Selector High Conviction Equity Fund Quarterly Newsletter No.72

June 2021

In this quarterly edition, we review performance and attribution and provide an overview of our recent and timely trip to Melbourne.

We discuss a “New” James Hardie and we review a recent portfolio inclusion, Medical Developments International.

We highlight the importance of compounding and biodiversity. Finally, we outline our own journey to becoming, a carbon negative business, since inception.

Photo. Generation alpha are children of Millennials, they usher in positive momentum in science and technology. Henry, first grandson in the Selector team family network.

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Selector is a Sydney based fund manager. Our team combines deep experience in financial markets with diversity of background and thought. We believe in long-term wealth creation and building lasting relationships with our investors.

We focus on stock selection, the funds are high conviction, concentrated and index unaware. As a result, the portfolios have low turnover and produce tax effective returns. Our ongoing focus on culture and financial sustainability lends itself to strong ESG outcomes.

Selector has a 16-year track record of outperformance and we continue to seek businesses with leadership qualities, run by competent management teams, underpinned by strong balance sheets and with a focus on capital management.

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IN BRIEF – JUNE QUARTER

Dear Investor,

Policymakers have been left with a real conundrum. What to do with current record low interest rate settings at a time of strong economic growth, that is stoking inflationary pressures across a cohort of input costs.

Almost everything about the 2021 financial year has wrong footed and surprised global government officials and investors. COVID-19 has wreaked havoc, damaged economies and required fiscal and monetary intervention on a scale never before seen.

It seems clear that the global financial crisis of 2008, provided a guiding light to what government officials deemed the correct course of action during a time of crisis. They stepped in immediately, throwing enormous amounts of capital into their respective monetary systems and subsequently backed that up with long duration fiscal intervention. The consequences of these actions will result in annual government budgets remaining in deficit for as long as one can sensibly model.

Historically, central bankers anchored their policy settings around inflation levels staying within a tolerable range. While this remains a key consideration, the primary focus has shifted to the pursuit of economic recovery and full employment. This is an outcomes-based approach rather than the traditional forecast-based policy.

Having pledged to keep rates low, U.S. Federal Reserve Chairman Jerome Powell insisted that near zero Fed rates would be maintained until the economy reached *"maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time".*

In the back half of June, however, this sentiment shifted gears, with Powell noting that economic growth had been revised to 7% from the prior 6.5% March forecast. *"The economy is growing at a very healthy rate. Since March, people have grown more confident that these strong outcomes will be achieved."*

The Federal Reserve officials are now signalling a possible rate rise in 2022, followed by a further rise in 2023.

Our own Reserve Bank confirmed in early February that they *"will not increase the cash rate until actual inflation is sustainably within the 2 to 3 per cent target range. For this to occur, wages growth will have to be materially higher than it is currently. This will require significant gains in employment and a return to a tight labour market. The Board does not expect these conditions to be met until 2024 at the earliest."*

While this plays out, over in the real world things are going gangbusters. Shortages of supply, pent up consumer demand, massive infrastructure spend and the world returning to a degree of commercial normality is testing the limits of inflation tolerance. The world, in short, has been turned upside down and any economic reasoning applied to determining the longer-term consequences, will require some time to pass.

All this now leads to the one topic dominating market discussions; will the U.S. Federal Reserve move to lift rates, despite earlier commitments to hold off, or have they left their run late, based on the inflation numbers now coming through.

Here, it is important to consider the role of debt.

We turn to Ray Dalio, founder of Bridgewater Associates, who offers a thoughtful perspective on the topic.

"Debt is a near term stimulant and a long-term depressant. Over cycles there is a tendency for stimulation to be used more and more, and as debt as a percentage of GDP continues to rise and in order to alleviate that, interest rates have to keep coming down so that the cost of servicing the debt keeps coming down. So since really 1980-1982 every cyclical peak and trough in interest rates was below the one before, until you hit a zero interest rate. And then when you hit a zero interest rate you can't do that anymore. So, then there is the need to print money and finance the debt. So, the last time we started doing that was 2008 and the last time before that was 1933, so there's that debt cycle."

So, the conundrum for all governments is debt. How do you lift interest rates while keeping the serviceability of debt under control, especially with a growing government debt pile? It might be sensible to move on rates, but is it realistic considering that any loss in economic momentum will directly impact government revenues and exacerbate the overall budget position?

The brutal truth is governments have lacked the conviction to allow economies to deal with excesses. Rather it has chosen an alternative path, one where we are now limited in choices unless we tackle the consequences head on, a most unlikely scenario.

The nub of the issue is that governments and central bankers like to meddle in things, believing their actions are positive and for the good of all. Far better that they establish a consistent monetary setting where all players know the rules, than one that leads to excessive behavioural outcomes, both on the up and down.

These point in time events obviously impact investor sentiment and cause market disruption, but they do not derail businesses that have a purpose, a balance sheet and a management team that are focused with a unique or differentiated offering.

What is also abundantly clear, is the local markets obsession to define the current investing environment as something of a “value” verse “growth” choice, when clearly this is not the case.

The so-called investment rotation out of “growth”, as labelled by some in the community, is in stark contrast to offshore competitors that have correctly identified the latent “value” inherent in these globally valuable organisations.

During the past quarter, we witnessed a number of these offshore operators lobbing multibillion dollar bids with the aim of acquiring a host of businesses’ covering the financial and technology sectors.

These have included listed players Hansen Technologies, Altium and Mainstream Group Holdings, alongside unlisted businesses, such as MessageMedia.

Dalio also offered insight to asset allocation, *“don’t be in cash, bonds will be a bad investment I believe”* and further, *“Whoever wins technology, wins not only an economic race, it wins a military race.”*

The Australian share market, as measured by the All-Ordinaries Index, ended the year up 26.4%, finishing at 7,585, after having hit record territory during June.

In this quarterly edition we touch on a range of topics.

Our opening piece, “Slimming down 2021 style”, discusses the importance of having a winning culture. We follow this up with updates on businesses held within our portfolio. The first, “A New James Hardie”, looks at how a long-held portfolio business is redefining its own corporate purpose.

Shifting gears, we provide an initiation report on a healthcare stock that we introduced into our portfolio some time ago. We touch on Artificial Intelligence (AI) and the role of compounding. We also look at several businesses that we consider uninvestable, based on governance and biodiversity issues. We round this out with an innovative technology leading to improved environmental outcomes.

Finally, after a long period of travel absence, in our article “Moving Again” we take you around the grounds of several Victorian based businesses following our trip down south.

For the June quarter, the Portfolio recorded a gross positive return of **16.92%** compared to the S&P ASX All Ordinaries Accumulation Index, which posted a gain of **8.66%.**

For the financial year, the Portfolio delivered a gross positive return of **32.63%** compared to the Index, which posted a gain of **30.24%**.

We trust you find the report informative.

Regards,

Selector Investment Team

It is often missed why having the right mindset is critical in business. It sets the agenda, the strategy and all things that flow. Ultimately, it determines whether a business has a chance to survive.

"To play merely to participate is self defeating. It is a recipe for mediocrity. Winning is what matters and it is the ultimate criterion of a successful strategy."

Some may suggest this approach is very narrow in its thinking, with limited outcomes as a result. If you consider the following comment however, it becomes apparent why a winning strategy, and mindset, is indeed critical.

"Winning is worthwhile, a significant proportion and often disproportionate share of industry value creation accrues to the industry leader. But winning is also hard. It takes hard choices, dedicated efforts and substantial investment. Lots of companies try to win and still can't do it. So imagine, then, the likelihood of winning without explicitly setting out to do so. When a company sets out to participate, rather than win, it will inevitably fail to make the tough choices and the significant investments that would make winning even a remote possibility. A too-modest aspiration is far more dangerous than a too-lofty one. Too many companies eventually die a death of modest aspirations."

Alan G Lafley and Roger Martin
Authors of 'Playing to Win'

PORTFOLIO OVERVIEW

Table 1: Performance as at 30 June 2021*

	3 Month	6 Month	1 Year	3 Year	5 Year	10 Year	15 year	Since Inception
Fund (net of fees)	16.47	13.78	30.46	13.02	16.52	16.84	9.42	11.75
Fund (gross of fees)	16.92	14.69	32.63	15.17	18.69	19.01	11.42	13.87
All Ords. Acc. Index	8.66	12.58	30.24	10.30	11.54	9.40	7.09	8.64
Difference (gross of fees)	8.26	2.11	2.39	4.87	7.15	9.61	4.33	5.23

Inception Date: 30/10/2004

**Performance figures are historical percentages. Returns are annualised and assume the reinvestment of all distributions.*

Graph 1: Gross value of $100,000 invested since inception

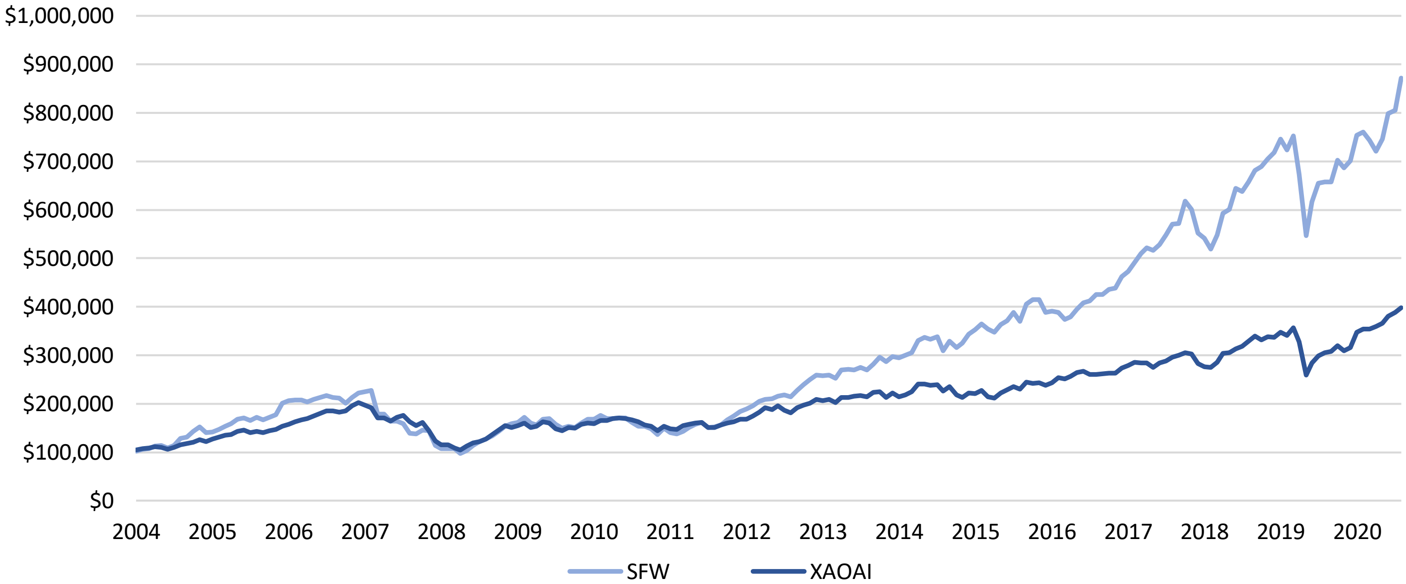


Table 2: Fund's Top 10 Holdings

Top 10 June 2021	%	Top 10 March 2021	%
Domino's Pizza Enterprises	6.64	Domino's Pizza Enterprises	6.68
Reece	5.81	James Hardie Industries	6.39
James Hardie Industries	5.74	Aristocrat Leisure	5.69
Aristocrat Leisure	5.68	Reece	5.50
ResMed	4.63	TechnologyOne	4.97
Cochlear	4.53	SEEK	4.68
carsales.com	4.52	Cochlear	4.48
SEEK	4.39	ResMed	4.21
Altium	4.37	carsales.com	3.79
TechnologyOne	4.20	CSL	3.74
Total	**50.51**	**Total**	**50.13**

Table 3: Unit prices as at 30 June 2021**

Unit Prices	Entry Price	Mid Price	Exit Price
	$3.6780	$3.6688	$3.6596

**There was no cash distribution recorded for FY21. Non-cash distributions including franking credits of 1.25c per unit were made for the year.

