portfolio construction remaining particularly fraught.

Pleasingly, the local economy has demonstrated remarkable resilience and signs point to a continued rebound. Over the past 12 months, Australian households continued their ongoing resilience with overall household wealth remaining near all-time highs. Of course, individuals and groups did suffer financially, but at a macro level the impact on household wealth was only very minor:



Total net household wealth remains a demonstration of the clear financial resilience of households and is both a pointer to future consumption and a bulwark against future volatility. Consider also the increasing divergence between dwellings and liabilities as a percentage of household disposable incomes. While household liabilities continue to grow, this is minor compared to overall dwelling values which have grown at a faster rate, building real wealth.

At a macro level, household balance sheets have almost never been in better shape. Employment has been maintained, financial assets have been resilient, and dwellings are increasing faster than the debt which finances them.

It has long been known that in both positive and negative markets, momentum begets momentum. Presently, the momentum in the Australian economy is creating a momentum all of its own through the "wealth effect" – and we see that playing out at present.

Put simply, the wealth effect arises because as people feel wealthier. As a result, they tend to spend more money. Or in other words, if you see the value of your house increasing, you tend to relax your spending disciplines a little. And when everyone across the economy does this, you can get a real and measurable increase in aggregate economic activity.

In 2019, the Reserve Bank of Australia published an analysis of the size of the wealth effect in the context of house prices. It found that a one per cent increase in housing wealth leads to a 0.16 per cent increase in the long run level of consumption. Recent data shows a housing market growing nationally at double digit rates, in both metropolitan and regional areas, which will be the impetus for the wealth effect to drive consumption growth in the months ahead.

Early indications of the impact of the wealth effect are materialising in very real ways. Australians are confidently spending on key items that will generate immediate economic benefit. This will drive the economy through its rebound and restructure phase and have a real, lasting benefit to the economy.

Figure 1 shows the spending intention of Australians towards residential property. Noting we have already seen a strong rebound in property prices nationally, this indicator shows strong, sustained intentions to purchase residential property at levels well above longer term observations.

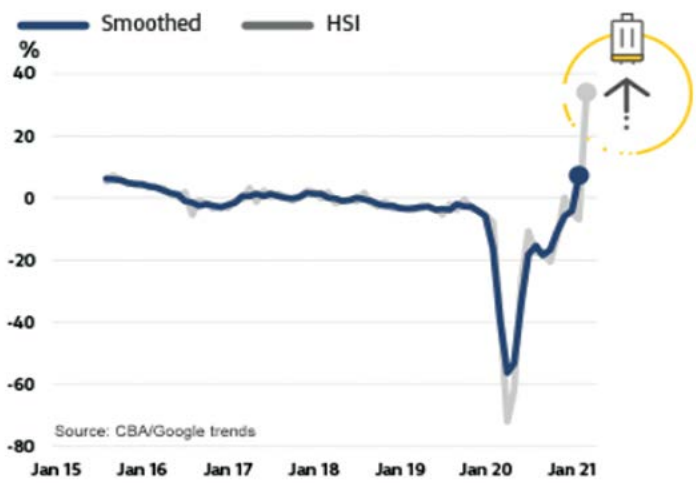
Figure 1: Home Buying Spending Intentions

Source: Commonwealth Bank of Australia Household Spending Intentions Series

(These series of charts from: https://www.commbank.com.au/business/latest/spending-intentions.html)

Spending intentions for travel are also back above pre-COVID-19 levels, showing a surging, upwards trajectory as the pent-up demand for holidays are realised. With borders remaining closed, the chief beneficiaries will be local destinations, including regional areas. Broadly, the tourism sector is getting back on its feet nationally. See Figure 2.

Figure 2: Travel Spending Intentions



Source: Commonwealth Bank of Australia Household Spending Intentions Series

Finally, entertainment spending also has seen a sharp rise, with a trajectory indicating a strong uptick in intentions to spend at cafes, restaurants, and entertainment venues such as theatres and live music venues. These sectors were hit particularly hard through the period of economic hibernation in 2020 and remain key employers of young people and an important contributor to an array of associated sectors. See Figure 3.

Figure 3: Entertainment Spending Intentions

While the pandemic remains a very real, ongoing risk for us all, our state governments appear to have adequate structures in place to identity outbreaks. Even localised lockdowns are less disruptive and impactful on the national economy than nationwide lockdowns and have been successful in stopping the spread of the virus across the broader population.

As the economic rebound from COVID-19 continues and even in the face of ongoing pandemic risk, the signs remain positive for continued economic growth. Investors, however, are continually reminded of the very real challenge of sourcing low volatility income within an ultra-low interest rate environment. This environment for investors appears likely to remain for some years to come, highlighting the continued importance of low volatility income products within portfolios.

About La Trobe Financial

With seven decades' experience and a proven track record across all market cycles, La Trobe Financial continues to provide low-volatility income solutions for investors. Our portfolio accounts offer low-volatility, monthly income for investors with variable rates of return set monthly and our peer-to-peer account continues to allow investors the power to select investments with the income and duration to suit their investment objectives.

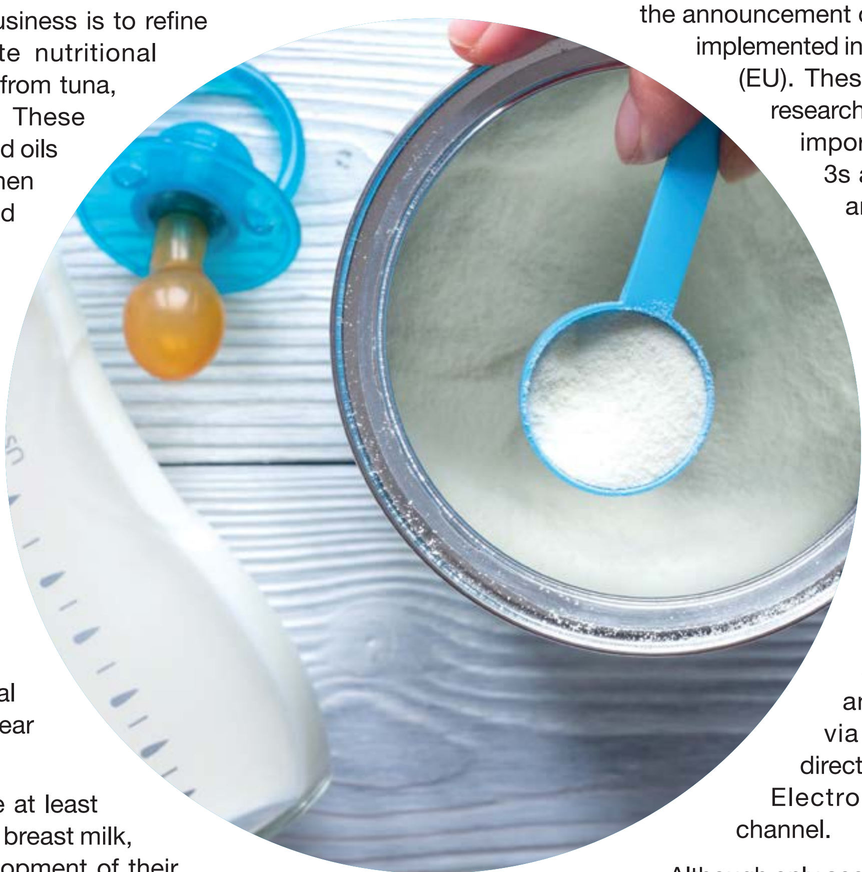
Now with over $12 billion in assets under management, including $5.6 billion in our award-winning credit fund, La Trobe Financial continues to be a proven investment partner for 55,000 investors across Australia and around the world.

