EQUITY

A magazine from ASA – The voice of retail shareholders

AGM season: how companies are surviving COVID

Vol 35 #11 – December 2021 – RRP $10

DECEMBER 2021 CONTENTS

VOL 35 #11

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From the CEO

By Rachel Waterhouse, CEO

It is typical at this time of the year to reflect on what has happened in the previous 12 months. While 2021 was a period of change for ASA, it also allowed us to establish a firm footing for the future. Fortunately, things are starting to look up for the economy and retail investors, despite the numerous challenges over the past two years, and we hope that it will prove to be rewarding for our members too.

Investments

After a long period of growth, the ASX 200 – roughly 80% of the total value of the stock market – started 2021 on 6,587 points. This proved not to be the peak. At the time of writing, it has risen a further 12% and provided dividends of another 4%. If this trend continues, some investors could double their money in just five years.

CBA, CSL, and BHP have ended another year as Australia's top three companies, as $100 billion entities. They continue to innovate and lead a movement to ensure the long-term economic and environmental sustainability of their businesses.

Our miners have also been successful, with the big three – BHP, RIO, and FMG – paying huge dividends to investors, but uncertainty around the iron ore price means that such returns may not be replicated in 2022.

The COP26 meeting in Glasgow highlighted a big emerging trend: the move to decarbonise economies and companies. At that meeting, governments committed to ambitious targets, but our Investor Conference in May showed that many companies were already planning their own steps towards carbon neutrality and not waiting for government action. Expect to hear more about this, and other environmental issues, in 2022.

The housing market is strong, with house prices rising on average by 22% this year with no sign of respite in coming months. Whatever the reason for this, if you are not a current homeowner, a place of your own is likely to be harder to find in the foreseeable future.

Who owns what?

So, what's driving these high house prices and booming stock market? As always, there's an element of supply and demand. Baby Boomers comprise 25% of the population yet own 55% of the nation's wealth. Demand from this group, together with its higher net worth, enables it to outbid the generations that follow.

These generations are increasingly aware of the wealth gap between young and old, and the perceived additional advantages their parents had: free education, free health care, and affordable prices. Baby Boomers have also traditionally been vocal and influential politically, which is still being felt in the form of attractive taxation policies on housing and retirement wealth. At the same time, younger workers face declining life prospects and are being told not to expect to retire until their 70s. Something must give.

Handing over the baton

Government policy, however, is starting to shift. For example, questions are being asked about the sense of single people living in large family homes, but still claiming the pension.

In a recent podcast, Morningstar's Graham Hand and Peter Warnes discussed the likelihood of the value of one's home being included in the pension's assets test. If this happened, more properties would be placed on the market, helping to address the housing bubble.

We can also expect the older generation to pass down considerable assets to their descendants in what could shortly be the biggest intergenerational wealth transfer in history.

The corporate world will be similarly affected. Around 40% of managers in family and small business have reached retirement age and are starting to hand responsibility over to the next generation. Baby Boomer directors are starting to retire from the boards of major companies too, in perhaps the most significant change of leadership in history. These new leaders will have their own priorities, but these changes in wealth and management will have interesting implications for investors and the economy.

The Association

At ASA, some staffing changes have occurred recently. Others are on the horizon.

Sadly, Mary Calleja has chosen to move to a new external role and will be missed. Joly Batic has taken on her responsibility for member services.

In events, Kristine Nunez will return from parental leave and Francesca Muscatello will go on parental leave in 2022.

Our emeritus CEO, John Cowling, will depart in December. I have spent the last few months trying to get as much information from him as possible. I appreciate his help and guidance since I started and know members are grateful for his contribution. As one member writes:

"... I really appreciated the work John Cowling did for us, and enjoyed very much the way he conducted webinars. He always seemed to know what questions to ask presenters, and to dig down into specifics as presenters sometimes speak in terms that I don't understand."

While John is looking forward to retirement, he's not lost to us. He will continue on as a monitor, discussion group leader, presenter at member meetings, and membership officer on the NSW State Committee.

Thank you to members for welcoming me to ASA (many lovely emails and ideas shared) and to the board, including chair Allan Goldin, for your support as I settled into the role.

Leigh Gant, who joins us as events and education manager, is very experienced and brimming with ideas on how we can deliver more benefits, education and opportunities to members.

The ASA board and I recently had a strategy day and are looking forward to announcing our plans for 2022. In the meantime, I'd like to thank our volunteers on behalf of members and the board for the good work you do to make ASA an effective voice of retail shareholders and for sharing your knowledge and experience.

To the members, thank you for your support of ASA (and for your proxies).

Wishing everyone a safe and enjoyable break over the summer holidays, a Merry Christmas and a happy and successful 2022. E

Competition in funds management

By **Ben Lodewijks,** Director, and **Stephen Burgess**, Senior Analyst, Deloitte Access Economics

Whether they realise it or not, most Australians hold investments in managed funds. Apart from those investing directly, 54% of superannuation assets (excluding SMSFs) are held in managed funds. So, ensuring the managed funds sector is as efficient and competitive as it can be is critical to maximising the retirement outcomes of all Australians.

In December 2019, the Australian Securities and Investments Commission (ASIC) engaged Deloitte Access Economics to review competition in the managed funds industry with a particular focus on the self-directed retail segment. Deloitte's research considered the structure of the Australian managed funds industry, the conduct of industry participants as well as industry performance. Our final report was released on 24 September 2021. The report found a range of market outcomes were consistent with effective competition, but there remains room for improvement in some areas.

Despite high barriers to entry new fund managers continue to emerge

The funds management industry currently consists of over 300 fund managers offering more than 3,000 individual funds. To successfully enter the market, new funds need to demonstrate an investment track record, secure third-party ratings and meet various licensing and regulatory requirements. While these barriers invariably impede competition, they are broadly accepted by the industry as a necessary protection against unscrupulous managers. Despite these barriers to entry, there is a steady stream of entries and exits by fund managers each year. Most new entrants are spin-offs of existing managers or large offshore managers who have established their reputation overseas.

How do investors choose between managed funds?

Although all investors seek the highest returns (net of fees), not all investors have the same preferences, objectives or risk appetites – factors which affect their choice of fund. In addition, the old adage that "past performance is not a predictor of future performance" suggests that historical returns alone may not be sufficient to choose between funds. Indeed, our research found that only 1% of equity fund managers were able to achieve returns in the top 20% three years in a row and none over four years. As such, investors and, indeed advisors, make decisions based on three key dimensions: the characteristics of the fund, the characteristics of the fund manager and the fund's historical performance and fees.

Deciding between funds is made more difficult because there is no single source of truth to allow investors to compare similar products (as there is for superannuation funds). This means that while advertising plays a role in establishing recognition and trust among investors, it also creates the risk of misrepresentation, despite regulations to avert this. Ratings agencies offer regular assessments of individual funds (which were found to be a reasonably good indicator of relative performance). However, subscriptions to ratings agencies are costly. As such, retail investors can be overly reliant on heuristics and proxy indicators of quality, such as branding, fund size, or fees.

Higher fee funds do not necessarily generate better returns

Australia has some of the lowest fund management fees in the world. This is partly a result of a sizeable superannuation sector that wields strong market power to bid down prices and also helps create economies of scale.

Although fees are comparatively low, there remains a degree of price dispersion between and across product types in managed funds. Price dispersion can reflect product differentiation (that is, better customer service or more active investment strategies), but it can also indicate the existence of market power if some managers can charge more for a similar type of fund than others. Our report specifically tested whether higher fee equity funds achieved better risk adjusted performance net of fees over a three, five and seven-year investment horizon. The analysis showed that higher fee equity funds did not consistently generate significantly higher or lower risk adjusted returns net of fees. This result is what we might expect in a competitive market, with any additional return "good" fund managers are able to achieve reflected in higher fees.

A range of intermediaries sit between retail investors and fund managers

Although investors have their own preferences (risk appetite, asset class, time horizon, for example), most retail investors are not highly engaged with fund manager performance, instead relying on financial advice. Self-directed retail investors make up only 5% of funds under management. Approximately 86% of managed funds inflow came through advisors, who themselves access funds through a platform. This is partly due to the impracticality of fund managers dealing directly with individual retail clients, although exchange traded funds and listed products are increasing the accessibility for retail investors.

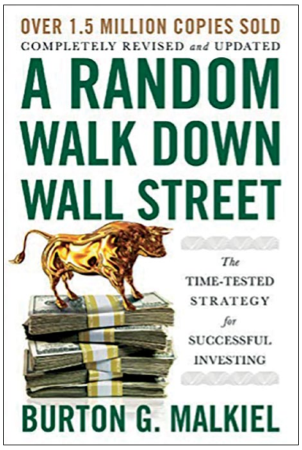
Intermediaries such as advisors, platforms and research houses can impede competition by limiting the number of fund managers that can access the end investor, but they also promote competition by protecting investors from investing in unsuitable products. This complex value chain, however, contributes additional fees and introduces issues of transparency and incentive alignment. The latter has been significantly improved by banning commissions to financial advisors. Nonetheless, intermediaries continue to play an important role in shaping competition among managed funds.

The complete report on Competition in funds management is available on the ASIC website.

Book review:

A random walk down wall street by Burton Malkiel

By Ramiz Shakil, ASA Finance Intern, supervised by John Cowling



Burton Malkiel is a professor of economics at Princeton University and his book, *A Random Walk Down Wall Street*, is a succinct and in-depth analysis of the global financial stock markets and the average investor's place in them. The book was written 45 years ago, has had 12 editions, and sold over 1.5 million copies.