Selector employs a high conviction, index unaware, stock selection investment strategy. The Fund's top 10 positions usually represent a high percentage of its equity exposure. Current and past portfolio composition has historically been very unlike that of your average "*run-of-the-mill index hugging*" fund manager. Our goal remains focused on truly differentiated broad-cap businesses rather than the closet index hugging portfolios offered by most large fund managers.

Table 4: ASX sector performance – June 2021 quarter

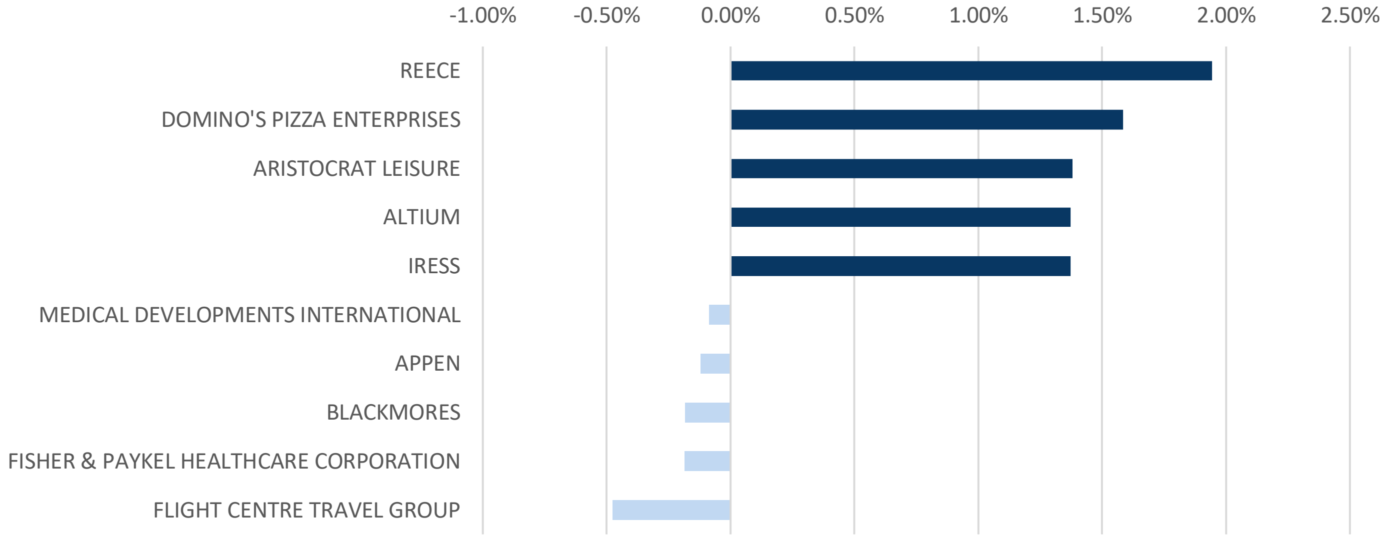
S&P ASX Industry Sectors	Quarter Performance (%)
Information Technology	12.11
Consumer Discretionary	11.09
Telecommunications	10.59
Healthcare	9.02
A-REITS	8.94
Materials	8.86
Financials	7.47
Industrials	5.78
Consumer Staples	5.13
Energy	(2.88)
Utilities	(5.83)

Table 5: Fund's industry weightings

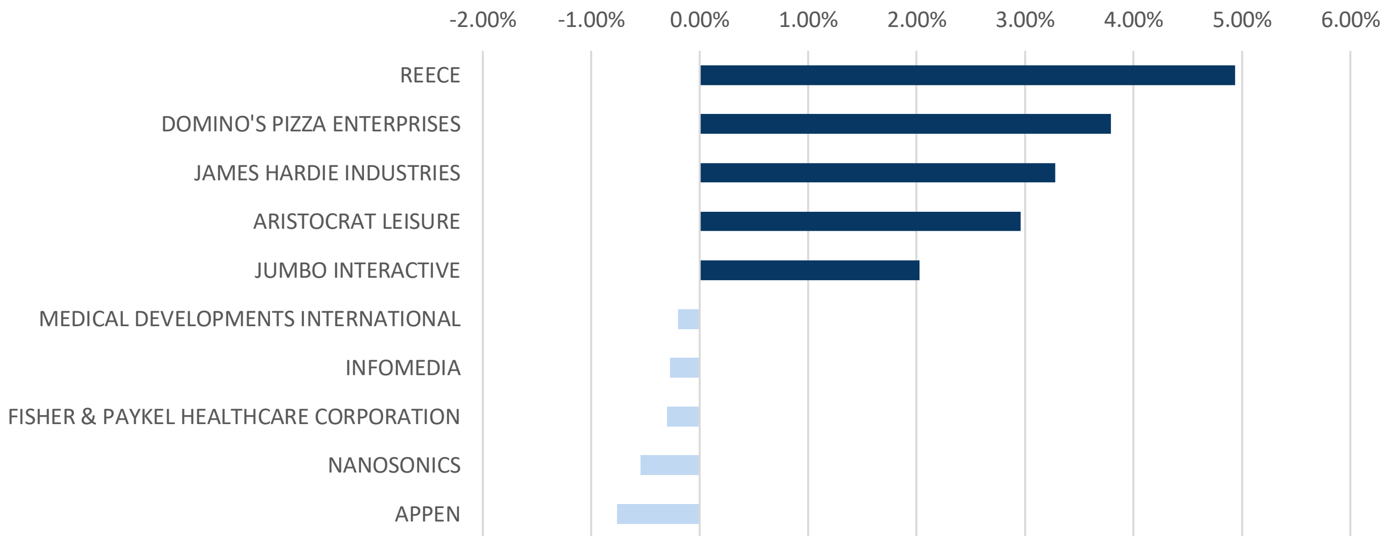
Industry group	June 2021 (%)	March 2021 (%)
Software & Services	23.89	22.84
Consumer Services	17.80	18.21
Health Care Equipment & Services	15.44	14.29
Media & Entertainment	10.29	9.84
Capital Goods	8.98	8.68
Materials	5.74	6.39
Diversified Financials	4.63	4.48
Pharmaceuticals, Biotech & Life Sciences	4.24	4.16
Insurance	2.52	2.13
Automobiles & Components	2.25	2.12
Household & Personal Products	1.94	2.49
Consumer Durables & Apparel	1.34	1.42
Cash & Other	0.95	2.93

PORTFOLIO CONTRIBUTORS

Graph 2: Contributors and Detractors – June 2021 quarter



Graph 3: Contributors and Detractors – June 2021 financial year



Top quarterly contributors

1. Reece (ASX:REH)

Leading plumbing group Reece did not release any material announcements during the quarter. We note housing conditions remain robust in Reece's key markets of Australia, New Zealand and the U.S. as underlying demand far outweighs supply. Building approvals have also reached unprecedented levels. Reece should be a key beneficiary as a supplier of bathroom and plumbing products for the new home as well as the repair and remodel markets.

Financially, the pre-emptive and decisive $642m capital raising in April 2020 has reduced corporate net debt to $611m. This is under 1x net debt to EBITDA when leases are excluded, providing management with ample operational flexibility during these uncertain times.

Reece has a market capitalisation of $15.2b.

2. Domino's Pizza Enterprises (ASX:DMP)

In June, Domino's Pizza Enterprises announced a binding agreement to enter Taiwan, its 10th market, through the acquisition of Domino's Taiwan. At present, Domino's Taiwan operates 157 stores, of which 138 are franchised, making it the second largest pizza chain in the region (after Pizza Hut). Domino's is acquiring the business for $79m, to be funded from existing cash and debt facilities. The transaction is expected to be 2% earnings per share (eps) accretive on a FY2020 pro-forma basis excluding integration, reorganisation, and transaction costs.

The acquisition represents a strategically important addition, and along with the Japanese operations, the newly renamed 'Asia' division will be led by executive Josh Kilimnik. Longer term, Domino's is targeting a 400+ store footprint and leadership in the local market. The group is expecting an uplift in performance as Taiwan adopts the learnings from its Japanese enterprise across marketing and operations.

Domino's Pizza Enterprises has a market capitalisation of $9.9b and net debt of $377m.

3. Aristocrat Leisure (ASX:ALL)

In May, leading global gaming operator Aristocrat Leisure reported a high quality first half 2021 result, marked by strong performances in both land based and digital gaming operations. In this disrupted period there was pleasing consistency to the group's people and customer first approach and the ongoing investment into the core areas of technology and content. Aristocrat's momentum, as the world reopens, is clearly industry leading, as we highlight below.

Aristocrat reported operating revenue of $2,230m, down 1% on the prior comparable period. Prudent control of costs enabled a 6% increase in EBITDA to $708m while margins expanded to 33.7%, up 230 basis points. Importantly, fully expensed Design and Development spend of $243m for the half is industry leading.

In the land-based slots business, Aristocrat improved on its market leading cabinet performance, delivering 17 of the top 25 leased games according to the latest Eilers and Krejcik's industry survey. In the gaming operations business, the group's installed base of 50,554 machines, comprising of both Class II and Class III units, earned a fee per day of US$54.69 per participation unit, based on actual operating days across North America.

Management noted that this performance was a function of industry leading content and customer service. In the year that the industry was brought to its knees by COVID-19 closures, Aristocrat was named the best overall supplier of slot content at the annual EKG Slot Awards. At period end, approximately 93% of Class II and 80% of Class III Aristocrat machines were active in North America, compared to 80% in the general marketplace.

In Digital, the group reported bookings of US$899m up 29%, delivering Aristocrat a Top 5 mobile games ranking in Tier 1 western markets, defined as United States, United Kingdom, Canada, France, Germany, and Australia. This is an important milestone as the top players invariably attract the best new design talent. We believe the decision to enhance "in game" features alongside new content drove the market share gains in each category segment, leading to a 52% increase in divisional profit to US$301m.

Leading Role-Playing Game (RPG) RAID: Shadow Legends moved into profit for the first time and contributed US$230m of bookings for the half. Likewise, EverMerge, operating in the Social Casual genre, continued to scale, becoming the group's third game within the digital portfolio to reach over US$100m of annualised bookings. This is the long awaited first tangible success from the 2017 US$990M Big Fish acquisition. While M&A has been a strong driver for Aristocrat in both land and digital, we see this as an important validation of the process. Too often in business the outcome of M&A is restructure, walk away and move on.