A four-leaf clover?

By Olivia Brennan, ASA Financial Analyst Intern

I recently looked into a company from CEO John Cowling's watchlist (in the Equity February address) and took particular interest in a company called Clover Corporation (ASX: CLV). After three weeks of research, analysis and a phone call to its CFO Paul Sherman, I am most eager to share what this small Australian company does, how and why the company has been successful and some key elements that may impact its future, giving you food for thought as to whether Clover could be a valuable long-term investment.

Clover Corporation's business is to refine and micro-encapsulate nutritional omega 3 and DHA oils from tuna, fish, algae, and fungi. These high quality, concentrated oils and dry powders are then commercialised and used in the manufacturing of infant formula (IF) powders and the fortification of foods and beverages, enriching these products. Clover's products mainly use tuna oil because of tuna's high content of DHA, which it purchases sustainably as a by-product from tuna canning companies. DHA is particularly critical for infants in their first year of life.



Babies naturally receive at least 50mg of DHA daily from breast milk, which aids in the development of their brains and eyesight. As women continue to return to the workforce earlier, it has become increasingly important that IF powders have higher DHA levels to try to replicate the natural level from breast milk. Consequently, Clover's competitive advantage lies in its patented CSIRO encapsulation technology which creates this highly potent DHA powder and removes the unpleasant, fishy smell and taste. Similarly, Clover's technology protects the oils from oxidation which allows its powders to have a two-year shelf life in comparison with many international competitors which have products with a shelf life of only 12 months.

The past

At present, the IF market accounts for approximately 90% of Clover's revenue ($70 million in FY 2019). Clover believes it services almost 95%* of the Australian and New Zealand IF powder market and 50%* of the global IF powder market.

Clover experienced momentum in these markets from 2018 onwards, as manufacturers began to move away from wet forms of DHA to Clover's dry product. They were influenced by the announcement of regulatory changes to be implemented in 2020 in the European Union (EU). These recognised the growing research and science supporting the importance of DHA and omega 3s and effectively doubled the amount of DHA required in IF powders from 10mg to 20mg/100kcal.

China also recently legislated a minimum requirement of DHA which will be fully implemented in 2023. China had been one of Clover's largest customers as a result of a growing Chinese preference for, and trust in, IF powder brands, serviced through Australian and New Zealand exports via the Daigou channel or directly through the Cross Border Electronic Commerce (CBEC) channel.

Although only accounting for about 10% of its business at present, Clover has witnessed a growing trend towards the fortification of food and drinks in the sports and nutraceuticals market, particularly in the US. As a result, it has started to diversify its business and add its powders to protein bars, protein powders and gummy bear tablets.

The present

When COVID-19 first struck, Clover experienced an exponential increase in demand, possibly the result of “pantry-stocking” by both manufacturers bolstering their inventories and retail consumers. However, the inability to travel, coupled with restricted container availability and other COVID supply chain issues, meant it faced greater challenges in the second half of 2020. The inability to travel affected Clover’s ability to capitalise on new European demand and reduced the Chinese travel (grey market) and Daigou channels which, in turn, reduced the demand from China.

Travel restrictions have also halted new product development and involvement in trade shows, particularly in the US. However, despite all of this, Clover has continued to maintain and grow its customer base.

The future

Clover’s outlook is heavily dependent on the rate of global recovery. Travel opening up would allow Clover to participate in international trade shows and conferences which were integral to its earlier success in new markets.

International travel would also enable Clover to capitalise on new European demand as it will allow physical quality and safety audits of Clover’s facilities to take place. Travel would also reignite demand from China both through the grey market and Daigou markets. And, this increased access is likely to come ahead of China’s regulatory change in minimum DHA requirements in 2023.

That said, it is vital that Clover remains creative and continues to focus on the innovation of new products and patented technology in order to stay competitive against global multinationals.

The company is set to release several new products at the end of 2021. Its product development for the nutrition market includes DHA fortified flavoured milk for the US market.

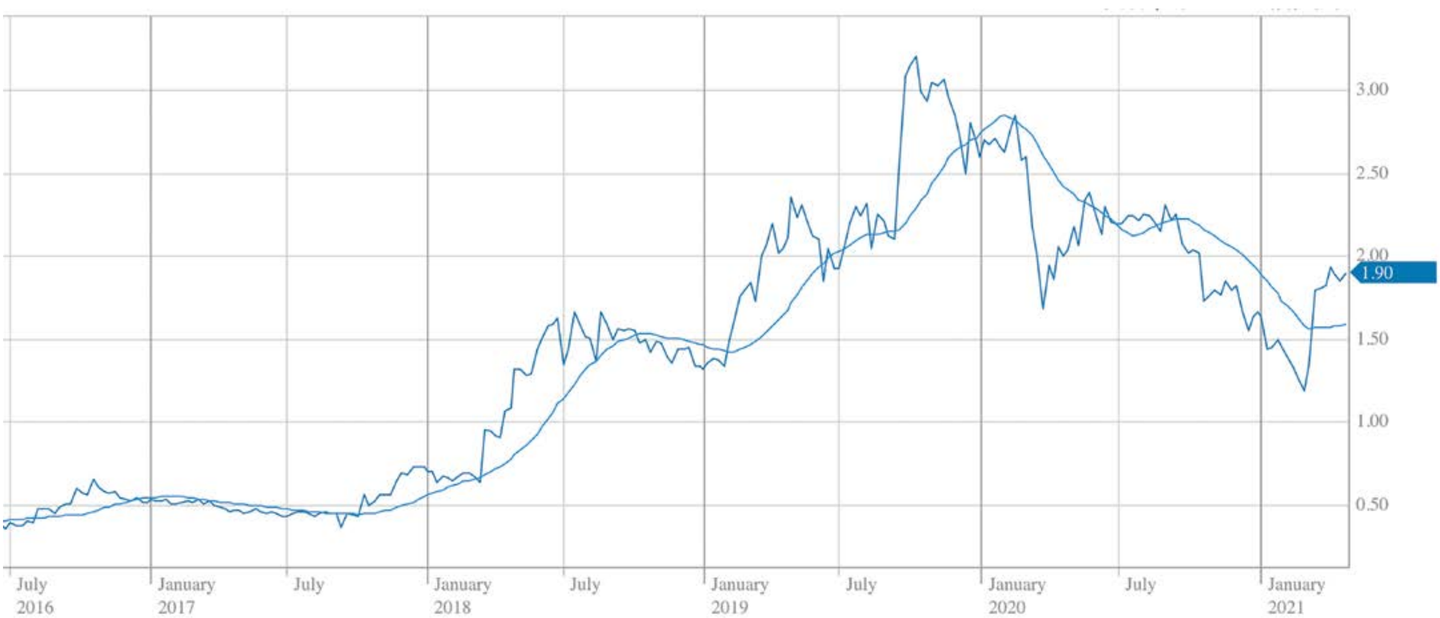
In addition to its plans to keep diversifying into new markets, other key drivers of future expansion could include growing research and the scientific substantiation of the health benefits provided by DHA and Omega Polysaturated Fatty Acids.