Finance and investing are common subject matters to tackle by authors, but few books approach it from a holistic view by taking into account technical and fundamental analysis.

To summarise the underlying trajectory of the book in Burton's own words, "the market prices stocks so efficiently that a blindfolded chimpanzee throwing darts at the stock listings can select a portfolio that performs as well as those managed by the experts."

Burton constantly reiterates the utility of index and exchange traded funds and how in the long run, they give managed fund managers a run for their money. He also reinforces the capacity of the average investor to achieve gains which would be difficult through managed funds when accounting for fees, administration costs and taxes.

Risk management

Burton emphasises the need for a robust risk management system to minimise downside while maximising upside. He delves extensively into pricing theory and concepts such as modern portfolio theory and the capital asset pricing model (CAPM). Although distinctly mathematical, there are some key concepts which Burton summarises for investors. Among other things, he outlines that:

- Hedging is important. Minimising downside is where you can make money regardless of how a market moves as there are always winners and losers in every trade. Knowing which stocks thrive in the summers and which thrive in the winters makes it possible to minimise risk regardless of the financial climate.
- Risk begets returns. However, not all risk is born the same as not all additional risk results in higher expected returns. Investors are better rewarded when they eliminate "systematic risks" – those risks which cannot be attributed to the specific risk of individual investments and include macroeconomic factors like inflation and interest rates risk. Investors with diversified portfolios essentially put their eggs in multiple baskets.
- To minimise the systematic risk of a portfolio, it is essential to have diverse asset classes, such as equities, treasury bonds, property, and cash.

Efficient market hypothesis

The theory is that a free and efficient public stock market has intense competition. As there are thousands of institutions, funds and individual investors exchanging securities daily, it is possible that securities are priced as efficiently as they could be. For instance, if there is a stock which has a market price of $10, that is the fair value of the stock with the information available to the market. If, however, new information emerges, such as a deal announcement, quarterly income statement or sudden unforeseen major loss, these facts will eventually be priced into the market price of the security.

On good news, buyers would flood in with orders thus bidding up the share price to attain the stock and on bad news, sellers would flood the market with shares, placing downward pressure on the price. At this point, the total sum of information would be correctly priced into the market price.

Burton makes the case for investing in index funds as it is incredibly difficult for the average investor to be ahead of the information curve and constantly beat market returns. He argues that with market changes and the faster flow of information on the internet, securities have become more accurately priced and the time in which investors can scale investments at cheaper (mis-priced) prices diminishes. He says this market efficiency is one of the reasons why most fund managers fail to beat average market returns.

Pay attention to beta

Burton also refers to the concept of beta – that is, the relationship between systematic risk and expected return for assets. Beta is primarily used in the CAPM for pricing risky stocks and generating estimates of the expected returns of assets, considering both the risk of those assets and the markets cost of capital. In theory, beta provides an indicator of how a stock will perform based on various market conditions. Stocks with high betas perform well in bull markets and poorly in market downturns.

Takeaways and criticism

Unlike the hot and trendy space of small caps and internet-fuelled FOMO, *A Random Walk Down Wall Street* harkens back to the traditional and conservative approach to investing where slow and gradually compounding gains are preferred over risky high-stake bets.

The book provides a sound approach to investing which melds fundamental analysis of macroeconomic events and technical concepts. It makes the important point that stock prices follow a random walk, and not a discernible or predictable trend over the long term. Malkiel leaves four rules that are potentially useful for ASA members:

1. Confine stock purchases to companies that appear able to sustain above-average earnings growth for at least five years.
2. Never pay more for a stock than can reasonably be justified by a firm foundation of value.
3. Buy stocks with the kinds of stories of anticipated growth on which investors can build "castles in the air".
4. Trade as little as possible.

Burton does not seek to make readers rich by the time they finish the book. Instead, he tries to educate them on how they should think and what to look out for before investing. It is a road map which introduces the reader to the complexity of financial markets carefully enough to educate but not overwhelm them. His timeless lessons for readers are that they should adopt broad diversification, do annual rebalancing, use index funds, and stay the course.

The damage of market manipulation on securities markets

By Professor Michael Adams, Academic Dean, UNE Law School

Many a Hollywood movie has covered the topic of insider trading from the 1987 movie Wall Street, from which the quote "greed is good" comes from, to the more recent The Wolf of Wall Street in 2013.

We can trace many of the securities laws (shares and other financial instruments) as defined in the Corporations Act 2001 (Cth) to the US Wall Street Crash of 1929 and the creation of the Federal Securities Exchange Commission (SEC). Australia followed a mixture of British and US laws until a major overhaul, 20 years ago, called the Financial Services Reform legislation in 2001. This replaced Chapter 7 of the Corporations Act with a brand new approach.

Background

A little background helps place this difficult issue in context. Before there is an attempt to define what is and what is not market manipulation, it is important to understand why we have laws in place and what they are trying to achieve. In law, this is sometimes called "the mischief" – that is, the problem Parliament is trying to resolve by passing legislation. In theory, the law is concerned with fairness and equity, as such market manipulation is inequitable for one market player to mislead another player. In the discipline of finance, there are also concerns that a few bad apples will undermine the reputation and confidence in the marketplace. So, there is an agreement on the problem but quite different opinions on the solutions. The finance discipline wants quick and financial compensation only (civil laws) and the law wants hard criminal penalties for illegal behaviour. The result is a hybrid compromise, known as "civil penalties".

In Australia, there are around 2.8 million companies, and 20,000 have shares available to the general public. However, only about 2,200 are listed on a stock exchange – mostly the Australian Securities Exchange (ASX) – and the major focus of these laws is those corporate entities and their securities.

There have been many government reviews by parliamentary committees and law reform agencies since the 1960s. The largest was the Financial Services Reform Act, which started life as the Corporate Law and Economic Reform Program (CLERP No 6). This was enacted by removing the old Chapter 7 of the Corporations Act and replacing it with a completely new chapter. The game-changer was the introduction of section 912A and the Australian Financial Services Licence (AFSL). This provision created a contractual obligation for all financial services providers and their representatives to abide by general assumptions and conditions. Additionally, under s912A, the regulator, ASIC, could impose specific conditions on a particular licence. Unfortunately, when the laws were passed in 2001, they did not make this provision enforceable under the criminal law nor civil penalty regime. After the Justice Hayne Royal Commission into the Financial Services and Banking Industry, the law was amended to make a breach a criminal offence, thus giving the provision more teeth.

So what is market manipulation?

Market manipulation is an umbrella term for a set of practices that distort information about a security. Examples include price manipulation, ramping, wash-trades, false or misleading information about a company or security, capping, pegging, warehousing, pools and share hawking.

What is often forgotten is that insider trading is not actually market manipulation. Why is it different you may ask? Well, all the market manipulation conduct involves untrue information that gives a false impression of the value of the security. Whereas the whole point of insider trading, is that the information is true and accurate, but the timing is critical – that is, the market does not know the information as it is not publicly available yet. The significance is based on the efficient market hypothesis, which means that a security or share's price compounds into it every bit of publicly available information to determine a market price to buy or sell. If the price is higher due to false information, then it is not the correct share price. But with insider trading the person knows the true information before everyone else and will trade on that information.

Market manipulation is a crime under sections 1020B to 1041F, which covers short selling, market manipulation and false trading or fraudulently making false statements. These are all crimes with penalties of 15 years imprisonment and/or $10 million fines. Insider trading is a separate regime that starts at section 1043A and has even harsher penalties in criminal law and civil penalties. The civil penalties include unlimited compensation and banning people from holding an AFSL or being a director or executive for five years.

Is market manipulation new?

The simple answer is no. In 1815, the Napoleonic Wars were coming to an end after 15 years and two cases occurred. *R v De Berenger* (1814) was a conspiracy to defraud the bond market (bonds being government loans to fund the war with fixed interest rates). This resulted in market manipulation. This is compared to the Rothchild case (1815) in which the family merchant bankers of Europe, the Rothchilds, had agents at the Battle of Waterloo where the Duke of Wellington defeated Emperor Napoleon and got a message via carrier-pigeon to London to buy government bonds. They made a fortune before the rest of the country knew of the British win.

In 2021, market manipulation still occurs and in February 2021, the world was hit by the news of the Game Stop case (EB Games in Australia) where comments were made on the Reddit site by day traders. This had the impact of pushing up Game Stop shares in the US from US$3 in April 2020 to US$16 in January 2021 and by February, to US$483 a share.

In Australia, there have been a few recent convictions, including Avrohom Kimelman and Don Evans of Quantum Resources, who pleaded guilty to manipulating the share price in November 2015. The case was heard in 2020, with a guilty plea in July 2021. The sentencing will take place in early 2022.

Two other Australian cases involve mining companies, which resulted in a conviction for director Ben Amzalak in September 2019 and a two-year prison sentence. In April 2018, a day trader called Stefan Buitcheft was convicted in South Australia for market manipulation and sentenced to one year and nine months imprisonment.

Do other laws play a role?