Aristocrat's strategy to target higher quality users (players) continued, with Daily Active Users consolidating by 8.2% to 6.7m, whilst Average Bookings Per Daily Active Users (ABPDAU) increased 44% to US$0.72. Management also noted the pipeline of new releases, with three games in soft launch to target the Action, Social Casino and Strategy genres.

Overall, Aristocrat's strategy to increase recurring earnings continues, currently representing 80% of total profits, with the land and digital segments respectively contributing 46% and 54% of first half revenues. Further, the ability to leverage each operation's content is showing promise with 125 new slot contents from the land-based business added to the group's digital content while the opposite is also true. We believe this underscores the latency that sits within the business.

Ultimately, Aristocrat views itself as a technology company. A technology company aims to write code (games and animation in this instance) once and deliver it to many platforms. Tighter business integration and greater use of technology is required to achieve this. We believe Aristocrat has the balance sheet and mindset to continue this evolution and to lead the industry.

In terms of capital management, prudent cost controls have allowed Aristocrat to strengthen its balance sheet position with net debt to EBITDA reducing from 1.4x to 1.2x. While the group's liquidity position sitting above $2b, reflects prudent management, it has come at the cost of a significantly higher interest bill. The fully drawn Term B facility, now sitting in cash, can be renegotiated after year 1. In our view, this interest burden, short-term in nature, is greatly preferred to potential long-term dilution that a crisis like COVID can deliver.

Aristocrat Leisure has a current market capitalisation of $27.0b and net debt of $1.3b.

4. Altium (ASX:ALU)

Over recent months, Australian listed businesses, operating in the technology and financial services sectors have been on the receiving end of offshore corporate interest. Electronic printed circuit board (PCB) designer Altium was the target of an unsolicited offer from U.S. based software competitor Autodesk. The proposed cash bid of $38.50 per share valued Altium at $5b.

Despite the bid representing a 41% premium to its last traded price, Altium's Board rejected the proposal, believing it significantly undervalued the company. CEO, Executive Director and major shareholder Aram Mirkazemi explained, *"Altium software and cloud services provide the unique bridges that connect the product design world to electronic design and, subsequently, to the electronic supply chain and the manufacturing of electronics products"*. He continued, *"any M&A activity by a single strategic partner would, in my view, need to include a significant premium in recognition of the scarcity of this asset and the opportunity cost for shareholder value creation foregone with other strategic partners."*

Despite confirming revenue would likely be at the low end of the US$190m to US$195m guidance range for FY21, management remains firmly committed to its aspirational 2025 goals of US$500m in revenue and 100,000 subscribers.

Altium has a current market capitalisation of $4.8b.

5. Iress (ASX:IRE)

During June, Iress responded publicly to media speculation regarding possible corporate interest. Having already commenced a comprehensive Board-led review of its operations, focused specifically on accelerating earnings per share growth, Iress reinforced *"the quality of [the company's] recurring revenue, the strength of its targeted growth strategies and its significant addressable markets and revenue pathways".* In addition, the Board confirmed the possible divestment of its U.K. Mortgage Sales & Origination software business, acknowledging that a different owner may be better placed to manage the business into the future.

Iress has a current market capitalisation of $2.5b.

Bottom quarterly contributors

1. Flight Centre Travel Group (ASX:FLT)

With international and domestic borders in a state of flux, Flight Centre Travel Group's near-term focus has been on maintaining its core business for re-opening once restrictions are eased. In particular, the group announced a new staff retention initiative aimed at retaining individuals who are integral to Flight Centre's recovery efforts.

To align these individuals while preserving cash, Flight Centre has decided to provide a one-off grant of 250 share rights to approximately 7,500 staff. These rights will vest in February 2023 which is dependent on the holder meeting the program's continuous employment condition. As a result, 1.9m shares are expected to be issued at a non-cash cost of around $30m.

CEO Graham Turner notes the importance of this program as a *"material investment in the people who are integral to both our recovery and our future success…this new program gives our people a stronger degree of ownership of our company and thereby strengthens the ties between their interests and those of our other shareholders in the mid to long-term."*

Flight Centre Travel Group has a current market capitalisation of $3.8b.

2. Fisher & Paykel Healthcare Corporation (ASX:FPH)

Leading respiratory care group Fisher & Paykel Healthcare reported exceptional growth over FY21, albeit a modest miss to market expectations. The primary driver of this result was the Hospital segment which grew 87% as nasal high flow oxygen therapy devices became widely adopted for treating patients with COVID-19. As a result, group revenue increased 56% to NZ$1.97b with net profits after tax rising 82% to NZ$524m.

The operational feat of driving this level of annual growth despite supply chain disruptions and physical distancing requirements should not be overlooked. For some hospital products, Fisher & Paykel lifted production sixfold with output of hospital consumables doubling. This required recruitment and training of 1,800 new staff over a tumultuous period.

The company has increased its dividend to NZ$0.22 per share, bringing the total annual dividend to NZ$0.38, an increase of 38%. Due to ongoing uncertainty, the company has refrained from providing guidance for 2022.

Fisher & Paykel Healthcare has a current market capitalisation of $16.2b and net cash of NZ$303m.

3. Blackmores (ASX:BKL)

In April, complementary vitamins and dietary supplements manufacturer Blackmores held a shareholder briefing to detail the business transformation underway. After 18 months of rebuilding the foundations of the business and simplifying operations, Blackmores will continue to invest in digital capabilities and supply chain efficiencies. It will also pursue strategic M&A opportunities.

These actions are necessary to offset an estimated sales headwind of $200m in ANZ. Challenges include travel restrictions reducing the Chinese daigou sales channel, a softer flu season, and competitor discounting in a concentrated marketplace.

Blackmores has a current market capitalisation of $1.4b.

4. Appen (ASX:APX)

Leading provider of labelled data for Artificial Intelligence (AI) and Machine Learning (ML) development Appen, had an eventful May to say the least. The month included a presentation at the Macquarie Conference, a Business and Trading Update, the Annual Technology Day and the company's Annual General Meeting.

At the Macquarie conference Appen failed to reiterate earnings guidance provided at the full year result, resulting in investors assuming this was no longer valid and a plus 20% share price selloff ensured. In the subsequent Business and Trading Update, guidance was indeed reiterated.

The company also addressed its transition from a service to product led organisation with a customer centric focus. The 2019 acquisition of Figure Eight, an annotation platform, provided the catalyst for this change. The transaction also drove a significant uplift in engineering investment.

Under this strategic shift, Appen has restructured its selling motion into four new customer facing units. This includes the traditional Global, and the newly established Enterprise, China and Government, with the latter three representing higher growth segments and with revenues more recurring in nature. CEO Mark Brayan explains that the product led approach can *"unlock new markets, drive growth and deliver high-quality training data, faster, at larger scale and with improved unit economics."*

The Global business, which services the largest technology customers, will focus on deepening and expanding the existing long-standing relationships. This division is expected to deliver solid earnings growth which will be used to fund the other emerging verticals. Importantly, management within each of these four business units will have profit & loss (P&L) responsibilities and be accountable for their respective customer groups and markets.

The segmental reporting will also reflect this product led strategy, and comprises of:

• Global services (80% revenue) - where the crowd uses the customer's annotation platform to label data. Consists of Appen's technology customers relevance projects.

• New markets (20% revenue) - data labelled on Appen's platform, as well as Enterprise, China and Government customers. This segment delivered annualised revenue growth of 41% from 1H19 to 2H20.

The new structure will be supported by four service units, namely, Product, Engineering, Crowd and Human Resources, and Corporate. Technologically led efficiencies have streamlined a range of business processes which has allowed some previous manual support and delivery roles to be discontinued. As a result, annualised gross labour costs savings of US$15m (before reinvestment) are expected to be realised in FY22.

Management also provided a trading update, noting revenue plus orders in hand in CY21 were US$260m as of April, compared to US$240m in the prior corresponding period. The business maintained its full year guidance for underlying EBITDA guidance to be US$83-US$90m.

Importantly, the company has opted to alter its reporting currency from Australian to U.S. dollars. The change is understandable as more than 90% of Appen's revenue is derived from U.S. dollars. Reporting is U.S. dollars also removes the uncertainty around foreign exchange, which allows for a simpler comparison of financial performance.

In May Appen held its Annual Technology Day and used this as an opportunity to showcase the significant progress made. Notably, Chief Technology Officer Wilson Pang presented three new products:

• Appen Intelligence - an array of machine learning models within Appen's products that empower users by improving efficiency across a range of tasks.

• Appen In-Platform Audit - a tool used to organise and analyse training data to identify quality, distribution and bias.

• Appen Mobile - a mobile version of Appen's annotation platform that provides a different means of engaging its crowd. The mobile solution opens the addressable market to mobile first countries and provides a way to readily capture and collect data.

These new products are a further illustration of the technologically driven, product led approach Appen is taking to improve overall data solution outcomes.

Appen has a market capitalisation of $1.6b. The company has cash of $78.4m and no debt.

5. Medical Developments International (ASX:MVP)

Refer to the newsletter article below.

SLIMMING DOWN 2021 STYLE

When first reading this quarterly's opening quote from the book *Playing to Win*, there is some hesitancy with the notion that *"winning is what matters and it is the ultimate criterion of a successful strategy."* On first blush it appears too harsh in its approach and lacking other qualitative metrics that are considered perhaps necessary for success.

But as you consider the words more carefully, what becomes apparent is the importance of setting a guidepost that everyone is understanding of and committed to. As the authors note, winners or industry leaders end up with a disproportionate share of the value creation. This is because the gap between first and second place is invariably large, and the spoils that come with that status are the things most individuals genuinely aspire to.

Leaders do this by investing significant sums, through concerted effort and undertaking tough choices. What appears very narrow at first is indeed a defined approach that encourages the pursuit of leadership without any restrictive endpoint.

In truth a more poignant point is, *"A too-modest aspiration is far more dangerous than a too-lofty one."*

But not all businesses enjoy the breeze behind their back. The tough choices made are usually a reflection of the industry and the pressures faced, rather than setting sail for a higher reward.

The banks are a case in point as Westpac highlighted in its recent half year result. While COVID-19 may have eased, allowing for a strong economic recovery and the accompanying write back of loss provisions, the way forward is more about cutting and simplifying rather than necessarily leading.

Westpac's CEO Peter King's approach is sensible and as he rightly points out, *"It's not like there's a magic bullet. We're just being disciplined, knowing the business, thinking about it and renovating our processes."*

The issue here is that he has no choice. The banks need to cut branches, shed staff and reinvest to digitalise processes just to stay competitive. CEO King is playing catchup, not leading.