Clover also plans to take advantage of its investment in New Zealand’s Melody Dairies which increased its spray drying capacity and ability to service increased demand.

Although the above list is not exhaustive, in constructing my own investment thesis, I do believe that provided international travel and a global recovery occurs, and if Clover continues be innovative in its products, markets and technology, the company will return to the successful upward trend it had prior to COVID-19 and could be a stock of interest for ASA members. E

**Figures estimated by Clover Corporation.*

Olivia Brennan is a financial analyst intern who joined the ASA at the end of March. Liv will graduate at the University of Technology at the end of this year and aspires to work as fund manager.



wInvest
– women investing in themselves

By UTS interns Camelia Saranciuc (Finance), Emily Mallos (Marketing) and Fiona Hempsall (Film)

Women over the age of 55 are the fastest growing group of homeless Australians. Data from the Australian Human Rights Commission shows that between 2011 and 2016, the number of older Australian women facing homelessness jumped by 31%. This is largely due to poor affordable housing options and the significant gap in wealth accumulation between men and women across their lifetimes.

One of the primary missions of ASA is to educate investors and reverse these statistics. With this in mind, ASA was thrilled to announce the formal launch of a new initiative – wInvest – on International Women's Day in March this year. wInvest is for women who want to invest in themselves. It is dedicated to empowering them with the tools and confidence to become financially literate.

Many females avoid speaking about their financial security, even though financial health is just as important as physical and mental health, particularly in retirement. Through an online video course and meetups, wInvest works to increase women's confidence in their financial plans and goals. The program can be studied at your own pace and is completely free to members and non-members.

The first online course series is hosted by Felicity Cooper, a multi-award winning financial planner and director of Cooper Wealth Management. She has earned a reputation as a passionate leader in the financial space and is here to guide women through basic financial concepts and help them build confidence to participate in their own financial decision-making processes.

Throughout the videos, Felicity provides valuable insights into different types of assets, risks, superannuation, liabilities and more. Due to her considerable experience in financial planning, she assists women to create wealth depending on their goals and ambitions. The program is designed to meet individual expectations and help every woman succeed. With wInvest, women can calculate their income and expenses, analyse their spending habits, and understand what stops them from reaching their savings goals.

"Anyone that tells you they know what the markets are going to do in the next [few] months isn't being completely honest with you. There are no crystal balls in the investing world," explains Felicity in one of the videos. Deciding what companies to invest in, what assets to allocate in a portfolio and whether to buy a property or not can be overwhelming. wInvest aims to clarify these processes.

Why do women need wInvest?

A discussion with Felicity Cooper

The ASA team was delighted to have a friendly discussion with Felicity Cooper. She spoke about her experience in the investment world and shared some thoughts and pieces of advice that she considers useful for women starting on this path.

Felicity completed an accountancy degree, but never pursued accounting. That's because her lecturer told her she "talks too much" to be an accountant. She was advised to give the financial markets a shot because she was good with numbers. She landed a job at JBWere. Felicity recalls the male-dominated broking industry in the 1990s – she was one of less than five female brokers in Australia, and the youngest of them. From the outset, she liked that financial planning and investing were forward-looking; unlike accounting, which studies the past.

"Finance in Australia is like a game made for men. Women aren't often taught financial literacy," says Felicity. She believes women are often financially disadvantaged because they have children and generally lower superannuation balances than their male counterparts. She adds that "women are not included in conversations regarding money in the same way men are".

"In terms of non-mathematical risk, women are typically more risk averse and unless they get advice along the way, they're less likely to make investments," says Felicity. Men are historically the bigger earners in the family unit, but women are still more preoccupied and focused on the family.

Felicity reveals that the biggest thing stopping women from investing is not asking questions for fear of sounding silly. Instead, it could just be a bad decision they have made in the past holding them back. If this is the case, Felicity suggests going slowly and taking baby steps, as this is the first stage in a long and challenging process. "You will find your own path," she says. And, of, course, don't be afraid to ask questions.

Felicity advises looking at things you can control versus things that are out of your control. For instance, one cannot control the market, nor global pandemics. But we can control our own behaviour and implement strategies. Her advice is to control strategy first and then focus on asset allocation. "Overall, diversification is more important than individual asset allocation," she says. People get too hung up on choosing the right singular investment, she adds. Instead, she recommends focusing on the bigger picture.

Felicity agrees that wInvest is a great starting point. After all, financial health and security is a never-ending journey. It's important to keep learning, to find something that interests you, experience it, find out what works and doesn't work for you. "I have been doing this for 25 years and I am still learning something," she says.

Camelia Saranciuc

Fiona Hempsall

When it comes to gender inequality, Felicity says: “It is unarguable that having more females in a team leads to more conversations and views being brought to that group. But studies show that high performing boards don’t succeed the best because they have the 50/50 gender representation.” They compete the best when there is a high amount of diversification and Felicity says this doesn’t include only the gender balance.

“Looking at women on boards, they don’t put their hands up as much as men do; women often count themselves off for various management positions,” adds Felicity. She believes the best person should always get the job and women should not be discouraged by this.

In better news, women are more educated now than ever before. Fifty years ago, it would be unheard of for a woman from a lower socio-economic background to attend university. Change often takes generations, but Felicity says: “Education and confidence go hand in hand when looking at behavioural finance.” This is the primary reason why women should aim for a good educational background – to help them understand their financial needs and the importance of independence.

“Empirical peer-reviewed evidence shows women are better investors than men – they just don’t do it as much,” says Felicity. If that isn’t the best motivation to start your investing journey, we don’t know what is.

Thoughtful lessons from Felicity Cooper:

- Don’t discount asking for help and getting advice.
- Sometimes as women we make a rod for our own back, feeling we have to do everything ourselves. But this is about the choices. We can decide on what we want in life.
- If you don’t like something, change it.
- Don’t worry so much about what others think of you. Especially in running your business, you are not looking to serve everyone – just your people, the ones that appreciate you and your style. Otherwise, it will just cause you and others heartache.