Although the market integrity and reputation of the company and its employees or executives is critical, there are other legal actions that can be targeted at the parties outside of the market manipulation provisions. In practice, other laws are often easier to enforce than the chapter 7 provisions. Examples include Steve Vizard, who as a director of Telstra, purchased shares in a technology company that Telstra decided to invest in heavily. This could have been an action for insider trading, but the regulator, ASIC, determined to use the directors' duties laws of section 180(1). This was a duty to take reasonable care and diligence in carrying out your obligations and section 182, misuse of position, and most relevant, section 183, the misuse of confidential information. Similarly, Rodney Adler, as part of the $5 billion collapse of HIH Insurance, was to be held guilty of market manipulation, but pleaded guilty to breach of directors' duties and providing false information to the securities markets.

So why is insider trading different to market manipulation?

If market manipulation is an umbrella concept of prohibited securities market activities, insider trading is a small subset with a distinction. As stated above, market manipulation requires false information to be provided to mislead the market. Insider trading is about the timing of accurate and truthful information being disclosed to the market. It is extremely difficult to regulate in any market in the world and this has been particularly challenging in Australia. Research conducted by a finance professor, Mark Freeman and I, in 1998, demonstrated that about 10% of all trades on the ASX are tainted with insider trading and a statistically significant 5% of all trades involved insider trading.

It is also very complex to prove all the elements of the crime of insider trading, as constructed in section 1043A, to a jury in a trial. One change that was introduced, made the crime of insider trading also a civil penalty, which is tried in front of only a judge. There has been more success under this regime.

Are there many market manipulation cases?

One of the landmark cases on market manipulation occurred in the High Court of Australia in the case *North v Marra Developments*, where a broking house was advising a listed pastoral company and a party sued for its professional fees during the corporate restructuring. Justice Mason stated that there had to be a genuine supply and demand and the primary purpose of the transaction should not be the setting or maintaining of the market price of the security. Another critical decision occurred in *ASIC v Nomura PLC*.

The various techniques of market manipulation are called things like "spoofing" or "market stabilisation" and "wash trading". One of the deepest challenges has been the move towards direct market access (DMA) such as deep pools and algorithmic trading or automated order processing. ASIC is providing guidance in this area, but the technology is moving much faster than the laws are able to keep up with. There is pressure on being able to provide instructions and filters for buying or selling securities and a growth in post-trade surveillance activity.

The bottom line

This is a complex area of law and this article has just provided an overview of the issues between market manipulation and insider trading. E

Don't get left out of the action

By **Sean Cookson,** Vice President & Managing Director – APAC, Financial Recovery Technologies

Outside the US, Australia has one of the more progressive approaches to litigation, and class action cases have been able to effectively return more than $2 billion to Australian investors in recent years.

In 2020 and at the time of writing in 2021, there had been 100 class actions filed globally outside the US. With 29 of these lodged in Australia – against businesses like Treasury Wines, Boral, and Freedom Foods Group – this makes Australia the second most active country for class action cases.

Most institutional investors already have an automated system in place through a third-party provider. While some platforms in Australia automatically enable shareholder class action participation on behalf of their customers, many still leave it up to individual investors.

How technology can help

For an investor, knowing if there are class action funds available can be almost impossible for many reasons. Cross-referencing share ownership history against ongoing class actions that may have commenced years ago is not something many investors have the bandwidth to do. Shareholder litigation is also a complex area that most retail investors have not had an opportunity to learn about before they realise they may be eligible to participate in one.

However, that doesn't mean that opportunities to recover funds that are available should be ignored just because the process is perceived to be complex.

This isn't just a problem for large institutional investors like fund managers and superannuation funds. It is also equally relevant – and complicated – for individual shareholders. From awareness of what securities class actions are taking place and have impacted your investments, through to the complexities of filing to participate as part of a class action, technology can help everyone participate in any action they are entitled to.

Why fiduciaries should care about class action participation

One super fund that clearly views the class action mechanism as important is HESTA. At present, HESTA has 21 class actions in the pipeline, including against Westpac, CBA, and an alleged foreign exchange cartel which includes UBS, Royal Bank of Scotland, JP Morgan, Citibank and Barclays.

For shareholders, these actions are not simply about ensuring good governance of the businesses they invest in, but about returning money they are entitled to through damages.

Class actions are an important mechanism that enables shareholders to recoup some of their losses and to also spur increased governance in companies, leading to enhanced director independence, audit firm rotation, and insider trading controls.

This is key. By holding businesses to account through shareholder litigation, investors actually contribute to a more transparent financial system where the businesses themselves are less able to make vast profits while retail investors and fund members are left carrying the risk and losses.

Where technology can help

Financial recovery technologies (FRT) helps large asset owners manage their class action monitoring, participation, and recoveries. We have extended this technology to wealth platforms in the US and Australia. There are currently over five platforms in Australia that have already or are in the process of implementing FRT's technology to ensure individual, retail investors have the same level of access to class actions recoveries that the institutions have.

Share ownership across the participating platforms is monitored by FRT and reviewed against ongoing and historical class actions globally. We notify the platform where an individual or fund may be eligible to participate in an action, and then bring those individuals through the recovery process. This is not something that the individual needs to spend time on.

Some platforms will send a letter or provide an in-platform message that an event has been picked up by the service and participation has commenced on behalf of the individual, while other platforms will simply process the participation in the back end, and the individual will only know that they were even involved in a case when recovered funds hit their account.

How the service works will depend entirely on the platform and how it already manages its communications with clients.

Fundamentally, we believe wealth platforms can not only provide additional value by enabling their shareholders to participate in eligible actions but also provide good governance and stewardship, which are the hallmarks of a healthy financial system.

Retail investors need to be asking their platform provider whether they have implemented the technology to ensure clients are not missing out on recovery opportunities. There are many instances that investors miss out on recoveries simply because they are not aware.

The need for sustainable investment solutions in the Murray Darling Basin

By Bradley Dollin and Mariana Wheatley, Altoriem

The Murray Darling Basin (MDB) is home to over two million people and is larger than France and Germany combined. The MDB's water market turned over $7 billion in 2019/20 making the MDB a pillar of the Australian economy and essential to its surrounding communities.

The poor management of the MDB has led to many negative externalities that are affecting the local society, environment and economy. The creation of water markets has exacerbated problems due to issues of water misallocation resulting in environmental degradation, such as the Barmah forest, where water was pushed through the Barmah Choke in order to fulfill a water order made by large scale almond farmers downstream. The choke was not able to carry the water being pushed through, sending an estimated of 536 megalitres into the Barmah Forest, causing significant damage.

Water markets are a system where water users can buy and sell their water rights on a temporary or permanent basis. Theoretically, this encourages the efficient use of scarce water resources. However, these markets are not performing to the social and environmental standards as outlined in the Murray Darling Basin Plan, because of factors like corruption, lack of transparency and accountability, and over allocation of water rights. The MDB polices have created negative externalities, including environmental degradation, social dislocation and despair and unfair representation and treatment of First Nation communities. They have also hurt many businesses.

Social issues in basin communities

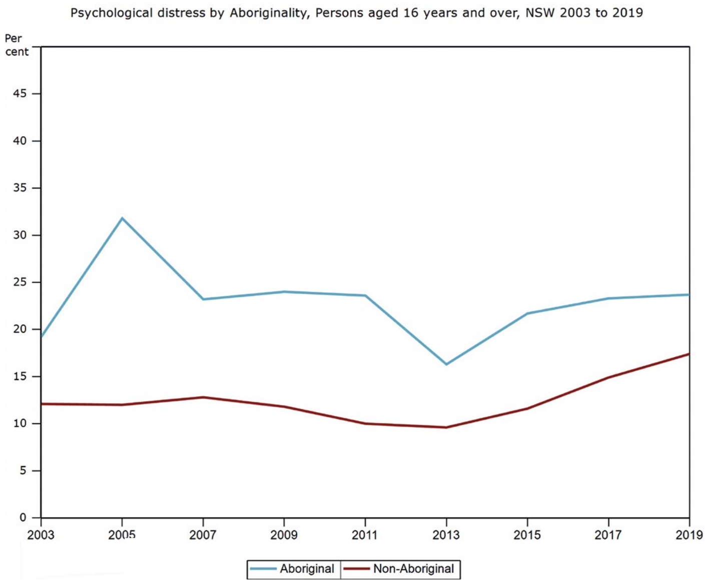
Communities surrounding the MDB are dependent on the river system as the local economy thrives or slumps depending on varied water availability. When droughts occur alongside water misallocation, it creates a perfect storm of socioeconomic issues. Maryanne Slattery, an expert on the MDB who previously worked with the Murray Darling Basin Authority (MDBA), correlates Indigenous wellbeing with water availability. "There is a direct relationship between no water in the river, crime, suicide, domestic violence, drug use," she says.

Basin communities are doing it tough. The Sefton report (2020) surveyed 600 locals and found people considered themselves and their communities to be in crisis. Table 1 shows the level of psychological stress between indigenous and non-indigenous people in Murrumbidgee, highlighting the mental health disadvantage faced by Aboriginal people.

Environmental issues

Fish kills occur when large amounts of fish suffer from a sudden and unexpected death, often resulting from prolonged periods of drought and excessive algae. Three mass fish kill events have occurred within the Menindee lakes in recent years. The MDBA says: "The exact number of fish deaths is unknown, but an independent panel chaired by Professor Rob Vertessy concluded that over a million fish may have died." These events coincided with the formation of blue green algae, a toxic bacterial substance that is harmful to both wildlife and humans. Blue green algae occurs due to the lack of flow from river systems including through the overextraction of water. A Barkandji Elder said: "If you got something dead, that's where you get blue green algae because it's not moving." When flow is taken from a river system alongside drought periods it allows these toxic substances to thrive.