To illustrate the point, without the accompanying provision write back, Westpac's first half core earnings would have lifted by just $20m, rather than the $702m improvement to $3.5b reported. Net margins at 2.06% were maintained, but in an environment of low interest rates and with the prospect of it staying low, his hand has been forced. As Westpac notes, *"at some point low interest rates will bite."* In fact, the margin benefits achieved in the first half are unlikely to be matched because, *"We will continue to be competitive, but we're also conscious that customers have a need for interest on their deposits. It's a trade off that we have to make between managing our margin and providing a good customer proposition."*

Mortgage brokers continue to take market share and eat away at the bank's core business of residential mortgages, while new players are also disrupting other key elements of banking, illustrative of the buy now pay later providers. The one constant is the need to invest heavily into technology and digital capabilities.

Slimming down

As such, something has to give and, in this case, it comes in the form of a slimmed down bank. CEO King has said a significant reset to the business is necessary in order to compete in this new environment. Its current cost base of $10.2b is earmarked for a hefty cut, as the bank sets a target of $8b by 2024. First up though, a significant reinvestment between $3.5b to $4b is required.

The direct impact this will have on the bank's 37,000 personnel and the expected closure of a significant number of the bank's 1,100 branch network is unlikely to endear management to customers or staff. The banks in general are unloved; Westpac's Net Promoter Score (NPS), for example, sits at negative 7.3, while its wholly owned subsidiary bank St George sits slightly better at a positive 1.9.

In contrast, shareholders were quick to approve the bank's actions and support the dividend lift. Yet one cannot help feeling that CEO King's moves while sensible, are unlikely to positively alter the trajectory of a sector under increasing competitive tension.

Table 6: Banking margin comparisons – half year results

	ANZ		Commonwealth Bank		nab		Westpac		Total ($) or average (%)	
	1H21	PCP % change	1H21	PCP % change	1H21	PCP % change	1H21	PCP % change	1H21	PCP % change
Net interest margin (%)	1.63	-5.0bps ▼	2.01	-10.0bps ▼	1.74	-4.0bps ▼	2.09	-4.0bps ▼	**1.87**	**-6.0bps** ▼
Cash earnings, post tax ($b)	2.99	+112.1 ▲	3.89	-10.8 ▼	3.34	+94.2 ▲	3.54	+257.6 ▲	**13.76**	**+62.3** ▲
Operating expense ($b)	4.48	-2.8 ▼	5.63	+8.1 ▲	3.86	-22.2 ▼	6.00	-2.9 ▼	**4.99**	**-4.7** ▼
Return on equity (%)	9.70	+530bps ▲	10.50	-180bps ▼	11.10	+480bps ▲	10.20	+730bps ▲	**10.40**	**+390bps** ▲
Cost to income (%)	53.60	+180bps ▲	47.30	+410bps ▲	46.80	-1240bps ▼	56.10	-220bps ▼	**51.00**	**-218bps** ▼
Total loans ($b)	1018.30	-11.5 ▼	1057.70	+7.9 ▲	871.6	-6.0 ▼	889.50	-8.1 ▼	**3837.00**	**-4.7** ▼
Total provisions ($b)	5.09	-8.9 ▼	6.82	+35.6 ▲	5.75	+18.8 ▲	5.48	-5.0 ▼	**23.14**	**+9.0** ▲
Impairment charges ($b)	-0.49	-129.3 ▼	0.88	+35.4 ▲	-0.13	-111.1 ▼	-0.37	-116.5 ▼	**-0.11**	**-101.9** ▼
Tier 1 capital (%)	14.30	+180.0bps ▲	15.00	+90.0bps ▲	14.01	+205.0bps ▲	14.55	+161.0bps ▲	**14.47**	**+159.0bps** ▲
Dividend payout (%)	66.60	+16.4 ▲	66.95	-11.8 ▼	59.10	+8.1 ▲	60.16	+60.16 ▲	**63.20**	**+18.2** ▲

Source: AFR 22 May 2021

As the Australian Financial Review noted in its Chanticleer comments on 4 May 2021, *"It is sobering to think that Westpac will this year earn about $6.6 billion in net profit, which is less than the $7 billion it earned in 2011. Over the same period Macquarie Group has tripled its net profit to about $3 billion."*

As the article outlined, some consider this an unfair comparison as Westpac had disposed of some profitable businesses along the way, but in general terms it has merit. Westpac's loss of residential mortgage market share coupled with the inadequacies of its technology platform leaves it exposed. Table 6 profiles the banks across a range of core financial metrics. With no further room to benefit from interest rate declines on deposits, the present path aims to focus on the three strategic goals of *"Fix, Simplify, Perform"*. This is not an easy exercise at a time when competition is fierce and cost cutting is central to the plan.

Having shown their hand, the likelihood that the other major banks would take similar actions was considered high.

ANZ Banking Group followed with its result presentation a day later, but their CEO Shayne Elliott delivered a different type of message to those that see a *"hard and fast"* cost target as the way to go. With a net margin of 1.63%, a result of long-term competitive and disruptive pressures, ANZ has less room to move than Westpac in terms of profit margin protection.

CEO Elliot's take on setting an ambition to reduce costs, rather than a hard target was steeped in past experiences.

"We're not trying to weasel out of it. If we want to get to 8 billion, we can do it-it's really not that difficult. We can just shut a bunch of things down. We can stop investments. I mean, some of our peers have said they've stopped all these investments and fine, that's how we could get there. But it's not the right thing to do. Our target is to build a better bank … that has more sustainable returns for the long term."

The ever-present danger of technological disruption is cause for consideration and the banks are slow to react, as the Economist wrote in May 2021.

"A decade or so ago, amid the wreckage of Lehman Brothers, Paul Volcker, a former head of the Federal Reserve, grumbled that banking's last useful innovation was the ATM. Since the crisis, the industry has lifted its game."

To be fair, they needed to. While other industries, like funds management or even the broking industry, have suffered from competitive margin pressures, banks have largely weathered the margin storm. Challenges remain though and the next big test could very well be in the form of digital currencies, thereby opening the industry to profound change.

Termed "govcoins", The Economist considers how the emergence of digital currencies may alter the world of finance.

"Government or central-bank digital currencies are the next step, but they come with a twist, because they would centralise power in the state rather than spread it through networks or give it to private monopolies. The idea behind them is simple. Instead of holding an account with a retail bank, you would do so direct with a central bank through an interface resembling apps such as Alipay or Venmo. Rather than writing cheques or paying

online with a card, you could use the central bank's cheap plumbing."

And why would governments even consider issuing "govcoins"?

"One motivation for governments and central banks is a fear of losing control. Today central banks harness the banking system to amplify monetary policy. If payments, deposits and loans migrate from banks into privately run digital realms, central banks will struggle to manage the economic cycle and inject funds into the system during a crisis. Unsupervised private networks could become a Wild West of fraud and privacy abuses. The other motivation is the promise of a better financial system. Ideally money provides a reliable store of value, a stable unit of account and an efficient means of payment. Today's money gets mixed marks. Uninsured depositors can suffer if banks fail, bitcoin is not widely accepted, and credit cards are expensive. Government e-currencies would score highly, since they are state-guaranteed and use a cheap, central payments hub."

In the wash up, one could well argue that rather than embarking on a "Playing to Win" strategy, the banks current cost actions are more akin to "Playing to Stay in the Game".

Compare that with global plasma leader CSL. The business has enjoyed incredible growth over the years, and we provided a snapshot into one of its units, the influenza business segment Seqirus, in our December 2020 Quarterly newsletter. COVID-19 provided the influenza business a tailwind, as unprecedented demand drove record dose vaccination numbers.

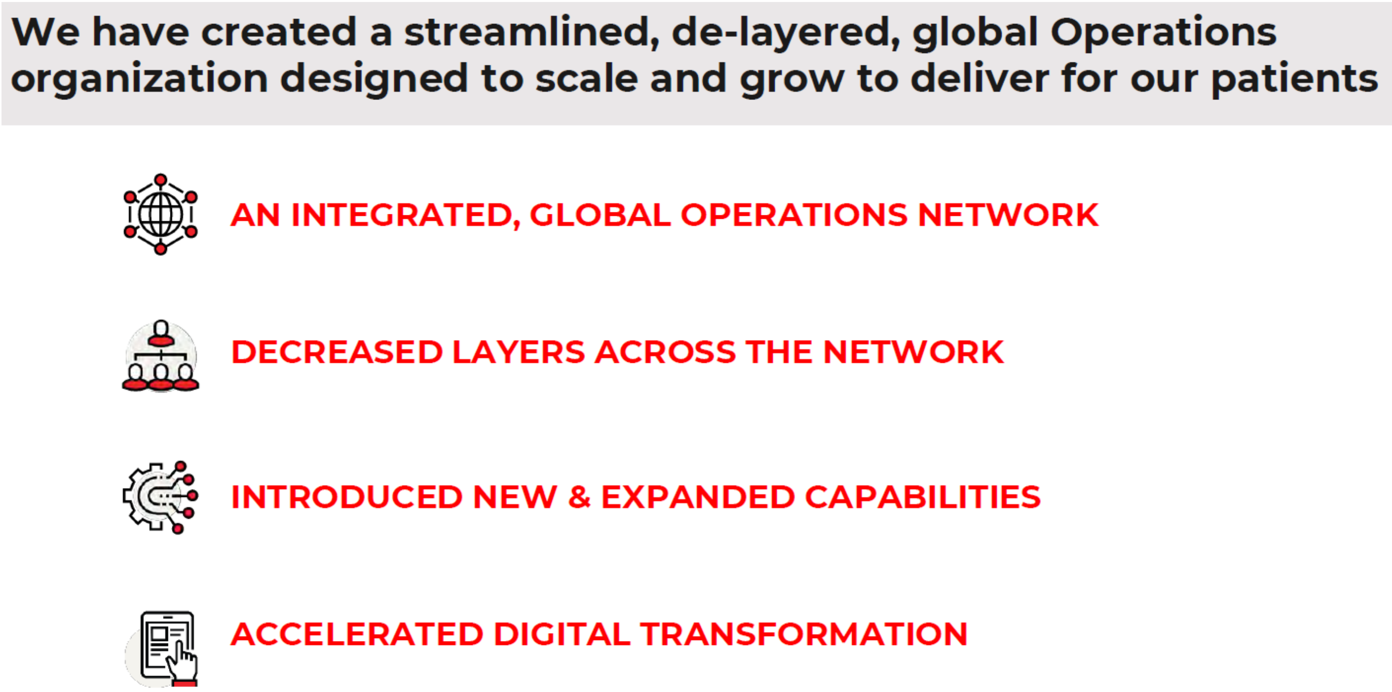
The group's flagship plasma collection business, however, has been hit with lower donor numbers and rising donor fees, principally in the U.S. operations. Lower collections will impact plasma inventory levels nine months down the track, thereby putting pressure on earnings looking out into 2022.

Beyond the near-term horizon and the challenges requiring constant daily attention, work is underway to transform the CSL business from a regional operator mindset to a globally connected network of plants and facilities.

Figure 1: CSL Operational Focus

Source: CSL Macquarie Australia Conference 2021

Figure 2: CSL Key Operational Objectives



Source: CSL Macquarie Australia Conference 2021

Under the leadership of Chief Operating Officer (COO) Paul McKenzie, who joined the organisation in 2019, the group is pushing towards its 2030 strategic objectives. The task at hand is significant and aptly termed BHAG, or "Big Hairy Audacious Goals".