ASA sincerely appreciates Felicity’s help and time for the wInvest campaign. We truly believe that the efforts put in this project are justified and that more women will get the chance to go beyond their limits and discover their full financial potential. Seeing leaders like Felicity makes females more motivated to always push themselves to be better and aim for constant development.

How do young females perceive wInvest?

ASA would love to express its gratitude towards Emily Mallos, a marketing intern, and Fiona Hempsall, a film intern, and Intern of The Year for helping us develop the brand.

Why wInvest went with blue

Emily Mallos, an ASA marketing intern, explains why wInvest went with blue instead of the traditional pink for women: “We decided not to go with a pink branding colour as many female brands do because the wInvest brand was ultimately set out to challenge the typicality of women in society. Financial decision-making and the handling of finances in households are mostly left to men, and we wanted to change that conventional idea. While a pink hue is still definitely a powerful symbol for women, wInvest is operating within a male-dominated finance industry and we didn’t want to come across as just being there for women. We don’t want to create a divide within the industry. Rather, we want to create an opportunity for women to become more involved and recognised in the industry. The mint-like blue colour we chose for the branding is fresh and bright, which we thought aligned perfectly with the experience of more women involved in finance.”

Emily says: “This project is meaningful to me and other young women because it is essentially the first steppingstone on the journey of financial literacy. It has provided me with so much more clarity about the financial concepts I had heard of, but never properly understood what they meant or in what financial context they belonged. Even just by working on the brand and engaging with its content, I’ve already had way more conversations about money with my girlfriends than I would have before.

“We are all capable of doing and achieving amazing things, so it’s only a matter of giving us that blank canvas. That opens the playing field to do what we want and what we're good at. Although there have been tons of progress made for women’s rights, I think a lot of women still have been conditioned to stay low profile and we need to break free from that. It's beyond what society says women can and cannot do anymore. It’s now about rising above our own ingrained limitations.”

Commenting on wInvest, Fiona says: “Felicity teaches viewers how to understand their finances and consider their future life, retirement and investments. The series is easily accessible, with just 16 videos that are less than 10 minutes each. The program is a starting place from which there are multiple resources and places to go.”

Fiona sees this project as a resource for women to gain a basic understanding of their finances, retirement, savings, and future: “It broadens our understanding of our investment and financial planning capabilities, and ultimately inspires us to consider and utilise our finances going forward.”

It’s not too late to gain control of your financial future. Visit australianshareholders.com.au/wInvest and join the wInvest Facebook group to be a part of the movement. And please share this with your female friends and family.

Will you have enough to retire on?

By **Maydaywenz Tun**, ASA Marketing Intern

In Australia, there is a large gap between how much superannuation people have and how much they actually need to live comfortably in retirement.

Recent research suggests that to have a comfortable lifestyle, you need $42,000 a year as a single and $62,000 for couples. However, most Australians – and particularly women – don't meet these criteria.

Males currently aged 30 face a superannuation gap of about $36,000 for when they retire, provided they continue to contribute to super. The picture for older Australian men is not as rosy with those 60 and over facing a gap of around $250,000.

As you can see, the gap becomes increasingly larger as men age because it is the earlier years of saving that produce the biggest gains, thanks to the benefits of compounding.

Women have an even greater gap than men between the ages of 30 to 60. The retirement savings gaps is around $40,000 for 30-year-olds and $275,000 for older women.

The age where Australians have the largest gap in super balances is in their late 50s and 60s. This is because they did not receive super contributions during the first years of their working lives. The current superannuation system was only introduced in 1991.

Women in their late 50s and 60s are also the Australians most vulnerable to homelessness due to not having enough retirement savings or income to buy or rent a house or unit.

Being out of work or taking time out of the workforce to travel, study or start a family are some of the factors that can inhibit Australians from closing the superannuation gap.

Females are more likely to be affected by these circumstances. Many opt for parenthood during the ages of 30 to 40, just as their careers are peaking or starting to peak. They may decide to take time off work with unpaid maternity leave, losing out on employers' super contributions and increasing their retirement savings gap.

Figure 1 indicates the estimated super balance males and females should have now and is dependent on their age and the time left to accumulate more savings.

Here, historical earning rates on savings have been used to calculate the eventual balance on your super when you retire (at 65). Returns may be different going forward.

So, what about you?

In addition to accumulating super, you may have other sources of income in retirement. Also remember that your lifestyle in retirement will be affected by a range of expenses. These could include paying off your mortgage, travelling overseas and, of course, increased medical bills.

When planning for your retirement, a key decision is "do you want the money now or in the future?"

Figure 1

How Much Super Should You Have?

Gender	Age	Average Balance	Balance Required Today for Comfortable Retirement	Gap
Male	30	$25,520	$61,000	-$35,480
	40	$56,792	$154,00	-$97,208
	50	$111,115	$271,000	-$159,885
	60	$180,944	$430,000	-$249,056
Female	30	$21,765	$61,000	-$39,235
	40	$46,075	$154,000	-$107,925
	50	$87,634	$271,000	-$183,366
	60	$154,896	$430,000	-$275,104

How much superannuation you should have based on your age. Source: Canstar

Making financial sacrifices by putting money away into your super fund now will boost the chances of you having enough to live a comfortable retirement. Starting to save more as early as possible will also help.

However, this is challenging for the many Australians tied down to other large financial obligations, such as raising children or paying off a mortgage.

Indeed, for most Australians, saving to buy a home is usually their first priority, not saving for retirement.

So, before you make any financial or life decisions, remember to consider how it will affect your super balance. Remember, too, that unexpected events can also affect your super savings.

According to new research by Industry Super Australia, based on Australian Taxation Office data, more than 225,000 workers in New South Wales withdrew their retirement savings early to stay financially afloat during the COVID-19 pandemic. This early withdrawal is likely to negatively affect their super balances in retirement.

wInvest's first online course in the series addresses this issue. You can find at www.australianshareholders.com.au/wInvest. It is relevant for females of all ages.

Please share this article with your partner, children, your grandchildren, and any females that would benefit from starting their journey to gaining financial independence.

Maydaywenz Tun, is a first-year business student at the University of Technology Sydney who completed her marketing internship with ASA.

Research update: ESG issues impacting your investments

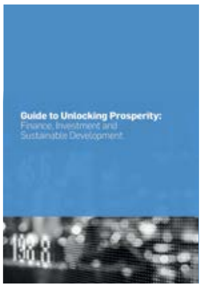
By Team Altiorem

Each month, Altiorem shares with ASA members its newest and most popular research pieces, keeping you up-to-date and hopefully, sparking your interest in some of the pressing ESG issues that are impacting your investments. Its research summaries make it simple for shareholders to understand key concepts (without being an expert) which helps them to make informed decisions and smarter investment choices.

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

Altiorem provides ASA members **free access** to the sustainability research that investment professionals use.

Trending research



Guide to unlocking prosperity: Finance, investment and sustainable development by United Nations Global Compact

Companies and institutional investors can contribute to the sustainable development goals through their business activities and investment decisions. This guide lists the many actions that can be taken to achieve these goals across sectors including education, clean energy, agriculture, and health.