Table 1



Economic issues

Communities rely on the wellbeing of the MDB for their livelihoods. When it thrives individuals, community and the economy benefit. Dairy, rice and other farmers require water to maintain their farms and employ the local population. However, when water availability is scarce, the agricultural sector shrinks causing economic stress. The decline of 15% in agricultural employment in the MDB between 2006 and 2016 was about twice of the Australia-wide decline in employment in agriculture of 7.4%. Maryanne Slattery says: "The Lower Darling/Baaka river had a fantastic irrigation industry that has been wiped out because of upstream extractions. You have whole sectors in the Murray and Murrumbidgee that are on their way out, rice and dairy in particular."

Potential for Private Investment

There's been criticism of the role of played by private investors in Australian water markets. However, private investment can also play a positive role both in water markets and investing in the regions of the MDB. One example is Kilter Rural, an Australian hedge fund focusing on agricultural assets such as water. Kilter Rural Balanced Water Fund (BWF) donates water back to satisfy environmental needs. Since its creation in 2015, the fund has delivered eight watering events across 21 wetlands. A watering event generally aims to provide flow to river reach, support habitat health, improve fringing vegetation and support aquatic food web to feed native fish.

However, this is only one example of how private investment is supporting the economy, environment and communities of the MDB. More work needs to be done across the whole market. Alternative thinking and approaches are needed to reinvigorate the MDB and sustainable private investment can play an important role in this process.

COMMONWEALTH BANK OF AUSTRALIA AGM

1 year chart

MONITORS: Lewis Gomes and Julieanne Mills

Date	13 October 2021
Venue	Online
Attendees	155 shareholders, 25 proxy holders and 688 webcast viewers
ASA proxies	3,732,231 (equivalent to 9th largest shareholder)
Value of proxies	$380 million (as at 13 October 2021)
Proxies voted	Yes, on a poll
Market cap	$180 billion (as at 13 October 2021)
Pre-AGM meeting	Yes, with chair Catherine Livingstone and chair of the people and remuneration committee, Paul O'Malley

CBA tested on remuneration report

The virtual AGM lasted over three hours due to questions from attendees on climate and resolutions.

The chair summarised the status of the remedial action plan instituted after the Hayne royal commission in 2018 under the supervision of APRA. All 177 recommended actions are complete but permanent commitment to change continues.

The chair spoke about the establishment of a sustainability framework, including commitments to net zero emissions by 2050 and continuing assistance to customers.

Strong financial results were summarised, along with the divestment program, which released $6.2 billion of additional capital. It supported the recent share buy-back valued at $6 billion and total dividends for FY21 of $6.2 billion. The chair noted the one-year total shareholder return (TSR) for FY21 was an impressive 48% while the five- and 10- year TSRs were 72% and 226%, respectively (equating to annual TSRs of 11% and 12%).

Questions included why a special dividend was not implemented in place of the share buy-back. Shareholders also reported difficulties completing the buy-back information online. ASA asked how CBA would address potentially fraudulent activity.

There were also questions about off-shoring jobs to India and employee issues regarding the enterprise agreement. Kara Nicholls' departure was raised but the chair declined to answer. Shareholder Stephen Mayne asked questions about the chair's personal shareholdings.

Regarding the re-election of directors, the chair outlined the benefits different directors would bring and how the board's composition changed following the royal commission.

ASA asked how Julie Galbo would exercise her responsibilities from Denmark while facing travel restrictions. The chair said Galbo was willing to travel to Australia once feasible. All directors were comfortably re-elected or elected.

The chair described recent changes to the remuneration report for FY21. She noted the inclusion of malus and clawback provisions. She explained the two long-term components of long-term alignment remuneration (LTAR) and long-term variable remuneration (LTVR). The chair also noted a one-off market adjustment to the CEO's fixed remuneration of 8.7%. The resolution received a strong FOR vote of 95.2%.

A resolution sought the allocation of 17,586 restricted share units to the CEO as his FY22 LTAR award and the same number of performance rights as his FY22 LTVR award, each valued at $1.75 million. The resolution was passed with only a modest 80.74% of votes in favour.

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It's all about plasma

CSL Limited, a global biotechnology company, operates two divisions. The largest is CSL Behring (more than 80% of total revenue), which develops blood-plasma-based therapies, including for rare and serious medical conditions. The other division, Seqirus, develops flu-related vaccines.

Developments in the Financial Year

COVID-19 had a significant impact on the company in FY2021. Increased awareness due to the pandemic resulted in a record performance from the Seqirus flu division. COVID-19 had a negative impact on plasma collections, down by about 20%. This impact will be felt in FY22, as there is a nine-month delay between plasma collection and product sale. Despite this, CSL opened 25 new plasma collection centres in the US in FY21.

Financial performance in FY2021 continued recent positive trends.

Production of the AstraZeneca COVID-19 vaccine in Australia was not a material contributor to results.

CSL has several major projects currently underway:

- Expansion of its Bern Switzerland facility, which went into commercial production in FY21.
- The US$900 million Broadmeadows Base Fractionation Facility to be operational in FY23.
- New global headquarters in Melbourne.
- Announcement of a cell-based flu vaccine production facility in Melbourne to be completed by the end of FY25.

FY2021 saw the resignations of two directors, Pascal Soriot and Abbas Hussain, due to potential conflicts arising with their employer companies. New directors have been appointed.

A new CFO, Joy Linton, previously from health insurance company, Bupa, commenced in March 2021, taking over from David Lamont.

Summary of historical ASA Issues with the company

CSL has a good track record on ASA-focused areas, including board composition, remuneration, disclosure and "skin in the game".

Debate and Voting at the AGM

Two new directors, Alison Watkins, a member of the Reserve Bank board and ex-CEO of Coca Cola Amatil, and Professor Duncan Maskell were comfortably elected. Brian McNamee, chair, and Professor Andrew Cuthbertson were successfully re-elected.

The CEO advised that plasma collections were still below pre-COVID levels. He explained how the new US government border policy was preventing Mexican citizens from crossing into the US to donate plasma as they had done for years. CSL has filed a court action to overturn this policy.

Another question was whether mRNA technology was a threat or an opportunity. The CEO said CSL had the technology in its portfolio and its expertise would assist in dealing with stability and dosing issues.

A further question was about the potential rival threat of FcRn technology. The chair answered that this technology would only cover a small subset of CSL's product range. It was confident plasma-based therapies would continue growing.

The remuneration report received an 11% vote against and the grant of performance rights to the CEO received a 26% vote against. The latter vote was apparently due to the recommendation of one proxy adviser, ISS. ASA supported both resolutions.

ASA queried the forward-looking three-year performance period of the long-term incentive plan and another shareholder asked whether the earnings per share (EPS) target was too low compared to historic performance. Megan Clark, chair of the remuneration committee, replied that it recognised the business' long-term nature and included a seven-year average return on invested capital as a measure, and for the EPS target, CSL had taken into account a short-term slowdown in FY22.

Outlook statements from the company

CSL reaffirmed guidance for financial performance in FY22. It expected revenue to grow by between 2% and 5%, and for net profit after tax to be down between -5% and -10%, mainly due to the reduced plasma collections.

However, CSL is planning to open 40 new plasma collection centres in FY22 (current total about 300).

CSL spends nearly 10% of its revenue on research and development. CSL has many products in the pipeline at various stages of development. The ones most prominent in CSL's statements are EtranaDez, a gene therapy for treatment of Haemophilia B, and CSL 112, a treatment to reduce recurrent cardiovascular events. Both are in Phase III trials (the last trial hurdle). CSL also announced that Phase I work on an mRNA flu vaccine will commence in 2022.

As at 4 October 2021, there were eight brokers recommending a buy for CSL, 10 a hold, and zero a sell according to MarketIndex.com.

CSL LIMITED AGM

1 year chart

MONITORS: Mike Muntisov assisted by John Whittington

Date	12 October 2021
Venue	Online
Attendees	213 shareholders/ proxyholders plus 119 guests (last year 172/270)
ASA proxies	1.27m (equivalent to 14th largest holder in Top 20 list)
Value of proxies	$368m
Proxies voted	Yes, on a poll
Market cap	$132b
Pre-AGM meeting	Yes, with Director Megan Clark and Company Secretary Fiona Mead

TELSTRA LIMITED AGM

1 year chart

MONITORS: Mike Robey, assisted by Steve Van Emmerik

Date	12 October 2021
Venue	Online
Attendees	1632
ASA proxies	24.3m (equivalent to 10th largest holder)
Value of proxies	$93.6m
Proxies voted	Yes, on a poll
Market cap	$45.8m
Pre-AGM meeting	Yes, with chair John Mullen and Peter Hearl (chair of the remuneration committee)

Telstra's tide turns

Developments in the Financial Year

Telstra is near the end of its three-year digitisation program, T22, which aims to radically simplify and digitise the business. This required replacing the legacy systems and processes with digital native ones. By Telstra's own admission, it started late but compensated by expanding the scope to include all the network, business and operational support systems (BSS and OSS). Several had seen large expenses over recent years to maintain product and service developments. This is the most extensive digitisation program of any telco globally. The broad commercial aim is to dramatically reduce the fixed cost base for the future.

Telstra has lost over $6 billion of annual profit in the past decade, predominantly from the NBN and permanent loss of revenue from voice, text, and international roaming. The "over the top" (OTT) online services, such as Facebook, Instagram, WhatsApp, Spotify, and Google, reduced the price for these services to zero, as well as earlier, usurping the small business advertising revenue from the Yellow Pages. The OTT services pay little in tax and nothing for the use of the Telstra mobile and the NBN networks, on which they are critically dependent. They leave the payment for network access to their customers.