It's a phase borrowed from the group's internal Broadmeadows team in Australia, but a quick search online also traces its origins to Jim Collins and Jerry Porras in their book *Built to Last: Successful Habits of Visionary Companies*.

As a global specialty biotechnology company, CSL's operation are large and diverse, with operations in over 35 countries, more than 27,000 employees and a fully expensed research and development investment of US$3.7b over the past five years.

As COO McKenzie commented in a recent investor conference, *"the scale of operations is intense" and "we are a people to people business"*. Delivering on the strategy will require a huge commitment and no door left unopened.

Figure 1 and Figure 2 above set out the key objectives. The singular focus, in simple terms, is to deliver an end-to-end, globally connected network of operations, leveraging consistent practices and manufacturing equipment across all regions. Central to this is the adoption and rollout of digital capabilities to enable real time predictive analytics.

CSL has never shirked the task at hand and while adopting BHAG might indeed seem audacious or even out of reach, its winning mindset should be applauded. ***SFM***

A 'NEW' JAMES HARDIE

As one of our significant portfolio holdings it would be remiss of us not to make some comments on building materials group, James Hardie's full year 2021 financial performance. Delivered in May, the full year performance was every bit as good as the numbers reflect.

We have written extensively on the company over many Quarterly Newsletters, including our March 2019 edition where we introduced Jack Truong, the then newly appointed CEO. Having travelled over the years to the company's U.S. and European operations, we have certainly gained a greater sense of appreciation of the business and the opportunities open to it.

That said, acknowledging one's own biases is equally important. As outsiders, we only know so much and the message delivered by the insiders, the management team, needs to be tempered. But what does not lie are the numbers and on that score, it is very impressive.

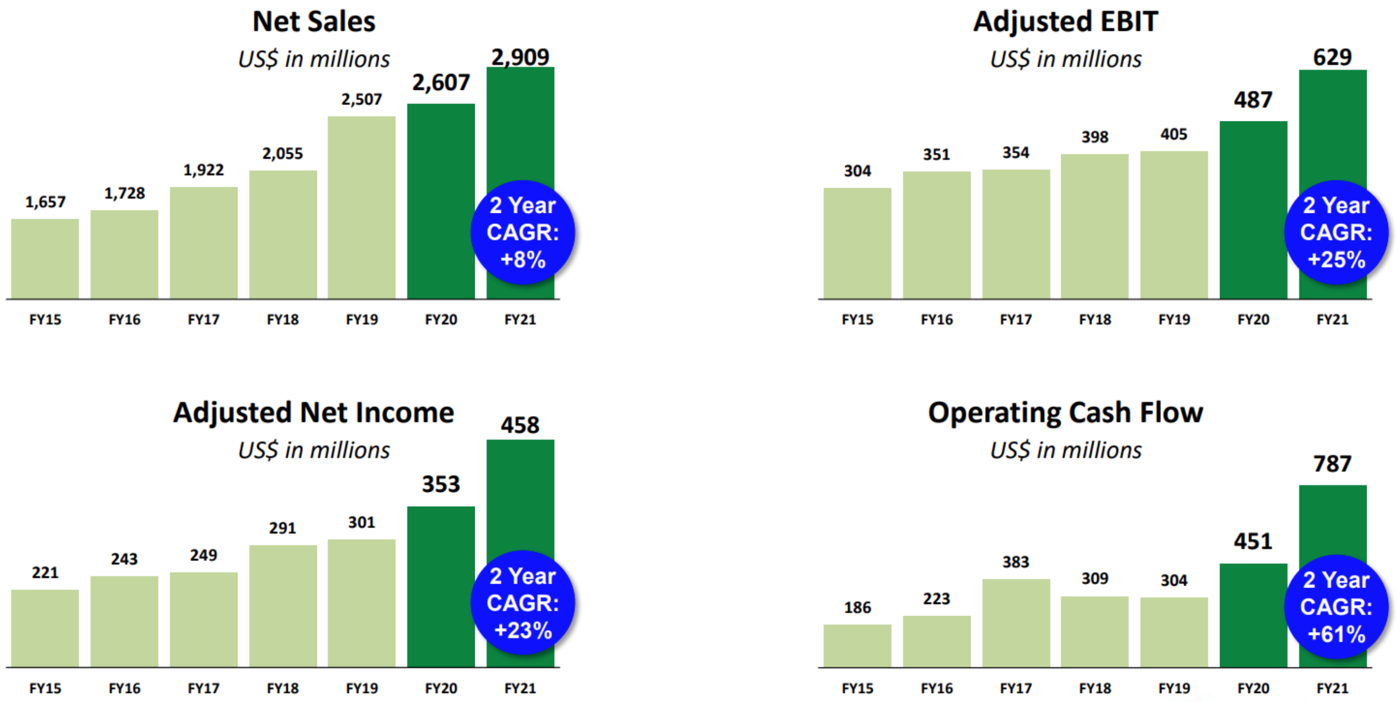
Since taking the reins as CEO, Truong has articulated a global strategy built upon customer focus, continuous manufacturing improvement, employee alignment, product innovation and market leadership. Over the short period in charge, CEO Truong has been true to his vision. Sales are higher, margins stronger and the production performance now of a consistently high standard.

At a group level the 2021 financial year saw total sales lift 12% to US$2.9b, with adjusted operating profits (excluding asbestos payments), jumping 29% to US$629m. Operating margins improved from 18.7% to 21.6%, even after a considerable hike in corporate costs associated with share-based payments.

As outlined in the presentation to investors, sales have virtually doubled over the six years from US$1.6b in 2015 to the present. Over that same interval, operating profits have done even better, growing from a base of US$304m to US$629m, as noted above.

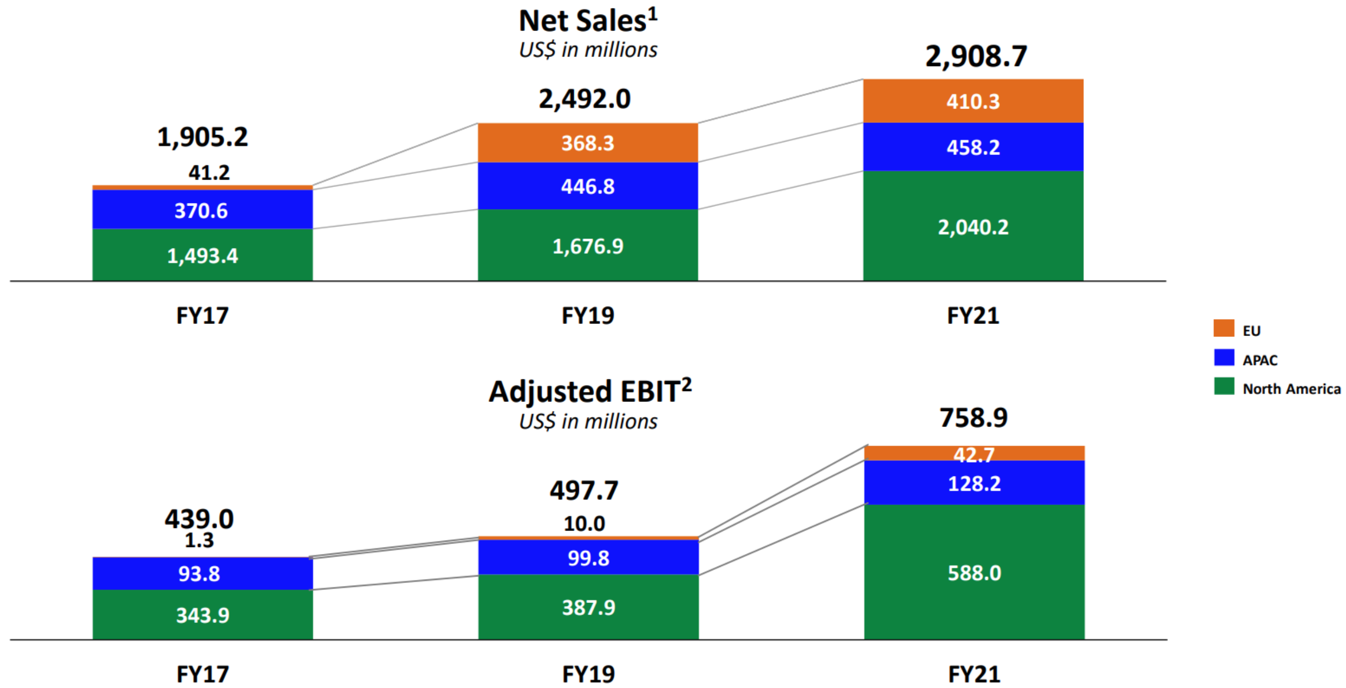
Figure 3 and Figure 4 illustrate the performance over the 2015-2021 period, and also the regional results over the shorter duration of 2017-2021.

Figure 3: Financial performance 2015 -2021



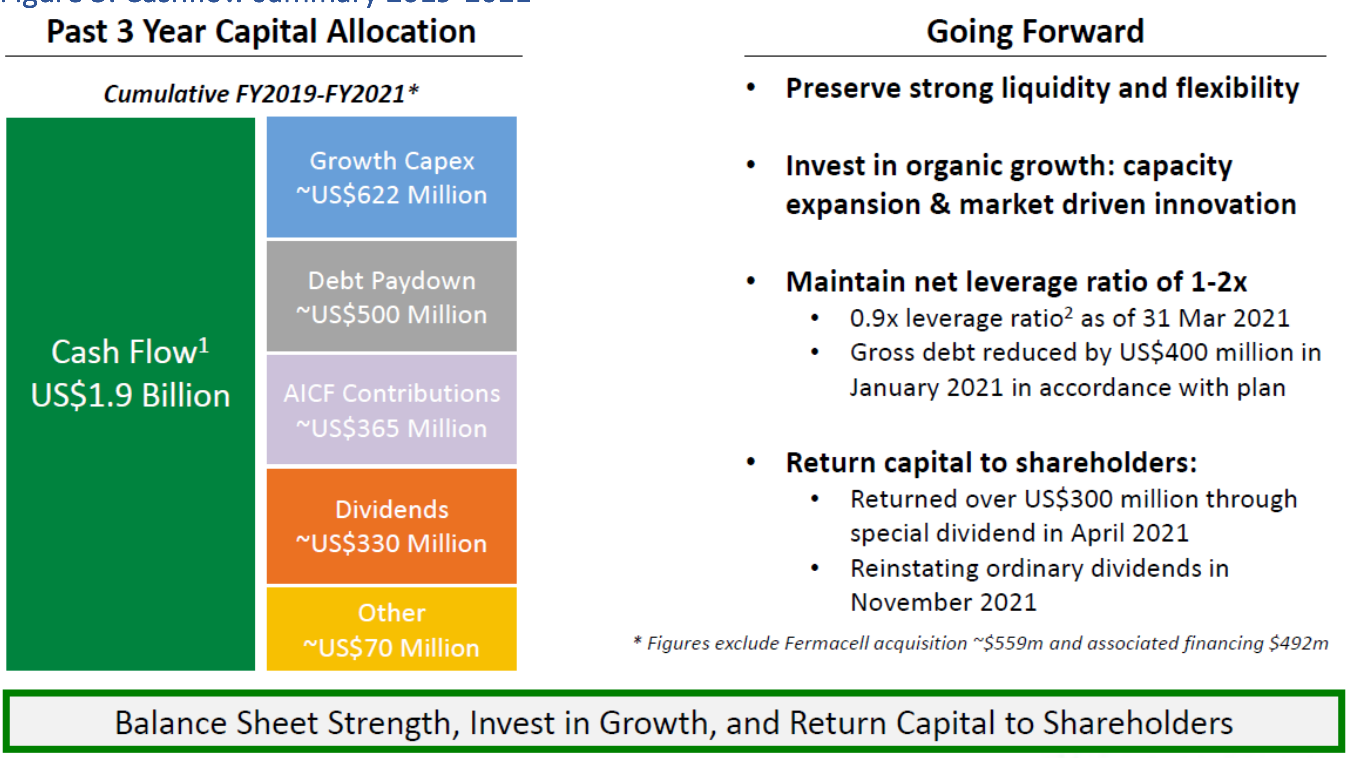
Source: James Hardie results presentation material May 2021

Figure 4: Segment sales 2017-2021



Source: James Hardie results presentation material May 2021

Figure 5: Cashflow summary 2019-2021



Source: James Hardie results presentation material May 2021

Perhaps most revealing is the group's cash flow performance. Figure 5 illustrates both the cash generated and capital allocation undertaken during the 2019-2021 period. Over this relatively short timeline more than US$1.9b of cash was generated, while the three big buckets of spend included traditional items such as growth capex comprising new manufacturing plants US$622m, debt repayment US$500m and dividends US$330m.