Circular economy: From review of theories and practices to development of implementation tools by Yuliya Kalmykova, Madumita Sadagopan and Leonardo Rosado

This report considers key areas for ESG in fixed income including the sustainability of government bond issuers, the financial relevance of ESG characteristics across different industries and how to build sustainable portfolios using fixed income.

Over 100 global financial institutions are exiting coal, with more to come by Institute for Energy Economics and Financial Analysis (IEEFA)

Over 100 globally significant financial institutions are divesting from coal projects. Major financial institutions, including commercial banks, insurance companies, pension funds, asset management companies and development finance institutions are building up the momentum against coal projects.

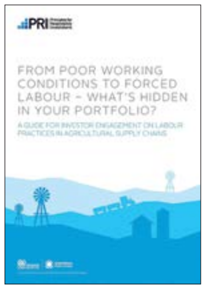
New Research

Lifting the lid on fintech: What does new technology mean for a financial system that serves people and planet? by Finance Innovation Lab

This addresses new developments in financial technology (fintech) through alternative data and explains how fintech has transformed the structure of financial services. It outlines new risks to the finance industry concerning democracy, sustainability, justice and resilience.

Financing sustainability: Asia Pacific embraces the ESG challenge by The Economist Intelligence Unit and Westpac

This explores the drivers of sustainable finance growth in Asia Pacific and the factors constraining it. The analysis was determined through parallel surveys – one of investors and one of issuers. The research found that the biggest constraint for sustainable finance was a lack of bankable sustainable projects.



From poor working conditions to forced labour: what's hidden in your portfolio? A guide for investor engagement on labour practices in agricultural supply chains by PRI

This guide provides a comprehensive tool for engaging food and beverage companies on labour standards. It incorporates learnings from collaborative investor-company engagement focused on supply chain reporting and third-party resources. It outlines seven expectations for investors to focus on supported by relevant resources and case studies.

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

Chair's AGM address (extracts)

By Allan Goldin, Chair, ASA

This year, we decided to modernise our constitution by making a few changes to bring it in line with practice. These changes are special resolutions which require 75% support from those voting.

None of these changes affect the day-to-day operations. Many should have been made years ago, such as eliminating the option of voting by show of hands and fully embracing the digital age (while not ignoring the wishes of many of us for hard copies).

Prior to this year's AGM, two of our directors decided to stand down: David Fletcher, who chaired our Finance and Risk committee, and Alison Buxton, who chaired the Nomination and Remuneration Committee. We will miss their positive contributions and genuine enthusiasm for ASA. But we hope you will support us in voting for our two exciting new director appointments, Lelde Smits and Michael Jackson.

As we all know, we've had a year of much sorrow, unprecedented change, and confusion. But from an ASA perspective, we ended the year on a surprisingly good note. Thanks to JobKeeper and the amazing work of our member-focused team making ASA the place to go for weekly webinars, we turned around a 2019 loss to a 2020 surplus of $8,824, while still increasing our membership for the first time in years.

We also saw unprecedented increases in the number of first-time shareholders which caused a marked change in the market. Shares solely based on the internet or on concepts that appeal to younger people reached unbelievable valuations. Many, if not all, of these shares have never shown a profit. Most are unlikely to do so for some time.

Many newcomers entered the market without understanding it and saw it simply as a gambling platform where they could make money quickly with little knowledge. Some will retreat with their quick gains or losses. Others became interested and want to participate but understand they must learn more. For ASA, this is a great opportunity to increase our membership. We will launch yinvest, a service aimed at these newcomers. We have also introduced student and family memberships and offers enabling existing members to include family members to our conference at attractive prices.

While we have substantially increased our presence on social media sites to appeal to new market opportunities, there is also much that us, older investors, can learn. Many of us have seen this latest run of shares with high PEs move in the same direction as the tech boom and believe it will all crash back to earth with a resounding thud. But will it? Yes, some of these high-flyers have fallen and will continue to fall. Many will eventually disappear, but others, after some backtracking, will continue to rise.

We long-term investors must realise that there are some fundamental changes in the market, which means we have to re-examine how we value shares. The huge financial support from governments worldwide has created an unprecedented amount of liquidity. This, combined with never-before-seen low interest rates, means that companies which really should have gone under haven't. We must stay alert and recognise the folly of investing in companies which are only an interest rate increase away from going under.

At the same time, we must learn new methods of assessing investment opportunities. As I write, Xero is trading at $143.70, an unheard of PE of 360. Is this ridiculous? Probably, but I thought so when I decided not to buy it when it was at a PE of 90. I looked at it through my old eyes and thought the price was ridiculous. The company wasn't making any money. I should have paid more attention to fact that my accountant and many others were converting to Xero and encouraging their clients to do so. Obviously, this sort of take up was going to increase as Xero moved to other markets. Immediate profits were going to be sacrificed for growth. Would I personally buy Xero today? Probably not, but I should have two years ago.

Similarly, less than two years ago, my mates said Kogan at $2.60 was a good buy. I looked at it with my standard valuations and although I had bought products from it, I said no. I didn't think outside my old valuation parameters, didn't look at the whole company, where it was going and the obvious change in consumer buying patterns. Rather, I got held up simply looking at ratios.

ASA has to continually expand our investor education to teach old dogs new tricks, while at the same time, continuing our fights to ensure retail investors are treated fairly.

We thought some months ago that we had won the twin battles to end the temporary, totally unsatisfying virtual AGMS which left boards free to respond as they wished with no questioning. There was going to be a return to real AGMs on September 15 and more importantly, serious trials of the best of all AGM formats, hybrid. We also thought we had slowed down the rush to corporate information being only available digitally, by ensuring shareholders still had the right to demand they received company communications in hard copy.

However, the legislation got derailed as the Government tacked on to the same papers a lessening of directors' liability and in cases of non-disclosure, the so called "Dumb Director" defence. Not wanting a battle that could erupt over that change, the Government delayed the legislation. So, we still have a fight to ensure that retail shareholders' rights are protected.

This AGM is the last one John Cowling will attend as CEO. Don't worry. John will still be around until the end of the year and knowing him, I am sure we will be fortunate enough to keep witnessing his drive and enjoying his wisdom in another format. But at this meeting, I look forward to introducing you to our CEO designate, Rachel Waterhouse. E

AUSTRALIAN SHAREHOLDERS' ASSOCIATION

2021 Annual General Meeting

24 June 2021 at 11.15am AEST

Meeting date and location

The Australian Shareholders' Association (ASA) will hold a hybrid (virtual and physical) Annual General Meeting (AGM).

The physical meeting will be at **Level 1, 280 Pitt Street, Sydney, NSW 2000** at the Sydney Mechanics' School of Arts. ASA is a longstanding champion of the AGM as the forum where boards engage with shareholders. We thank Lumi for supporting the ASA by providing us with the facilities to conduct a hybrid AGM.