For consumers, T22 entailed culling all but 20 service plans, from 1,800, thereby making the choices simpler and capable of self-service online. Calls to customer services have fallen by 66% and 70% of service interactions are answered digitally. In the enterprise business, the online service interactions are lower, at 28%. Fixed costs have been reduced by $2.3 billion.

Meanwhile, COVID-19 forced Australia into various lockdowns. Demand for internet services and speed ramped up, while the ability to pay for these services fell, due to income constraints. Telstra brought forward $500 million in capex to support this upgrade and took a $380 million hit in supporting COVID-affected customers.

To monetise assets on its balance sheet, Telstra sold 49% of its mobile tower business to a consortium of the Future Fund, Commonwealth Super and Sunsuper for $2.8 billion, retaining the towers and microcells, which form its coverage differentiation.

It also proposed a split into four separate divisions: Telstra InfraCo Fixed, InfraCo Towers (the remaining 51%, now branded Amplitel), ServCo, and Telstra International. This will be the subject of an extraordinary general shareholder meeting in Q1, FY2022 and could prepare Telstra for a bid to purchase part of or all the NBN, when the government puts this up for tender.

Additionally, Telstra has expanded (by business acquisition) into the adjacent business of digital health and is moving into the retail energy market. It is unclear what unique propositions it will have there.

Telstra also introduced its next strategy, T25, which flips from being about positioning for low cost and digitisation to growth (with some cost-outs, for good measure).

Debate and voting at the AGM

The AGM was virtual but had an option one day in advance to ask a question on request. The chair and CEO gave their presentations for the first 45 minutes. Possibly due to the virtual format and the administrative requirements to register for voice access, there were few personal complaints. ASA used the voice option for one question and despite a 15 second delay, it proved adequate. We were told at the outset that questions submitted online would be prioritised, but the remaining questions were changed to text.

ASA asked Telstra to publish benchmarking data against the other telcos, how the agile teams will work after the split up of the four business units, and when the chair will retire. Mullen left himself open for another term from FY 2024 onwards.

We also asked if Bridget Louden, the entrepreneurial young female director appointed last year, would provide a verbal report on her first year as director in arguably Australia's most complex digital business. She did on the spot and has found herself in a good place. Mullen rated her as an excellent director, who contributes strongly. The meeting was over quickly and all resolutions passed with over 96% support.

Aspirations for the future overshadowed by recent stumble.

Equity, data, and connectivity products led to revenue growth in three of the four businesses. But reduced interest income and futures trading revenue impacted negatively. Overall revenue grew 1.3%. UNPAT fell 6.4%.

FY21 saw further advancement of the ASX strategy of introducing innovative technology to enhance the exchange. ASX has a leading global position in the enterprise delivery of DLT (distributed ledger technology) infrastructure.

The board adopted FY25 sustainability goals for workplace diversity and inclusion, emissions reduction, the transition to a low carbon economy through ASX products, and facilitation of disclosure and reporting standards.

A notable challenge was the November 2020 trade outage where a system upgrade shut down the exchange. The chair expressed regret, but argued change was not risk free. Recommendations of an independent expert report on the trade outage will be fully adopted. Recently announced organisational changes will strengthen management accountability and sharpen customer focus.

ASA asked about the outage external report which indicated outage causes were avoidable and that the board consider appointing an independent expert to review technical matters.

ASA also asked for updates on the new business opportunities of "DLT as a service" and "Sympli". CEO Dominic Stevens talked about interesting "DLT as a service" projects. These are for third parties and relate to the core ASX business and adjacent areas where there is clear benefit from DLT.

The "Sympli" joint venture made good progress during the year, signing on three major banks with work on interoperability starting. The rapid increase in the market capitalisation of the competitor was cited as a reason to enter this business.

If re-elected, Peter Marriott will be a director for 15 years. ASA referred to ASX's Corporate Governance Principles and Recommendations, which states the board should assess a director's independence after 10 years' service.

We asked about Marriott's skills and abilities in contributing to the IT related board priorities. He recounted his IT-related career but gave no specifics that would give shareholders confidence in his understanding of technologies, especially the cutting edge DLT.

As Marriott was chair of the audit and risk committee, ASA asked how he exercised responsibility leading up to the November outage. He said he received a report on the Trade Refresh project. He did not describe any active process of challenging and holding management accountable.

On re-election, Heather Ridout was asked how her directorship of AustCyber had contributed to ASX cyber security needs. She described her knowledge of emerging technologies and cyberthreats as useful to ASX.

ASA advised we would be voting undirected proxies against the remuneration report. We asked to assist ASX develop a remuneration structure that aligns with shareholders and is transparent.

All voting items were clearly carried, with Marriott's re-election and remuneration report having against votes of 4.8% and 4.5%, respectively.

ASX LIMITED AGM

1 year chart

MONITORS: Peter Gregory, assisted by Sue Howes

Date	29 September 2021
Venue	Online
Attendees	220 – it is unknown how many were shareholders
ASA proxies	337k (equivalent to 12th largest holder in Top 20 list)
Value of proxies	$27.3m
Proxies voted	Yes, on a poll
Market cap	$15.5b on day of meeting
Pre-AGM meeting	Yes, with chair Damian Roche, Heather Ridout (remuneration committee chair) and Josie Ashton (GM investor relations)

How Aurizon plans to move forward

The AGM commenced with an acknowledgement to country by Jay Travers, a descendant of the original owners of the land and a long-time employee of Aurizon. The chair, Tim Poole, introduced all directors, who were in various locations because of COVID-19.

Poole strongly emphasised Aurizon's hard work in protecting its employees during COVID-19. The company saw this as a collective responsibility. Employees were encouraged to become fully vaccinated.

The chair stressed the importance of rewarding shareholders with strong returns – dividends were 100% of NPAT for the sixth consecutive year. Poole discussed the company's Climate Strategy & Action Plan and support for keeping the temperature rise to less than 2 degrees. Aurizon's fleet decarbonisation program contains plans for battery train trials in 2024.

The CEO also addressed safety issues. With COVID-19, there was reduced exposure, as most employees in Queensland, WA, and NSW live in local communities. Nevertheless, the mental health impact was recognised. The bulk haulage business is expected to double. It is estimated the return from coal will grow at about 5% per annum. George Lippiatt, CFO and group executive strategy, gave an informative presentation on the various scenarios on which output modelling is based. Under the scenarios, tested modelling indicates an average annual free cashflow over 20 years of $500-$650 million for the coal volume outcome.

- ASA asked if Aurizon is looking for growth opportunities or acquisitions and whether that would impact the current dividend. The chair replied, yes, although it is mostly organic growth, it would consider sensible acquisitions. At 100% of NPAT in the 70% to 100% dividend pay-out range and with two recent share buybacks, the decision had been to return excess capital to shareholders during the last six years.
- ASA also asked what has brought about the large increase in bulk haulage profitability in the last four years. The company attributed it to considerable operational improvements in cost base control, extending and retaining the customer base, supply chain efficiency, and some acquisitions, such as in Townsville and Newcastle.
- On cybersecurity, there is a roadmap and strategy being reviewed by the board on a regular basis. There is also liaison with Australian Cyber Security and the Department of Home Affairs.

There were the perennial Adani questions. The answer was there was no direct contact. Aurizon uses its own network and applies the same rules to operators under its regulatory obligations. There were other questions around the alignment of capex to the decarbonisation program, the possible reintroduction of the dividend reinvestment plan, and although there was a sound result, what the board was doing to increase the share price.

The three directors seeking re-election addressed the meeting. There was only one minor question pertaining to the resolutions. All were passed by a large majority. The AGM was conducted as a well-planned virtual meeting.

AURIZON HOLDINGS LIMITED AGM

1 year chart

MONITORS: Shirley Watson, assisted by Alison Harrington

Date	12 October 2021
Venue	Online
Attendees	86
ASA proxies	0.8m
Value of proxies	$3.1m
Proxies voted	Yes
Market cap	7.18bn
Pre-AGM meeting	Yes, with chair, Tim Poole

BRAMBLES LIMITED AGM

1 year chart

MONITORS: Roger Ashley, assisted by Bala Varadarajan

Date	19 October 2021
Venue	Online
Attendees	85
ASA proxies	0.58m
Value of proxies	$6.0m
Proxies voted	Yes, on a poll
Market cap	$14.7 bn
Pre-AGM meeting	Yes, with chair John Mullen, Robert Gerrard (VP, legal and secretariat) and Raluca Chiriacescu, (investor relations)

Expanded investment ahead

The chair and CEO's presentations were upbeat in their future profit projections for the company. In line with the recent investor day presentations which flagged "high single digit" profit growth going forward, the expectation for 2021/2 is for profit growth of 6-7%. The immediate effect on the share price was positive unlike the reaction to the investor day presentations when investors appeared to baulk at the increased investment involved in enhanced digital systems designed to improve efficiency, cut costs and deliver better asset tracking and customer solutions. The chair referred to the current lack of digital visibility over pooled assets and the cost of replacing the resultant losses which the increased investment is intended to target.

Investment rises to US$440 million in 2024/5, although it should be noted that this expenditure is dependent on a successful proof of concept following spending of US$180 million in 2022/3 and trials in the UK and Canada. The extent to which the forward projections would change in the event the investment program was to be scaled back has not been quantified.