The remaining big item totalling US$365m involves the group's ongoing asbestos compensation commitment. Under the agreement struck in 2007 with the NSW

Government, the company is required to provide long-term funding, in the form of 35% of the group's annual free cash flow, into the Asbestos Injuries Compensation Fund (AICF).

The AICF is a special purpose fund that provides compensation for the Australian-related personal asbestos injuries for which the former subsidiary companies of James Hardie were found liable. Ongoing compensation will continue and is predicated on identified personal claims and individual payments typically averaging $250,000.

At some future point, the requirement for compensation will diminish as claims decline. Until then, AICF funding remains a significant cash flow drain, underscoring the company's extraordinary achievements despite this hefty financial impost.

The gains made are most evident in the U.S. market with this region now contributing sales and operating profits of 70% and 77% respectively. The strong housing market tailwind has certainly played its part, driving demand and assisting the group post successive quarterly gains.

In fact, the March 2021 fourth quarter represented the group's eight conservative quarter of consistent profitable growth, including setting new financial records over each of the past three reporting periods.

In short, COVID-19 aside, management has not missed a beat and is now pursuing a broader mission. Its success to date has been possible because of its pursuit of product category leadership and organic market share growth.

This has been driven by the rollout of its asbestos free fibre cement product range. Initially developed in Australia during the 1980s, the company entered the U.S. with its first fibre cement plant located in Fontana, California in 1990.

By focusing on the residential exterior repair and remodelling siding market, fibre cement as a category has grown to capture more than 22% of the total market spend for exterior cladding, of which James Hardie's share is more than 90%. Directly competing products include vinyl, engineered wood and wood based products, as well as the more traditional brick and stucco finishes.

A New James Hardie

If you think back to our opening quote, *"a too-modest aspiration is far more dangerous than a too-lofty one"*, CEO Truong wants investors to now consider the company in a different light or as he refers to it as, "A New James Hardie".

Prior to 2019, one could have dismissed this as a new CEO trying to impress, alongside an unproven track record. Today, the runs are on the board but simply embarking on a broader business direction doesn't in itself guarantee success. What we do like though is the thinking and the commitment to doing this the hard way, by investing and building consumer trust and brand credibility.

In this year's annual report to shareholders, CEO Truong establishes its mission or "lofty aspiration".

"At James Hardie, our mission is to be a HIGH PERFORMANCE GLOBAL COMPANY that delivers organic growth above market with strong returns, consistently. We have transformed our company to become A NEW JAMES HARDIE that consistently provides value to our customers, employees and you – OUR SHAREHOLDERS."

The company has done its analysis and surveyed the business from within. It has driven change and successfully upped the ante by expanding on the foundational platforms now in place. In summary they are:

1. World class manufacturing via the execution of LEAN
2. Partnership with customers and a shift to a Push/Pull strategy
3. Supply chain integration servicing our customers
4. Globally integrated management system across the organisation, referred to as HMOS (Hardie Manufacturing Operating System)
5. Delivering consistent financial results

Building a consumer brand

Up until now the company has not directly engaged with the ultimate decision maker, the homeowner. The new step towards building a consumer brand will act as an extension of the current Push/Pull strategy that connects with the builders and dealer groups that service them.

Outside the cyclical nature of the building industry, this direct to homeowner approach will help form a more personal relationship and a continuous pool of future customers.

Done right, an end-to-end design, manufacturing and selling solution is on offer. Product innovation sits at the centre and is designed to meet the needs of today's audience who require design aesthetics, affordability, product durability and exacting environmental standards.

The mission at hand is to shift the Hardie business towards a more consumer centric model built on brand loyalty and word of mouth. And the reasoning is simple. Each year the company starts from scratch in building sales. This year's revenues will come from a different customer cohort to those that made up last year's US$2.9b of net sales.

It is a hard task and subject to economic swings, but the company is confident that the opportunity to build a bigger and more customer engaging business, both in the U.S. and offshore, is significant. Just as it succeeded in introducing fibre cement to the U.S. market some 30 years ago, it has begun the process of engagement, following its official global consumer branding launch in May.

No doubt anyone can point to data and supporting statistics to build a positive case. The group's management team is now referencing these numbers to make the case.

Historically, discussions surrounding the company's annual sales outlook centred on the level of new residential housing starts within the total addressable market. The published numbers from the U.S. Census Bureau, as depicted in Figure 6, shows this figure hovering around the 1.2m starts per annum since 2016. In 2021, post COVID-19, this figure spiked above 1.5m of new residential construction dwellings.

As important as new housing starts are, the company's traditional strength has been in the repair and remodel segment of the market. Management believe the opportunity for future growth remains significant.

"According to the US Census from 2019, approximately 44 million of the 79 million owner-occupied homes in the US, are 40 years or older, having been built before 1979. These homes represent a significant pool of opportunity from which we can generate demand for James Hardie exterior products. We plan to amplify and accelerate that demand by marketing directly to homeowners, highlighting James Hardie's trusted brand and premium products that will enable homeowners to realize their dream homes with endless possibilities of design. This same principle holds true in our other geographies, where opportunities exist to further penetrate and expand our repair and remodel businesses in Europe and Asia Pacific."

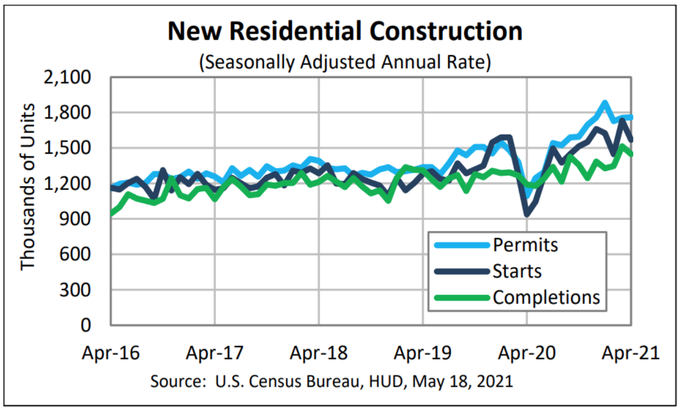
Figure 6: U.S. Census Bureau

NEW RESIDENTIAL CONSTRUCTION
APRIL 2021

Building Permits:	**1,760,000**
Housing Starts:	**1,569,000**
Housing Completions:	**1,449,000**

Next Release: June 16, 2021

Seasonally Adjusted Annual Rate (SAAR)
Source: U.S. Census Bureau, HUD, May 18, 2021



Source: U.S. Census Bureau

New financial targets

Putting out aspirational targets is nice but backing them up with financials and time periods reflects a management team that is prepared to be challenged and held accountable for the outcomes.

It is important to note that with two years of financial performance now under his belt, CEO Truong has demonstrated he is fit to lift segment operating margin guidance. (see Figure 7)

It is a major step up, an inflection point, reflecting the significance of the foundation pieces in place and the ongoing delivery of operational gains. More specifically, when management was asked on the full year investor results conference call why the higher margin targets didn't translate beyond the 2022-24 period, the response was both prudent and genuine.

It is predicated on maintaining the performance across the core metrics of volume, price and mix. There needs to be a consistency of performance across all key inputs and while early success provides confidence, ongoing attention and execution is required to justify looking beyond.

Firstly, the company must continue to grow above market to capture share. Secondly, manufacturing consistency must be maintained to allow the LEAN benefits to be captured and reinvested. And finally, emphasis needs to shift from a volume driven mindset to one promoting higher valued products, driving higher gross margins.

The glue in all this is LEAN. It is an iterative, continuous process of improvement, or as CEO Truong describes it, *"a perpetual journey, not a destination"*. To date, the company has confirmed some US$107m of global LEAN savings in the two years since the program began. Over the forward years capturing 2022-24, the company has now committed to lifting this target threefold to US$340m.

These numbers suggest a bonanza of savings, when in fact the key is in sustaining the savings in year one and maintaining those savings in the forward years.

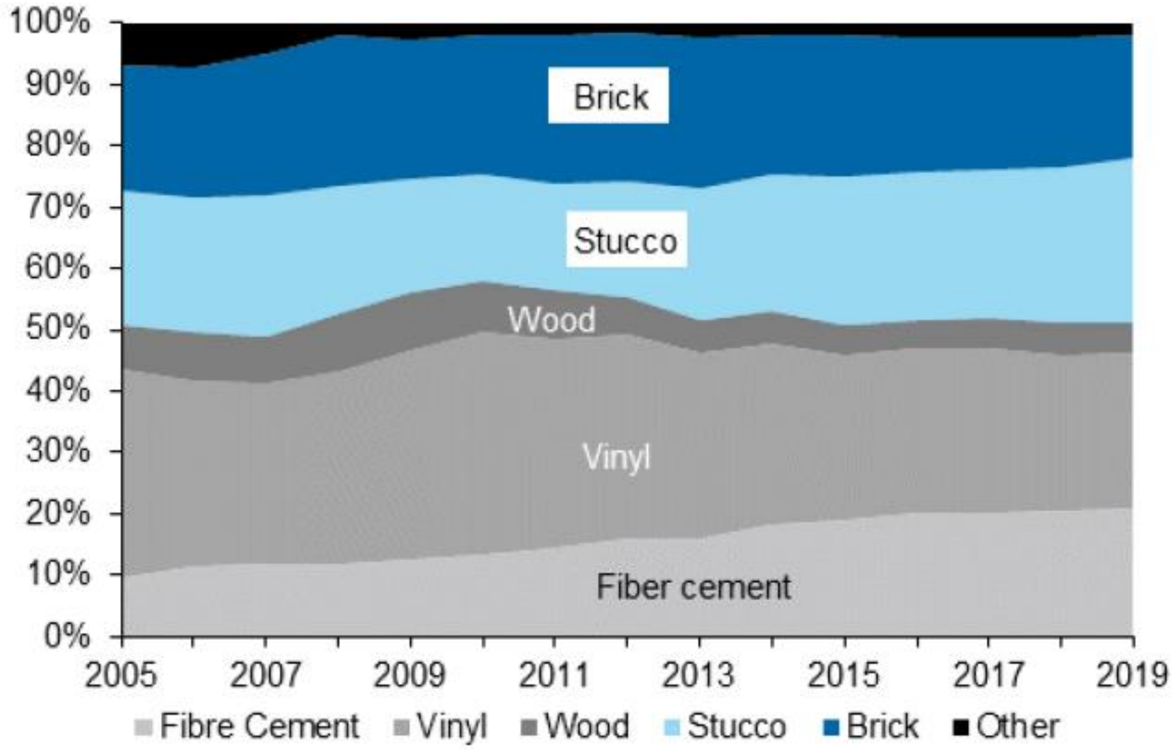
So rather than thinking of US$447m of combined LEAN savings, a truer representation is to consider the actual annual savings achieved, as the bar is raised. Under this scenario, the savings over the period of 2019-2024 are more like US$135m, still very significant but less spectacular than the headline LEAN numbers would suggest.