Participating in the AGM online

When participating online, you will be able to view the meeting procedures, ask questions of the Board and vote. Only financial members will be eligible to vote.

With Lumi's assistance, ASA will also be opening proxy lodgement for financial members prior to the meeting. This will mean that members can record their votes via the Lumi website prior to the meeting instead of sending a proxy form.

If a member attends the meeting online, their votes will still be considered valid and will only be superseded if the member explicitly appoints a proxy and votes through that proxy. Members can change their electronically lodged votes until the resolution closes during the meeting and any change will be recorded and amended in Lumi's database.

Access meeting documents online

Temporary changes made by the Government in response to the COVID-19 pandemic allow companies to provide notices of meeting and other information regarding a meeting online.

The 2021 Notice of meeting is available to read and download online at Annual general meeting | Australian Shareholders' Association.

A hard copy of this notice and proxy forms will be sent to members who have requested that such notices be sent to them by post. To receive a hard copy of the notice of meeting please contact the Company Secretary at secretary@asa.asn.au or call 02 9252 4244 Monday to Friday from 9:00am to 5:00pm (AEST). An answering service is also provided.

Lodge your proxy form prior to the meeting

You can lodge your proxy form prior to the meeting as follows:

- Download and complete the 2021 proxy form and mail it to:
  Company Secretary
  Australian Shareholders' Association
  PO Box A398
  Sydney South NSW 1235
- Scan and sign a copy of the proxy form and email to secretary@asa.asn.au

Your proxy instructions must be received by 11.15am AEST on 22 June 2021.

- Alternatively, you can log on to Lumi's website when voting opens on 23 June 2021. Please see detailed instructions below.

Questions

Prior to the AGM

Should a member or proxy holder have a question or comment for the Directors concerning the Association or questions for the Directors or the Auditor, concerning the financial or other reports, **it is requested that the question or comment be sent to the Company Secretary, by email to** share@asa.asn.au or post to PO Box A398, Sydney South NSW 1235, by no later than 5.00pm AEST **22 June 2021** in order to aid the efficiency of the meeting.

You can also lodge a question prior to the AGM by:

- Calling the National Office on 02 9252 4244
- Including your question with your printed proxy form.

During the AGM

While the meeting is in progress, you may ask a question. Log on to the Lumi website for further instructions. Please see detailed instructions below.

Need Help?

If you experience difficulty logging in to the AGM using the Lumi AGM online platform, please refer to the user guide on our website at Annual general meeting | Australian Shareholders' Association or call the National Office.

By Order of the board

Michael Jackson
Company Secretary
7 May 2021

Steps for participation in hybrid/virtual AGM

Members physically attending the AGM will have the choice of using their own smart phone or device to register their votes at the meeting. Alternatively, they may vote using cards that will be provided at or before the meeting.

ASA members participating in the meeting online will need to have a smart phone or tablet or computer that is sound-enabled, has built in speakers, or is connected to speakers or headphones. On this device, attendees can access Lumi AGM using any web browser. To vote using this method, you will need to go to https://web.lumiagm.com by typing this address in your browser.

Registration of members will commence from 9:30 am AEST (9:00 am ACST and 7:30 am AWST). You will be asked to enter a Meeting ID to register. The Meeting ID will be forwarded to all members closer to the AGM.

Letters to the Editor

In the February/March issue of *Equity*, you bravely published a watchlist of shares that you believe could grow by 15% per annum over five years.

Well done!

Before I go further, I hold four of the shares in your watchlist and have held them for some time.

I would like to give you a different list which I have developed over the many years I have been investing in the share market. Instead of listing individual shares, I have developed a list of categories in which I will NOT invest. Here they are:

1. Insurance companies.
2. Any companies that grow things, ranging from vegetables to animals, birds, etc. However, this does not include companies that own the land that others use to grow things on. I do invest in them.
3. Airlines.
4. Travel.

You will notice that one of your watchlist companies falls into one of my "do not invest" categories. This leaves me plenty of other categories in which to invest.

One other rule I have established.

If I am attracted by a category in which I am relatively ignorant, but I can see the potential of the category, I will invest in it via either a managed fund or an ETF. Some examples of these categories are:

1. Technology.
2. International companies.
3. Medical.

I hope this letter, together with your list, will provoke some comment from readers of *Equity*. I am sure there is a huge pool of experience in the ASA into which we can tap and I look forward to seeing what others think.

At the very least, it could lead to some interesting opinions.

Regards,

Oliver RAYMOND,

oliverraymond@wideband.net.au

Victoria.

I have always been a small investor. As women have generally earnt less than men, women have to be more creative and cautious. Let me tell you my tale of my love affair with the ASX.

I started work at 18 and this is when I fell under the spell of the ASX. It was the early 1980s and I worked in Pitt Street, Sydney, and at lunch time I would walk around to what was then the Australian Stock Exchange in Bond Street and watch the chalkies record the most up-to-date price of the shares.

My father's family friend was a stockbroker, nicknamed "PK". I would ring "PK" and buy the minim marketable parcel of shares. In the early 1980s when you brought shares, the company posted you your share script and, of course, when you sold the shares you would have to find the share script and take it around to the stock broker (there was no CHESS) to complete the sale. There was an ASX shop where you could buy information sheets about a stock you might be interested in. I think the information sheet cost 20 cents. There was no internet.

I first got hooked when I bought CBC, a bank share. The company was taken over by National Australian Bank (NAB) and the pay-out was one NAB share for every CBC share and $4 cash. I was so pleased with myself.

When my friends were borrowing money to buy their first car, I borrowed $3,000 (about the price of a small car) to buy blue chip shares. It was a three-year personal loan, which I paid off in 18 months. People don't realise that you can negatively gear shares if the shares pay a dividend.

I was a typical young female. I spent too much money on clothes and frippery and I never saved money. The only thing that cured my spending was buying shares. I put my shares at the back of my mind. I did dividend reinvestment, rights issues and share purchase plans. Three years later, I wanted to buy a car and I thought I did not have enough money. I did the sums with my share portfolio and realised I was able to sell some shares and buy a brand new Mitsubishi Colt (red, of course) and I had shares left over. I continued to buy shares. The shares were used as a deposit on my first property.

Good luck with investing on the ASX. You are smarter than you think.

Jane Marks B Ec, Adv Mkt Cert

We encourage members write to the editor to raise concerns, share experiences, knowledge, or advance investing theories. As such, and with such a broad church as ASA, we take no responsibility for the opinions expressed but we do encourage debate to inform members on the issues of the day and the future.

Apologies for Juukan Gorge Caves

The destruction of the Juukan Gorge caves dominated the meeting, masking a year of exceptional performance and the prospects for 2021 being even better with improving commodity prices.