The company claims to have achieved carbon neutral in its own operations and has begun addressing the greater challenge within the whole supply chain.

All resolutions were passed by a minimum of 95% with ASA voting against the remuneration report where one issue raised by ASA was the latitude the board has in amending incentive targets. In response to this question, the chair assured ASA that such changes would be minimal, and a disclosure would be given in the annual report. The share buy-back was authorised for a further 12 months which may complete this initiative. A question from the floor was why an on-market buy-back was chosen. The answer was that the quantum of franking credits argued against an off-market buy-back similar to that just completed by the CBA.

Other questions were answered as follows:

- The company is not actively looking for potential acquisitions.
- Possibly some component of pallet shortages may be attributed to customers' stockpiling.
- The resolution to change the company's constitution, which was withdrawn from voting, was influenced by institutional investors' discomfort. The option of a virtual AGM in future (as opposed to a hybrid meeting) was not favoured.
- Given the overseas shareholdings and board representation, the company will consider the overseas practice of voting for all directors annually. Treasury Wine Estates was a company mentioned as having adopted annual voting.

COCHLEAR LIMITED AGM

1 year chart

MONITORS: Patricia Beal, with Raja Rajagopal, assisted by Bindo Roberts

Date	19 October 2021
Venue	Online
Attendees	59 shareholders plus 69 visitors – as provided by the company
ASA proxies	180,000 shares (equivalent to 13th largest holder in Top 20 list)
Value of proxies	$39.5m
Proxies voted	Yes, on a poll
Market cap	$14.5b on day of meeting
Pre-AGM meeting	Yes, with chair Alison Deans and Kristina Devon (investor relations)

Service for life...in new ways

After 40 years as a listed company, with a refreshed board, and a new, female chair, Cochlear is preparing for serving customers both by the usual and in new ways. In addition to the traditional market of deaf babies being treated early, there is an emphasis on seniors who become deaf in later life, to have at least one cochlear implant when hearing aids cannot remedy this. There has been research and development over some years (but increasingly relevant) into remote checking of implants, improvements in the fitting process, and training in getting the most from implants, including a phone app and other engagements.

Previous chair Rick Holliday-Smith was thanked for his very long-term contributions to the company, especially to the mission and culture of the organisation, and the investment for long-term growth.

Forecasts for FY22 were reconfirmed – that is, underlying (removing currency effects) net profit growth of between 12-18%. ESG targets were announced, committing to a 50% reduction in business flights – Cochlear's largest source of carbon emissions, pre-COVID-19 – by FY25. In FY22, Cochlear will develop a roadmap to get to net-zero emissions "well ahead of 2050".

While the board has been significantly refreshed, we questioned any ongoing reviews. Chair Alison Deans said there were annual reviews, and areas of possible improvement had been identified. We also queried whether remote monitoring would be a continuing focus in the long term. It is an area of interest in many markets, so that was confirmed.

Other proxyholders and shareholders raised a variety of queries. Several were ruled to be commercial in confidence matters; the rest were capably answered. Turning to the changes in Chinese policy affecting the business, the chair said Cochlear's main concern was the long-term benefits for Chinese kids with deafness. There was no impact so far, but Cochlear continues to monitor this.

All resolutions were passed with over 96% in favour.

AGM highlights

The meeting was opened by chair, Tony Kiernan, at 2 pm and the motions put to the meeting.

All motions were easily passed with varying results from 99.19% for Resolution 1 to 86.04% for Resolution 3.

As outlined in the ASA Voting Intentions, shareholders have done very well over the past 18 months or so.

In relation to the resolution to increase the pool paid to non-executive directors (NEDs), the chair indicated that a new director would be appointed and this has since been announced. 40% of the NEDs are now female.

The managing director, Ken Brinsden, gave a presentation which is on the website. Interesting points were the success of the sale of concentrate through the BMX digital auction platform at twice the price and the joint venture with Calix to produce lithium salts.

The ASA representative asked what percentage of total concentrate was sold through the BMX and was told that it was about 30%. There were two other questions asked.

ASA voted on all the open proxies for the resolutions.

The meeting closed at 3 pm and the ASA representatives had the opportunity to talk to the chair and other company executives after the meeting.

PILBARA MINERALS LIMITED AGM

1 year chart

MONITORS: Kevin Bowman and Dr Lynda Newland

Date	29 September 2021
Venue	Online
Attendees	Approximately 25 shareholders plus 10 visitors
ASA proxies	1.08m
Value of proxies	Approximately $2m
Proxies voted	Yes, on a poll
Market cap	$5.8 billion on the day of meeting
Pre-AGM meeting	Yes, with Ken Brinsden (managing director) and Nick Cernotta (non-executive director)

Sustainability and diversification shine through COVID-19

It was a fairly positive meeting with Q1 2022 results released on the same day.

Chair Tom Pockett's address focused on the pandemic's impact and the strength of the portfolio. Stockland has a strong balance sheet, having boosted liquidity, and is looking to develop capital partnerships to redeploy capital. There is $1 billion in cashflow for strategic opportunities.

As an ESG leader, Stockland has set a new net zero carbon emissions target by 2028 and joined the UN Race to Zero Business Ambition of 1.50 C. Sustainability policies include the partnership with the Clean Energy Finance Corporation for transitions to net zero homes.

Stockland saw a successful transition to the new CEO, Tarun Gupta. Pockett thanked the outgoing CEO, Mark Steiner, and director Barry Neil for their leadership.

Gupta's address mentioned the strength of the company's purpose and values. His focus will be on maximising the value of every metre of the 60 million m2 of property in the portfolio, developing institutional capital partnerships, utilising the lead as developers of master-planned communities, and developing land lease, for increasing baby boomer demand, and higher long-term earnings.

The four trends in 2022 are urbanisation, digital technology, capital flows into real estate, and ESG.

The Q1 2022 saw strong sales results up 8% on the prior year. While retail sales have been heavily impacted, they were consistent with expectations and should recover over time. Vaccinations have seen more normalising with 96% of tenants now open for trade.

Justin Louis joins as the new CIO and Alison Harrop replaces Tiernan O'Rourke as CFO in January.

Shareholders questioned risks around data analytics and cybercrime, inflationary pressures and marketing. The board's response showed these had been appropriately considered.

ASA's question on rental abatements confirmed that, with Sydney and Melbourne coming out of lockdowns, the provisions put in place were within the guidelines. We also asked about supply chains and availability of construction workers. Gupta said an end to pandemic movement restrictions would ease the bottlenecks and temper inflation growth.

The transparency and disclosure of fixed hurdles for annual reporting was questioned, but the board said it would review this for the next AGM.

The directors up for election spoke about their belief in the company. Christine O'Reilly explained her workload would be the same, as she was stepping down from Medibank at the same time as taking on the ANZ role. All directors received votes above 96%.

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

STOCKLAND CORPORATION LTD AGM

1 year chart

MONITORS: Julieanne Mills and Allan Goldin

Date	19 October 2021
Venue	Online
Attendees	45 security holders and 102 attendees in total
ASA proxies	2.44m (equivalent to 0.1% of shareholding)
Value of proxies	$11.36m
Proxies voted	Yes, on a poll
Market cap	$10.98bn
Pre-AGM meeting	Yes, chair Tom Pockett and Katherine Grace (company secretary)

TABCORP HOLDINGS LIMITED AGM

1 year chart

MONITOR: Mike Muntisov

Date	19 October 2021
Venue	Online
Attendees	38 shareholders plus 383 visitors (34/345 last year)
ASA proxies	3.31m (down from 3.8m last year)
Value of proxies	$17.3m
Proxies voted	Yes, on a poll
Market cap	$11.8b
Pre-AGM meeting	Yes, with chair Steven Gregg, Chris Murphy (company secretary) and Chris Richardson (investor relations)

Focusing on the demerger

Tabcorp is a diversified gambling company operating three divisions: lotteries and Keno; wagering and media; and gaming services.

The most significant development of the year was the announcement in July 2021 to demerge Tabcorp into two separate ASX-listed companies by splitting off the lotteries and Keno business. The announcement came on the heels of several bids from international consortia to buy the wagering and media business which has suffered disproportionately during the COVID-19 pandemic. The bids prompted a strategic review by the board and the subsequent demerger announcement.

Financial year 2021 (FY21) showed a significant performance improvement over the lockdown-impacted FY20 result.

Given the proposed demerger, it is interesting to compare the contributions of the various divisions to the business. As can be seen, the lotteries division is the largest, providing about two thirds of the group's profit.

For the lotteries business, total revenue was up 10% with all product segments experiencing growth.

In wagering, competition from the online bookmakers was fierce and Tabcorp struggled to maintain digital market share.

The pandemic put on hold the appointment of a new CEO, and with the demerger announcement, long-term CEO David Attenborough will stay on to complete the demerger. The company has flagged that the CEO-designate of the lotteries business is former Tatts executive Sue van der Merwe and for the Tabcorp business, long-time executive Adam Rytenskild.

Summary of historical ASA Issues with the company

The company has progressively implemented improvements sought by ASA over the last few years, including greater transparency on remuneration and political donations. Tabcorp is one of the largest political donors on the ASX. There has been a significant amount of churn on the board in recent years.

Debate and voting at the AGM

All resolutions at the AGM passed with a comfortable majority.

In his address, the chair highlighted the regulatory and fee discrepancies faced by Tabcorp compared to the online bookmakers. He pointed out that 40% of the wagering division's revenue was returned to the racing industry while less than half that rate was paid by competitors. He called for a levelling of the playing field.