Figure 7: New James Hardie margin targets 2022-24

	Prior Targets	FY 2022-24[3] Targets
NA Adjusted EBIT Margin	20 to 25%[1]	25 to 30%
APAC Adjusted EBIT Margin	20 to 25%[1]	25 to 30%
Europe Adjusted EBIT Margin	10%[2]	11 to 16%

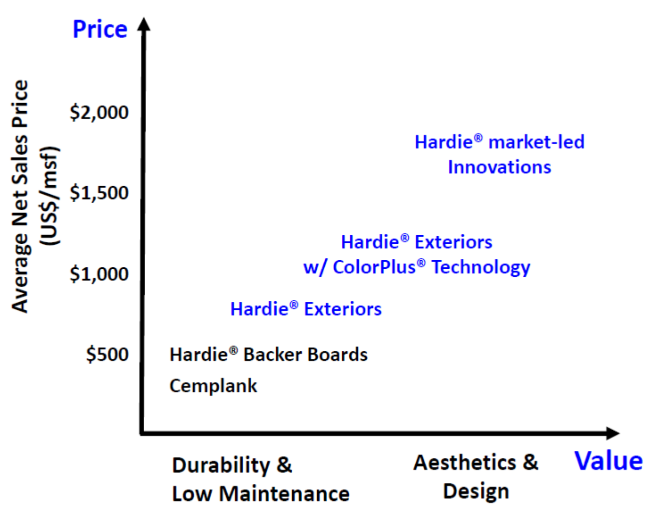
Source: James Hardie results presentation May 2021

Figure 8: Market share of cladding products in the U.S.



Source: U.S. Census Bureau, Macquarie Research

Figure 9: Product value mix



Maximize Net Sales and Gross Margin

- Accelerate Volume Growth
- with disciplined price management
- and shift mix from low value to high value products:
  - ✓ Cemplank® to Hardie® Exteriors where appropriate
  - ✓ Hardie® Exteriors with ColorPlus® Technology to gain share versus vinyl and wood
  - ✓ Hardie® market-led innovations to expand into adjacent categories

Source: James Hardie Investor Day presentation May 2021

Product innovation will also play its part in driving higher gross margins. The combination of new high value products, alongside a targeted global consumer brand campaign will endeavour to achieve two outcomes.

Firstly, to open markets that are currently the domain of competing products be they stucco, brick or stone. In both the U.S. and ANZ (Australia/New Zealand) these represent 49% and 59% respectively of new addressable market opportunities.

Figure 8 illustrates the varying market shares of products.

Secondly, and perhaps more importantly, to drive higher revenues and operating profits, alongside stronger gross margins, Figure 9 and Figure 10 highlight the significant role these products play in achieving this.

Figure 10: High value impact opportunity

Source: James Hardie Investor day presentation May 2021

Final comment

Ultimately, it is the people that make it happen. James Hardie employs 4,861 staff across its global operations, encompassing 18 manufacturing plants. The bulk resides in the U.S and Canada totalling 2,662, while 155 operate within the research and development (and technology) segment.

The business is led by CEO Truong and CFO Jason Miele, alongside a seasoned management team. The company is in a strong financial position, a market leader in its field and driving an operational and cultural reset within the business.

It has a winning mindset and is prepared to set targets to back its ambitions.

Perhaps we will leave the last words with Alan G. Lafley and Roger Martin, authors of *Playing to Win*.

"To play merely to participate is self defeating. It is a recipe for mediocrity. Winning is what matters and it is the ultimate criterion of a successful strategy." ***SFM***

MEDICAL DEVELOPMENTS INTERNATIONAL

The fund recently initiated a position in Medical Developments International, a company delivering solutions across two medical segments: emergency pain and respiratory products. The company's main focus has been the manufacture and distribution of Penthrox, a fast-acting trauma and emergency pain relief product. Medical Developments is the sole manufacturer of Penthrox globally, which has been approved and sold in over 40 countries, including Australia.

Penthrox, also known as Methoxyflurane, was first invented by William T. Miller in 1948 and came into general anaesthetic use in 1960. In 1999 manufacturing was discontinued in the U.S. and in 2005 its use in key markets, including the U.S. and Canada were withdrawn.

In Australia though the story is quite different. Since the late 1970s, Methoxyflurane has seen continual use for emergency pain relief incidents, as an analgesic, and in 2010 it was included in the Pharmaceutical Benefits Scheme, with a reimbursement price of $44.

Penthrox is a non-opioid alternative to narcotics, such as morphine and the anaesthetic nitrous oxide, and is dispensed via a self-administering device through a handheld inhaler. Hence its more common name, *"the green whistle*".

The original inventor of the disposal inhaler was Robert Wexler of Abbott Laboratories in 1968.

Since launch, the company has sold over seven million units. The company describes Penthrox as follows:

"Penthrox is a fast onset, non-opioid analgesic indicated for pain relief by self-administration in patients with trauma and those requiring analgesia for surgical procedures. It is used in Australian Hospitals including Emergency Departments, Australian Ambulance Services, the Australian Defence Forces, Sports Medicine and for analgesia during short surgical procedures such as Dental and Cosmetic surgery as well as in other medical applications."

Penthrox was formerly a family-owned business that was sold to Medical Developments International, which subsequently listed on the Australian Stock Exchange in 2003. Apart from the manufacture and sale of Penthrox, Medical Developments International also operates and manufactures a range of devices, primarily in the respiratory field and the much smaller veterinary products segment, with operations based in Scoresby, Melbourne.

Figure 11: Penthrox 'green whistle'

Source: Medical Developments International 2020 Annual Report

Figure 12: Penthrox global regulatory approval status

Source: Medical Developments International 2020 Capital Raising Presentation

Figure 13: Medical Developments International Manufacturing site (Scoresby, Victoria)

Source: Medical Developments International 2019 Annual Report

The company has also extended its relationship with CSIRO, recently signing a new five year global exclusive agreement to further develop its *"Continuous Flow"* manufacturing technologies, currently in use at the company's site. If successful, the initiative offers a material step change in the traditional batch methodology applied in the production of pharmaceuticals.

Until recently, the Board was led by Chairman David Williams, who joined the company at the time of the company's listing in 2003. Over the past 17 years the Penthrox brand has gained global recognition, having sought new capital on only two previous occasions, with non-executive director Williams controlling circa 9.5m shares of the 71m now on issue.

Financially, the business has benefited from the receipt of one-off proceeds and milestone payments from distribution partners, which have supplemented general unit sales. Since 2017 the company has delivered annual revenues of circa $20m, while recording negative annual cash flows of under $10m, noting that some outlays involving research and development spend are capitalised.

The company has previously remarked the estimated global value of the acute trauma market is greater than $2b per annum. This figure is derived from the global population of circa 7.7b and the *"30/30/30 rule"*, accounting for those who attend emergency (30%), seek pain management (30%) and fall within the Penthrox target market (30%). This would represent an approximate 208m population target per annum, at a general cost of $10 per 'green whistle' use, resulting in a circa $2.1b opportunity.

In late 2020, the company announced a series of important developments. Firstly, in August the company reached mutual agreement to reclaim the European distribution rights, covering the 27 member states in the European Union from previous partner Mundipharma. The buyback amounted to a cost of three million euros, payable in staged instalments plus a 5% royalty capped at maximum five million euros, beginning from 1 September. A European office has been set up and Head of Europe Stefaan Schatteman, Mundiphrama's former marketing executive for the region, duly appointed. Figure 14 highlights the approval status of Penthrox in Europe.

In October, two important management appointments took place. Namely Brent MacGregor as new CEO and Gordon Naylor as a non-executive Director and Chairman replacing David Williams, who remains an ongoing non-executive Director. The background on each is shown in Figure 15.

Figure 14: Penthrox approval status in Europe

Source: Medical Developments International 2018 Annual Report

Figure 15: New executive appointments

Incoming Chairman and CEO

Gordon Naylor, Non-Executive Chairman (effective 18 December 2020)

Gordon has enjoyed a long and successful international business career. For over 30 years he was a key part of the internationalisation of the CSL Group, a global specialty biotechnology company that was established in Australia and grew to become Australia's largest public company.

Gordon held a range of business and functional leadership roles within CSL including Chief Financial Officer. At the time of his retirement from CSL, he was the President of Seqirus where he led the 3-year turnaround of that business into one of the most successful vaccine companies in the world.

Gordon joined the board of MVP as a Non-executive Director in October 2020.

Brent MacGregor, Chief Executive Officer (effective 1 November 2020)

Brent was formerly Senior Vice President Commercial Operations at Seqirus, a CSL company, reporting to Gordon Naylor. Brent was at the forefront of Seqirus' globalization, focused R&D and rigorous cost management.

Prior to Seqirus, Brent held a number of senior executive roles at Novartis, including CEO of the Novartis influenza vaccine business, President of Novartis Vaccines US and Head of North America, and at Sanofi Pasteur, including Managing Director Australia / NZ and Managing Director, Japan.

Source: Medical Developments International 2020 Capital Raising Presentation

Both executives are well known, with the pair successfully transitioning the CSL owned Seqirus influenza business, over a period spanning five years. As CEO MacGregor noted on his appointment, *"I have taken some time to do my due diligence and am very excited about the opportunities for MVP to capitalize on its global registration footprint. In Europe, the taking back of the business from Mundipharma is a big start in doing this. The breadth of Respiratory, Advanced manufacturing as well as its iconic Penthrox 'green whistle' see it very well positioned for growth well into the future."*

Chairman Naylor adding, *"There are parallels between MVP and my former employer CSL in two ways.; firstly, around Seqirus and what we achieved there in a short period of time. That business was driven from generating an annual loss of $250m to being a profitable high growth market leader within 3 years. Second, I am proud to have been part of the internationalisation of CSL from domestic roots to the global leader that the company is today.*

For businesses like MVP which have experienced success in the local and relatively small Australian marketplace there is transition risk when expanding abroad into diverse international markets. The experience that MVP's new CEO Brent MacGregor and I bring to the table is relevant to making that transition a successful one and executing on the international stage. The opportunity for the success of Penthrox in Australia to be replicated in Europe is immense and both Brent and I are excited by this challenge and look forward to executing on our strategy."