The meeting commenced with a welcome to country from Carol Innes of the Whadjuck people of the Noongar nation, where the meeting was held. The chair then showed two videos to emphasise the company's commitment to improving its environmental and social performance. Some 54m tonnes of ore has been sacrificed to protect other sites of cultural significance to the PKKP people and former CEO Jean-Sébastien Jacques, head of iron ore Chris Sainsbury and another senior executive have resigned by "mutual consent".

We asked if these sacrifices (the value of the ore being more than US$5 billion) were an over-reaction. The chair refuted this strongly, noting the existence of 30 billion tonnes of iron resources in the Pilbara.

Question time raised several issues. Should Rio's HQ be based in Australia with mostly Australian directors? Should these include people with mine management/engineering experience?

With less than 25% of the issued shares listed on the ASX, there were five Australian directors and a New Zealander on the board of nine at the meeting. After Michael L'Estrange's resignation at the end of the meeting and the chair's forecast resignation in 2022, there would be four vacancies and it was intended to increase mining expertise in the new recruits.

What were the consequences for Rio's smelters and refineries from pursuing Paris Accord reductions in emissions? Simon Thomson said there was a need for government and industry to cooperate to invest in new technologies of which hydrogen-based energy was the most promising. Steel production would need to move to locations where green energy was available. Northwest of Australia was well positioned climatically for that.

Institutional investors combined to vote 60.84% against the remuneration report, with a similar vote against the UK remuneration implementation report. In response to our concern that the remuneration policy needed further amendment, the chair emphasised the far-reaching consequences of changes made to the malus and claw-back rules for 2021.

RIO TINTO AGM

1 year chart

MONITORS: John Campbell (Perth) on behalf of Duncan Seddon (Melbourne)

Date	6 May 2021
Venue	Hybrid meeting held at Perth Convention & Exhibition Centre
Attendees	75 in person and 245 online (41 and 31 share/proxy holders respectively)
ASA proxies	0.7m shares from 534 shareholders
Value of proxies	$76m
Proxies voted	Yes, on a poll
Market cap	$191 billion (incl UK)
Pre-AGM meeting	Yes, with chair Greg Martin and others

Foregone conclusion on remuneration

The chair noted that Scentre's board commitments (23 meetings) and key focus during COVID were to support tenants, particularly small businesses. No government support was received, and additional funding was secured without diluting equity.

Remuneration was then discussed at length with the chair identifying that proxies already received would result in a substantial vote against the remuneration report. The company was disappointed given fixed remuneration reduced by 20% for three months, there was no increase for the CEO since 2014 nor the long-term at-risk remuneration (LTAR) lapse for three years.

Scentre believes its actions, particularly one-off retention awards, are in the best interests of security holders to retain key staff. In its opinion, these awards are not intended to replace lapsed LTAR.

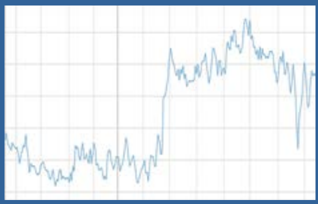
FY21 LTAR hurdles have reduced return on capital employed (ROCE) weighting and introduced relative total shareholder return (TSR) and KPI hurdles. The board will continue to review remuneration on an ongoing basis. The board is also in the process of increasing its female representation.

Questions from the ASA were read out in full. The chair believed these had been answered in the presentations but proceeded to elaborate on each. Key points:

- Rental agreement changes: structure of rental agreements remain intact. Fixed rentals instead of % sales.
- Credit charge, changes to provision and write offs: no changes and first three months results have given comfort.
- TSR negative 26% while CEO remuneration at top tier level. All LTAR lapsed so CEO had three years' worth over $1 million at the beginning of year reduce to nil. Management has taken pain in the value of the shares held while working extraordinarily hard, so it's unfair to say there has been only pain for shareholders.
- ROCE now added TSR hurdle when share price historic low. The board considers responding to shareholders requests in past to move towards TSR measure.

The voting resulted in a significant vote (and first strike) against the remuneration report with 51.03% against, high proportions for all directors standing and 27% against the grants to the MD and CEO.

SCENTRE GROUP AGM



1 year chart

MONITOR: Sue Howes

Date	8 April 2021
Venue	Online
Attendees	NA
ASA proxies	1.9m shares from 196 shareholders
Value of proxies	$5.5m
Proxies voted	Yes, on a poll
Market cap	$15 billion
Pre-AGM meeting	Yes, with chair Brian Schwartz, NED Andrew Harmos, CFO and Co Sec

ILUKA RESOURCES AGM

1 year chart

MONITORS: Geoff Read with Jordan Purser

Date	29 April 2021
Venue	Virtual AGM
Attendees	NA
ASA proxies	0.4m shares from 91 shareholders
Value of proxies	$2.8m
Proxies voted	Yes, on a poll
Market cap	$3.3 billion
Pre-AGM meeting	Yes, with chair Greg Martin and others

A smooth finish to a turbulent year

In light of Perth's three-day snap lockdown, it was the board who had the last laugh with regards to the fully online format of this year's AGM, much to the chagrin of company monitors. Nevertheless, apart from some minor muting occurring when switching between speakers, this year's online event went off without a hitch.

The format and technology were much improved over last year with video links of the directors and live voting enabled. Questions were sparse with the ASA responsible for the two sole questions of the meeting, and all was over within around an hour.

The chair and MD addresses touched on corporate milestones for the year gone by – risk management in the face of Covid, improved diversity both on site and in the C-suite, project pipeline development and the spin-off of Deterra Royalties, among others.

When questioned by the ASA on the future of the struggling Sierra Leone operations, both the chair and MD were frank about their disappointment. While no commitment has been made to divest from the troubled operations, MD Tom O'Leary was quick to assure investors that any further investment in the region's attractive Sembehun development is contingent on current operations demonstrating improvement and consistency – a welcome development given the siren song-like nature of the company's foray to date.

The ASA's further questioning surrounding dividend policy was strongly rebutted by the chair citing balance sheet conservatism, cyclical capital expenditure and the nature of the mineral sands business as rationale for keeping the pay-out policy as is.

All meeting resolutions passed comfortably with the election of director Andrea Sutton and re-election of director Rob Cole receiving in excess of 99% votes. The remuneration report was accepted with a vote of 98.98%, marking two years since 2019's first strike. The grant of securities to the MD was also approved with a vote of 98.81%.

The meeting concluded with a playful engagement of the ASA by chair Greg Martin who almost but didn't quite promise a return to in-person AGMs in the near-future. We can only hope…

The 2021 AGM chair's and MD's Address and voting results are available on Iluka's website.

SANTOS AGM

1 year chart

MONITORS: Bob Ritchie with Malcolm Holden and James Hahn

Date	15 April 2021
Venue	Online
Attendees	305
ASA proxies	2.5m shares from 250 shareholders (equiv. to 18th largest shareholder in Top 20 list)
Value of proxies	$17m
Proxies voted	Yes, on a poll
Market cap	$14 billion
Pre-AGM meeting	Yes, with chair Keith Spence

Financial results affected by steep fall in prices

Santos is Australia's second-largest independent oil and gas producer.