The CEO noted that since the start of the pandemic, the company had voluntarily waived more than $200 million in fees to support venues whose operations were impacted by COVID-19.

ASA's questions/comments focused on the demerged companies, urging Tabcorp to take advantage of this opportunity to appoint diverse boards to both companies, and to build on the improvements made in its remuneration framework and disclosures over the past few years.

Activist Stephen Mayne asked several questions. Q: Will Tabcorp apologise for the failure of some gaming venues? A: Tabcorp does not manage venues. Q: Political donations? A: Tabcorp does not make cash donations but does subscribe to networking events across the political spectrum. Q: Why has Tabcorp not performed as well as its peer Aristocrat Leisure since listing? A: Our core business is not the same. Q: What acquisitions has Tabcorp done well and not? A: Tatts combination has been successful. SunBets was not.

Outlook statements from the company

The first quarter of FY22 has been impacted by the lockdowns in NSW and Victoria, particularly the wagering and gaming divisions. The lotteries and Keno business maintained revenue as its retail network was not materially affected.

As at 4 October 2021, there were nine brokers recommending a buy for Tabcorp, four a hold, and one a sell, according to MarketIndex.com

Another difficult year for TWE

Treasury Wine Estates is a premium wine grower, wine maker and distributer with operations around the world. The company has expanded over the past 10 years from an offshoot of the Fosters Group to be one of the world's most admired premium wine companies.

Developments in the financial year

TWE has suffered significant major issues this past financial year. Three key areas have resulted in strong headwinds for the company. These are:

- Trade restrictions into the Chinese market with high import duties on Australian wine entering China.
- Bushfires and drought in California which has seriously impacted the US market.
- COVID-19 pandemic and the resultant travel and entertainment restrictions in the Australian market along with restrictions in the important US and UK markets.

Management appears to have done an excellent job in developing new markets throughout the financial year.

Summary of historical ASA Issues with the company

The very large remuneration paid to the former CEO and managing director has been raised with the company on a number of occasions. There was an overly generous salary package coupled with large long-term incentive (LTI) share rewards. The high total remuneration could be partly attributed to the issuance of LTI equity prior to the strong rise in the share price over the period 2016 to 2019. The three-year performance period for equity awards has been raised on numerous occasions with the chair.

Debate and Voting at the AGM

TWE has a policy of having all directors stand for re-election at each AGM. This is said to be in line with the changes and developments in the international marketplace. In the interests of limiting the actual meeting time, only two of the directors spoke to their re-election – the two US- based non-executive directors (NEDs).

Interestingly, there was little debate and few questions regarding the directors. However, ASA did ask the chair a question in relation to succession planning and board renewal. Four of the current directors have nine to 10 years' service and it is felt that it is time for renewal. The chair noted that Warwick Every-Burns is to retire at the FY22 AGM and succession plans were in place to cover a one- to three-year period. He also indicated that the next chair would likely be based in Australia as the company is headquarter in Australia and listed on the ASX.

ASA also asked a question of the auditor relating to assets held for sale and valuation thereof as well as a question to the chairman relating to any asset sales to "related parties" and potential for conflicts of interest. The chair stated that asset disposals were put to the entire board to ensure that sales were made at not less than market value

Numerous other questions were raised by shareholders. These were largely focused on remuneration. Stephen Mayne asked a question about Toni Korsanos and her recent resignation from the Crown board. The chair replied that she was doing a great job at TWE and that he would not comment on her time with another company.

A shareholder raised a question relating to the Chinese market. The chair does not see that market as "lost" as it can be accessed by payment of the 176% duty on Australian wines. China is still part of a longer-term focus. However, other Asian markets were now being developed.

Outlook statements from the company

The company gave a Q1 2022 update which showed trading conditions were a bit below original expectations with ongoing disruptions to cellar door sales, restaurant trade and travel. These disruptions are largely due to COVID-19.

TREASURY WINE ESTATES AGM

1 year chart

MONITOR: Rod McKenzie

Date	15 October 2021
Venue	Hybrid
Attendees	Unknown
ASA proxies	620,900 (outside Top 20)
Value of proxies	$7.3m
Proxies voted	Yes, on a poll
Market cap	$3.6 bn
Pre-AGM meeting	Yes, with chair Paul Rayner

ACT Report

By John O'Callaghan, ACT State Chair

The executive committee met on 25 January 2021 to discuss the plans for future meetings and to consider the options for meeting physically. Since then, the committee has interacted via email to discuss planning issues, including the arrangements for our meetings and relevant ASA matters.

The ACT Division began its monthly meetings via Zoom in February 2021. Members were keen to meet in person but the rooms in our previous locations were unavailable because of COVID-19. Fortunately, we were able to meet at the Canberra Bowling Club (CBC) from April 2021. The availability of the room at the CBC meant that we had to change the times from Tuesday afternoons to Monday mornings.

These meetings stopped in August because of the COVID-19 restrictions in the ACT. Since then, our meetings have again been held by Zoom. The numbers at our Zoom and physical meetings have been similar, with about 30 to 45 people attending.

Roger Penhale has been the moderator for both kinds of meetings and has done an outstanding job in making the discussions lively and in getting through the agendas in the allotted two hours.

Rod Peters and Bevan Staier have contributed greatly to the use of audio-visual equipment for our physical meetings.

An active Working Group (of six members) has continued to meet to develop agendas for the monthly meetings.

The agendas now have more discussions on interesting "investment topics" and these have been presented by a number of attendees. Topics have covered a range of sectors and themes, including healthcare, medical devices, lithium, ESG, rare earth minerals, biotechnology, 3D printing and travel services.

During the year, updates were occasionally given on an ESG hypothetical portfolio which is being managed by Richard Williams, Eden Zanatta and Ed Roberts.

During the year, Ken Johnson gave two presentations on the "money swamp", describing the economic impact of money exchanges between banks.

Ed Roberts continued with his excellent series on disruptive technologies, covering topics such as the food chain, decarbonising, hydrogen, the electrification of everything, and in November, the implications of COP26.

Peter Barker also continued with his thought-provoking "posers", which explain issues that are relevant for investors. Posers have included:

- Do you know the capital gains tax on bequeathed assets may be payable?
- What do you know about an excepted person or an excepted income?
- Do you know how to get stock prices updated automatically in Excel?
- Do you know the transfer balance cap is being increased?

NSW Report

By Richard McDonald, NSW State Chair

2021 was quite a year – opening up and more lockdowns. We were very lucky to get our conference in April/May and it was a very good conference. Thanks to all who assisted to make it a success.

Just as we were getting back to in-person meetings, the Delta virus came and hit hard. Fortunately, we were getting used to Zoom, so back to Zoom we went. Mary Calleja helped and the Zoom meetings went well. After a couple of Sydney investor forums, we were back to the webinars. They have been a great success with some rather impressive attendances. Because they are not restricted to Sydney, we had many interstate attendees to increase the numbers. Thanks to Michael O'Loughlan for running the Investor Forum. We hope to have our first meeting at the Mechanics Institute on 17 February 2022

Killara is back to in-person meetings and Concord has also met. Although the regional investor groups have continued to have their meetings in-person, we look forward to most getting back to normal.

Membership has been slightly positive during the year, but it would be nice if it was strongly positive. When I call all new members, it's interesting to note their varying backgrounds. Some have been members in the past and have re-joined as they approach retirement. As at 30 September, we had 1,626 members in NSW.

We have had a few members join the NSW committee. John Cowling agreed to look after membership after he finished as CEO. Keith Ready joined and has taken on the secretarial duties. Thanks to both.

It has been a busy time for the monitors with lots of AGMs and no shortage of interest. The monitors do a great job, put in a huge amount of work, and don't get a lot of thanks for it. They are, however, one of the more important parts of ASA and enable us to get publicity. A few strikes help!

The NSW committee took it on themselves to look at a policy for ASA on ESG. We did not want to state a policy, but we did want to look at the diverse views of ASA's members with a view to assisting the policy committee in formulating ASA's policy.

The NSW Christmas lunch is planned for Friday 10 December at the Castlereagh Boutique Hotel. The guest speaker is Emma Kirk from Airlie Funds Management. It will be great to catch up in-person.

Our thanks to Mary for all her work with our member groups and her good humour. We wish her luck in her new role at Centuria Funds Management. Francesca will take over Mary's role of supporting member meetings.

My compliments of the season for Christmas and the New Year to you and your families.

QLD Report

By Steven Mabb,
State Chair and Board Director

In 2021, we have been fortunate in Queensland to have been spared most of the lockdown restrictions our fellow members further south have endured. Our thoughts have gone out to all those doing it tough through the ongoing effects of COVID-19.

We have moved back to fairly normal operations with all our member discussion groups back up and running. Alison in Brisbane, Jill in Toowoomba, Don on the Sunshine Coast and Michael on the Gold Coast have all done a great job to help us restart meetings and ensure we had a strong list of speakers to educate and entertain us. A big thanks to their support teams as well. I know members who attend really appreciate and value these meetings.

We continued our monthly Queensland wide Zoom calls throughout the year. This initiative started during lockdowns and has maintained its popularity since then. Most months, around 30 members join to hear a short presentation from an investment expert and discuss and share ideas with other members.

Our monitoring team has again done a great job covering all companies based in Queensland that represent the biggest holdings and interest to members. Many thanks to Kelly and the dedicated and terrific volunteers who undertake this important monitoring work on behalf of members and retail shareholders.