In its reports, chair Kevin Spence and MD Kevin Gallagher paid more attention than usual to future prospects, particularly to the possibility of venturing into carbon capture and sequestration in the event that federal parliament passes anticipated legislation which could make carbon capture and sequestration commercially feasible. If this were to occur, they seemed to think it could be a significant development in carbon neutrality and profitability for Santos, including the possibility of hydrogen production for fuel.

The chair announced that some questions received ahead of the meeting asked about impairments and capital expenditure. He said some had been addressed in reports and others would be answered after dealing with other matters on the agenda.

Each of directors up for re-election, Kevin Spence and Vanessa Guthrie, spoke to their candidacy. Guthrie emphasised interest in the possibility of Santos venturing into carbon capture and sequestration. It was declared there were no questions addressing re-elections, although a question about Guthrie's workload was later addressed after other business items. Spence spoke to her capability and commitment and said she had recently terminated one of her other board commitments.

Adoption of the remuneration report and SARS award (share acquisition rights) for the MD were the next agenda items. Again, it was declared there was no question for either item, although one question addressed later considered the relative benefit to the MD's incentive payment compared with the more modest benefit shareholders had received in terms of TSR (total shareholder return) over the LTI period.

Among those asked prior to the meeting, ASA's comment and questions were addressed first. Noting the decline from 14 through 13 to 10-years as a measure of reserves in terms of life at production rates, we asked about the effect of the acquisition of Barossa which had occurred after close of books: four additional years.

Questions were generally well prepared and ranged over many issues. Some were technical, particularly dealing with climate change matters as well as political and land rights and ground water matters from the NT to Narrabri.

ASA asked a second question during the meeting, noting an incentive payment to a previous MD for delivering GLNG on time and on budget, which we regarded as the then board taking a "project manager" perspective rather than a business perspective like delivering a commissioned plant making a suitable return on investment. The chair acknowledged our concern, assuring that would not be repeated.

The meeting was completed after an hour and 40 minutes.

TNE keeps growing, but a first strike results in a frustrated board

Co-Founder and company chair, Adrian Di Marco opened the meeting followed by CEO Edward Chung presenting FY20 results and achievements, an outlook for next year, and a long-term outlook. Chung explained the expectation of continuous growth in FY2021. The pipeline for growth was said to be looking strong, which will provide TNE with higher subscription-based revenue. However, it was noted that there was a $14m reduction in the Profit and Loss statement because of this transition to a subscription-based revenue stream. Chung explained that TNE is expected to double in size in the next five years as previously achieved.

We queried the lack of diversity on the board. Of course, ASA agrees with selecting the best director, but we find it surprising that they could not find a suitable female with the strong accounting and audit skills that director up for election, Mr Ball, brings to the Board.

Both directors up for (re-)election received over 98% votes in favour.

ASA had planned to question TNE's use of Board discretion in the remuneration report, however, Di Marco's presentation covered the matter comprehensively.

The adoption of the remuneration report received significant against votes from directed proxies and following the meeting, TNE's first strike was recorded with a 38% against vote. Di Marco strongly criticised the reasoning behind these proxy votes. He put the case that the Board used discretion appropriately as goals for FY20 were set prior to the knowledge of a global pandemic. Under-target results produced by executives were blamed on the company-wide movement to a virtual workplace. The Board believes that this transition hindered results and placed resistance on customers' willingness to sign contracts with TNE due to uncertain times. Di Marco claims that proxy advisors did not consider any of this reasoning and voted against purely because of policy. He said that this strike has been an unnecessary distraction for the Board.

TNE has an STI and LTI incentive program, they designed, which is supposed to support excellent results by focusing on challenging goals. TNE has a long history of delivering high shareholder returns and did so again in FY20 with total TSR up 11%.

It also doesn't have a history of excessive remuneration or using Board discretion, and we felt TNE had adequately explained their reasoning for why it had used discretion this one time.

ASA supported the adoption of the remuneration report while noting we expect the Board to engage with shareholders including those who voted against it, to avoid a possible second strike.

TECHNOLOGY ONE AGM

1 year chart

MONITORS: Steven Mabb assisted by ASA intern, Sophie Plumridge

Date	23 February 2021
Venue	Brisbane Convention & Exhibition Centre
Attendees	78
ASA proxies	0.7m shares from 67 shareholders
Value of proxies	$5.7m
Proxies voted	Yes, on a poll
Market cap	$2.7 billion
Pre-AGM meeting	Yes with chairman Keith Spence

Woodside holds Perth's first "real" AGM in more than 12 months

It was refreshing to attend a real AGM once again. Unfortunately, the overseas directors were unable to attend in person and shareholder attendance was somewhat reduced from prior years.

After 10 years as CEO, Peter Coleman will step down in June 2021. An interim successor has been chosen while we await a final appointment. Coleman's biggest achievements have not been in projects commenced or completed, but more importantly, in improving the culture and overall diversity at Woodside. He has also started the company on a journey which will explore hydrogen as a greener fuel and pay closer attention to climate change and emissions.

He will be remembered as the CEO who stopped the Browse gas field development at James Price Point, saying the costs far outweighed the future benefits.

On projects, the meeting heard that the Sangomar project in Senegal is on target, a final investment decision for the Scarborough and Pluto development is expected in the second half of 2021, and Woodside has ceased all work in, and pulled contractors and foreign staff out of, Myanmar. Seven local staff remain and this project will not be reconsidered until democracy returns to Myanmar.

The chair was polite and patient with many green affiliated questions from the floor. He was very flexible in his approach to allowing "off-topic" questions, much to the annoyance of one ASA member who politely told him to "take control and get on with it".

After the meeting, he railed against these speakers dominating the meeting to the exclusion of more substantial and longer-term shareholders.

Dr Christopher Haynes who was standing for re-election received a vote against his appointment of 11%. Blackrock, a substantial shareholder with 6.1%, voted against the longest serving director up for re-election given its concerns about the comprehensiveness of the company's current climate risk disclosure. Had the director who chairs the Sustainability Committee been up for re-election, the against vote would have been directed against her re-election too.

There were no questions on the remuneration report this year. It was adopted with only 4% voting against (20% voted against in 2020). Other board-supported resolutions were overwhelmingly adopted.

The two resolutions proposed by an activist climate change group received a vote of only 5% in favour when it required a vote of 75% to be adopted as a special resolution.

Presentations to the meeting and voting results can be found on the Woodside website, www.woodside.com.au.

WOODSIDE PETROLEUM LIMITED AGM

1 year chart

MONITOR: Geoff Read and Tony McAuliffe

Date	15 April 2021
Venue	Perth Convention and Exhibition Centre
Attendees	112 shareholders/ proxyholders and 144 visitors
ASA proxies	1.7m shares from 607 shareholders
Value of proxies	$41m
Proxies voted	Yes, on a poll
Market cap	$22 billion
Pre-AGM meeting	Yes, with chair Richard Goyder and others