We also thank our wonderful staff in Sydney for your support and in particular, John Cowling. John is a very smart investor who I have learned many things from. He did a great job stepping into the role at short notice and holding things together through a very difficult period, while we found our excellent new CEO, Rachel Waterhouse.

So, what's next?

The total number of members in Queensland and people attending meetings has remained pretty consistent over the past couple of years. While that is great, the reality is that we are still a small group relative to other active investors in Australia today. Almost all working age adults in Australia are investors, whether they realise it or not, given our great superannuation system. According to the latest ASX investor study, more than six million Australians hold listed investments outside of super and almost one million new investors have entered this market in the past couple of years. So, the truth is we are only helping a very small percentage of the number of retail shareholders out there today.

My personal belief is that ASA represents fantastic value for retail investors and is a "must have" if you are investing your own money, especially in the stock market. There is no other source of truly independent and focused education and support in Australia as beneficial to the regular retail investor. Plus, no one else is standing up and advocating on your behalf with companies, regulators, and government better than ASA today. Historically, the stock market has been a wonderful vehicle for compounding wealth, but it is a zero-sum game and those that are better informed have a better chance in my opinion.

This is a challenge your board and management team are working hard on. How do we keep doing what we do well that current members value, while also broadening our appeal and reach to many more retail investors who have not discovered us yet. It's

SA Report

By Brad Martin, SA State Chair

In a year of living in interesting times, South Australia has survived relatively unscathed by COVID-19 with a couple of notable exceptions that has had an impact on our activities.

We are now going to transition from a COVID-zero policy to one of living with COVID-19. While we have been one of the safest places to live, some members have chosen to remain at home rather than risk being with people. Given our membership base, that is understandable.

Des has done a remarkable job with investor hour given that COVID-19 has worked both for and against us. Some of our speakers were not allowed to travel out of the state and closed borders created a problem with getting speakers into Adelaide from interstate. We did lose a meeting due to the "Woodville Pizza Bar" outbreak that had the state locked down for a week.

Sam ran our industrials meeting this year and has decided to hand the role to someone else for next year.

Don took over our resources meeting this year and put his own slant on it.

After a setback thanks to the Woodville Pizza Bar, Ian got us a tour of Magill Estate, home of the famous Grange Hermitage, with lunch at the Tower Hotel. Both are part of ASX listed companies. While we were small in number, it was a start. Micro X has attracted 38 of us for a visit after it gave us a presentation at an investor hour with some of our members choosing to invest in the company. Ian is currently getting dancing lessons, but I am not sure if our Christmas function will be his time to show off his new skills.

In what has been a difficult year for him, Bob has had to be less hands on with monitoring this current season. We have recruited new members and look forward to companies returning to face-to-face meetings as soon as possible with hybrid meetings providing the best of both worlds going forward.

The committee, in its wisdom, decided I should remain as chair and someone else decided we should take over a business that is open 11 hours a day for 7 days a week. I think we have reached the point of acceptance that lunch lasts till 3 pm on a Wednesday. Our members are a social bunch. I wish we could convert more of the silent majority to be active members.

On the companies front, Ed Peter has outspent me by buying up hotels for his unlisted Duxton Hotels. Kangaroo Island has been in the news for all the wrong reasons with its proposed port having been blocked and resulting government inquiry.

CONTINUED - QLD REPORT

a significant challenge, but a very worthy one. I welcome your suggestions and support on how we can spread the news about the gem that is ASA.

I hope everyone has a Merry Christmas, a great 2022 and is reunited with friends and family they may not have seen enough of over the past year or so.

VIC Report

By Christine Haydon, VIC State Chair

Our state committee has held three meetings this year, all on Zoom, and is looking forward to actual meetings next year. Melbourne holds the record for being locked down for 262 days. Fortunately, our convenors in the country have been able to continue with face-to-face meetings with some exceptions.

Given the limitations, our convenors have done a sterling job in moving to the Zoom environment.

Guest speakers included Roger Montgomery at Albury Wodonga, sadly not in person as anticipated. Davern White from Morgan Stanley was a guest at Bendigo and very fortunately, Ballarat had a face-to-face with Rudy Filapek-Vandyck while Remo Greco appeared at Geelong. Some of our country meetings were impacted by lockdown rules in August, September and October and everyone is looking forward to the opportunity of getting together for a November/Christmas type meeting.

In Melbourne, some of our meetings were held physically from February until June depending on the location. Monash, for example, was unable to take place because of the attendance rules at the local library, whereas golf clubs, hotels and community hall areas worked with the convenors to ensure a safe meeting space. We have all been back on Zoom since July. But our convenors showed great enterprise by coming up with discussion topics rather than guest speakers. Some of those topics included investing in companies associated with the production and sale of food, COVID-19 advantaged stocks, climate strategies, mergers and acquisitions, utility shares and health stocks.

Other more personalised topics included "best" investments, SMSF platform costs, "sophisticated investor", sources or unbiased information, EOFY selling decisions, rebalancing, the psychology of selling and the top 50 "gross yielding" companies. Members were happy to nominate topics and participate in regular discussions.

Graham Neal (Melbourne evening) provided an excellent talk on LICs versus ETFs. Bill Grint (Hawthorn) spoke about healthcare and technology stocks and Bill Radley (Batemans Bay) presented on electric vehicles and lithium. Although Bill was not able to be on Zoom, Graham Neal and Gill Fryatt (Ballarat) stepped up and displayed the PowerPoint presentation. The Mornington Peninsula group had a presentation from Sean Fenton of Sage Capital while the Kingston group continued with its annual share tipping competition.

The Melbourne Forum continued online for a period of time, welcoming ASA members throughout Australia who were able to join us. Our speakers included Fanoula Stathatos (Clime Private Wealth), Jacqui Fernley (JB Were), Robin Bowerman (Vanguard), Shane Oliver (AMP Capital) and Evan Lucas (InvestSMART). They were all engaging and happily answered our members' many questions.

Our monitors – co-chairs of John Whittington and Mike Robey, together with Mike Muntisov – have consistently provided excellent leadership, support, and training to their team of 31 monitors. With the main monitoring season of the 64 AGMs of Victoria/Tasmania-based companies well underway, we attended 20 as monitors and 20 as proxy collectors. In recent years, we have been appearing in much larger numbers at AGMs which sends the message that ASA is watching and will highlight poor governance, transparency, or fairness to retail shareholders. Victoria has been trialling a new voting intentions format and AGM reports. We also have become familiar with the Lumi platform and have learnt how to ask live questions using the Lumi Virtual Microphone. Sadly, during the year one of our senior monitors died. He had a long association with ASA and contributed significantly, particularly with his understanding of companies, often finding issues and traps others would not necessarily notice. Vale - Gavin Morton.

WA Report

By Geoff Sherwin,
WA State Chair with input from the WA management team

We in the West have been extremely fortunate during COVID-19, having had no recorded community-based infections for most of the year. As a result, our various activities have mostly proceeded as scheduled. Only the regular members' and Investor Forum were cancelled because of a couple of short, sharp lockdowns. The tyranny of distance, ranking Perth as the world's most isolated major city, gives WA some measure of protection from external threats, such as COVID-19.

The controversial hard border policy imposed by our state government on much of the rest of the country also helps but is under pressure from many quarters as much of the rest of Australia opens up. However, we do realise our fortunate position could change overnight.

Our main members' and Investor Forum monthly meetings at Perth's State Library have managed to maintain reasonable attendances and have almost returned to pre-COVID-19 levels. Due to the state border closure, we have had to provide speakers from our local WA pool. This has provided some difficulties as companies have their own COVID-19 protocols to follow. We did, nonetheless, have excellent presentations by executives from a host of companies.

The members' meetings have given rise to many in-house productions, with Perth-based members putting together interesting presentations. These included such topics as Federal budget analysis, COVID-19 impact study on local markets, and national energy policies.

The WA economy has done remarkably well this year, mainly due to the China-driven iron ore demand. This has created a similar situation to that which followed the GFC 10 years ago, resulting in royalties pouring into the WA Government's coffers. The state budget surplus recently handed down was a record, being over $5 billion.

In terms of listed company stocks in the West, it's mostly about resources, either producers or mining services providers. Fortescue Metals has enjoyed a record profit on the back of the iron ore price. The gold price settled into a profitable price range after the more exciting activities of 2020. Lithium showed signs of a price resurgence following increased battery investment worldwide. Perth-based Woodside Petroleum has been in the news after taking on the oil and gas division of BHP by means of a share swap. This may prove to fortuitous due to the big increase in energy consumption following the substantial lift in economic activity as the world attempts to live with the Delta strain of COVID-19 without locking economies down.

Wesfarmers, our local conglomerate, prospered via Bunnings and Officeworks because of the increased demand as customers spent more time working, learning, and doing projects at home. The company also returned to M&A activity by bidding for the pharmaceutical company API.

Looking forward, it's easy to feel optimistic about the near future here, even if the well-publicised WA hard border threatens to delay normal movement of the labour needed to meet demand. Tourism will remain heavily restrained as long as that hard border exists, but there's a feel that our government will eventually feel enough pressure to re-join the world.

CONTINUED - VIC REPORT

Victorian members will miss our support from Mary Calleja. She was certainly part of our team and we wish her well for the future. Thank you Mary for all your help. In closing, I thank all our Victorian members who have participated throughout these challenging times and wish everyone all the very best as we look forward to getting together in 2022.