2021 and beyond

Finally, the company undertook a $30m institutional capital raising, inclusive of a $12m share purchase plan in early December. In unveiling the capital raising, management outlined the key priorities as reflected over the near term in Figure 16, focusing almost exclusively on unlocking the European potential.

Figure 16: Company near term priorities

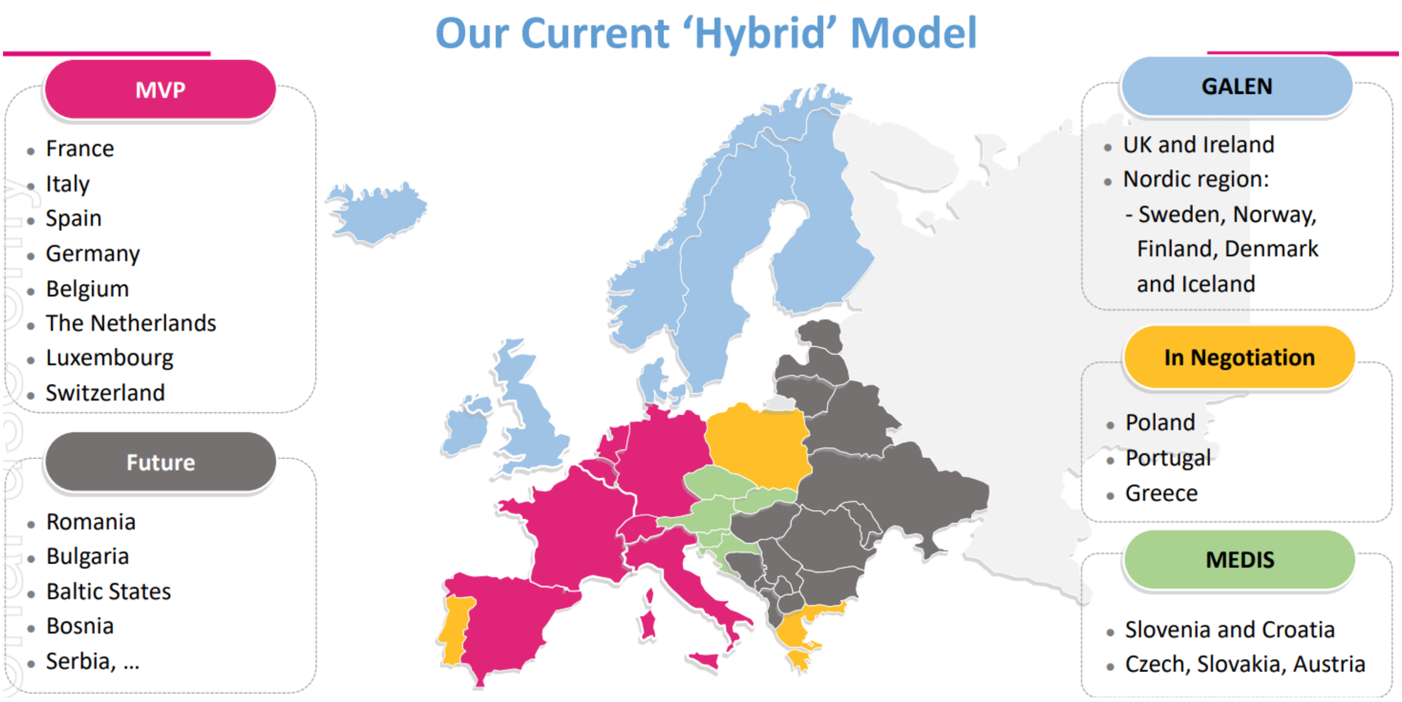
Strategic change to unlock EU potential

Key learnings and recommendations to drive growth

- In-hospital not the game changer: focus on ambulance services to drive growth
- It's not just about reimbursement: get Penthrox on the protocols (national, regional, hospital)
- Define a commercial strategy for each market and implement a robust alliance management approach to drive performance
- Create awareness on cost benefit using pharmaco-economic data to support Penthrox higher price point vs standard of care

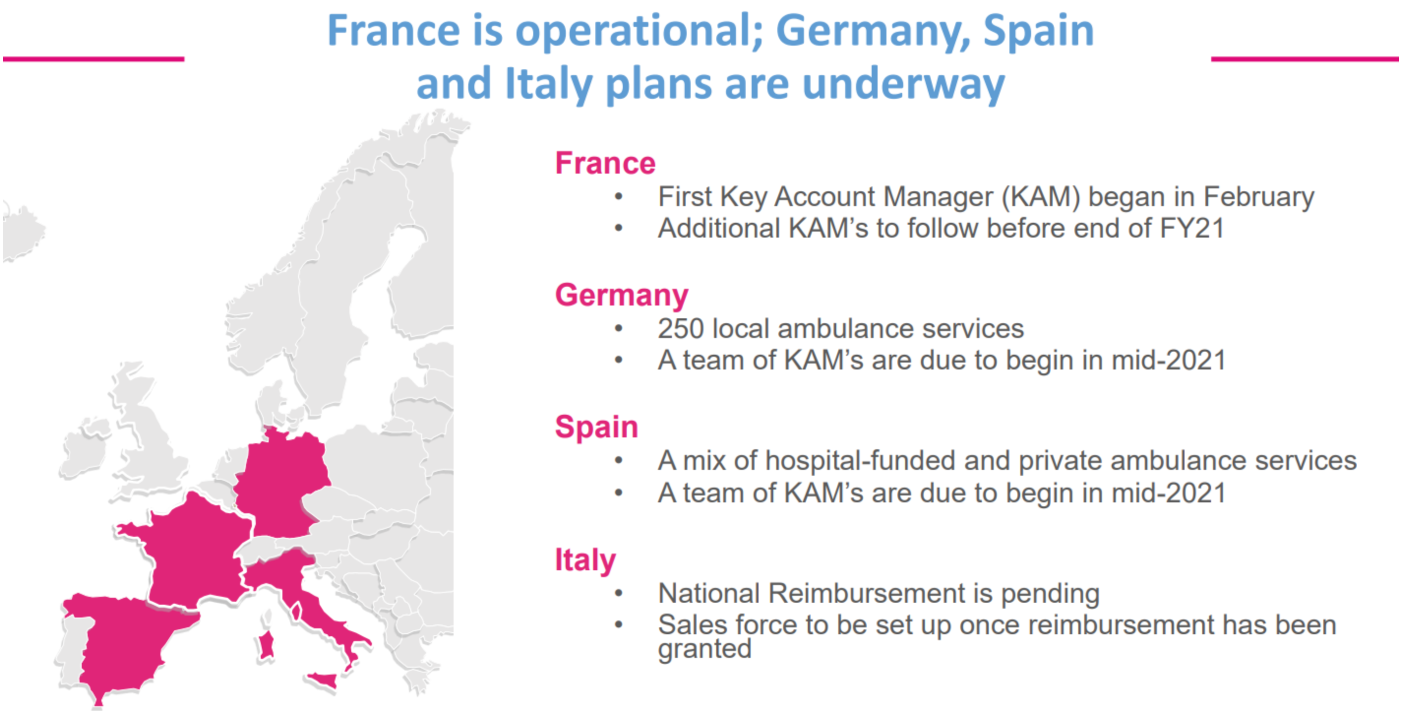
Source: Medical Developments International 2020 Capital Raising Presentation

Figure 17: Europe's hybrid expansion



Source: Medical Developments International 2020 Half Year Presentation

Figure 18: Management's priorities



Source: Medical Developments International 2020 Half Year Presentation

Figure 17 and Figure 18 illustrates the European hybrid model, based on a go-to-market strategy using multiple paths to tackle a large untapped market. Work is underway and success in key markets of Ireland, the U.K. and France are providing confidence in other adjoining regions.

These are early days and while the financials reflect an ongoing negative cash outflow, management has a very clear, targeted marketing approach. One where the future recurring revenues are expected to be many multiples of the current sales run rate.

Medical Developments has a current market capitalisation of $326m and net cash of $44m. ***SFM***

AI – THE POWER OF COMPOUNDING

We recently asked a family member, who had just welcomed their first child into the world, what would $10,000 be worth if you invested the amount and received 10% per annum for fifty years. His first response, *"not my domain"* was not surprising, but he did pose the question, *"has it got to do with compounding*?"

The short answer, yes.

After some research and calculations, he came back with a number, $1,173,908, and a response that sums it up in a nutshell, *"I'm convinced, how good is compounding."*

The mistake that many investors and non-investors make is under appreciating how compounding actually works. As the name implies, it is a process of layering. Rather than thinking of earning a return as a one-off, compounding should be thought as earning a return upon a return. In short, it's when you reinvest the return generated on the principal each year, in this case over the fifty years, which leads to a bigger investment base year on year.

That's the power of compounding, and time.

In the words of Charlie Munger, Vice President of Berkshire Hathaway and Warren Buffett's right-hand man, *"The elementary mathematics of compound interest is one of the most important models there is on earth".* He adds, *"The first rule of compounding: Never interrupt it unnecessarily."*

Continuing with this example of $10,000 over fifty years, Table 7 helps illustrate the point. You have the option of choosing to generate the same return each year, as shown in column one, or reinvest the principle and annual returns, as shown in column two. After the fifty years, column one generates $50,000 (or $60,000 with initial principle) compared to a return of $1,163,909 in column two. With the $10,000 principle included, the compound investment totals $1,173,909. So, which would you choose?

Assumptions	
Starting investment	$10,000
Return per annum	10%
Term (years)	50

Table 7: Compounding vs Ordinary Return over 50 years

Year	Ordinary return $	Compound Return $
1	1,000	1,000
2	1,000	1,100
3	1,000	1,210
4	1,000	1,331
5	1,000	1,464
6	1,000	1,611
7	1,000	1,772
8	1,000	1,949
9	1,000	2,144
10	1,000	2,358
11	1,000	2,594
12	1,000	2,853
13	1,000	3,138
14	1,000	3,452
15	1,000	3,797
16	1,000	4,177
17	1,000	4,595
18	1,000	5,054

19	1,000	5,560
20	1,000	6,116
21	1,000	6,727
22	1,000	7,400
23	1,000	8,140
24	1,000	8,954
25	1,000	9,850
26	1,000	10,835
27	1,000	11,918
28	1,000	13,110
29	1,000	14,421
30	1,000	15,863
31	1,000	17,449
32	1,000	19,194
33	1,000	21,114
34	1,000	23,225
35	1,000	25,548
36	1,000	28,102
37	1,000	30,913
38	1,000	34,004
39	1,000	37,404
40	1,000	41,145
41	1,000	45,259
42	1,000	49,785
43	1,000	54,764
44	1,000	60,240
45	1,000	66,264
46	1,000	72,890
47	1,000	80,180
48	1,000	88,197
49	1,000	97,017
50	1,000	106,719
Total	**50,000**	**1,163,909**
Total including principal	**60,000**	**1,173,909**

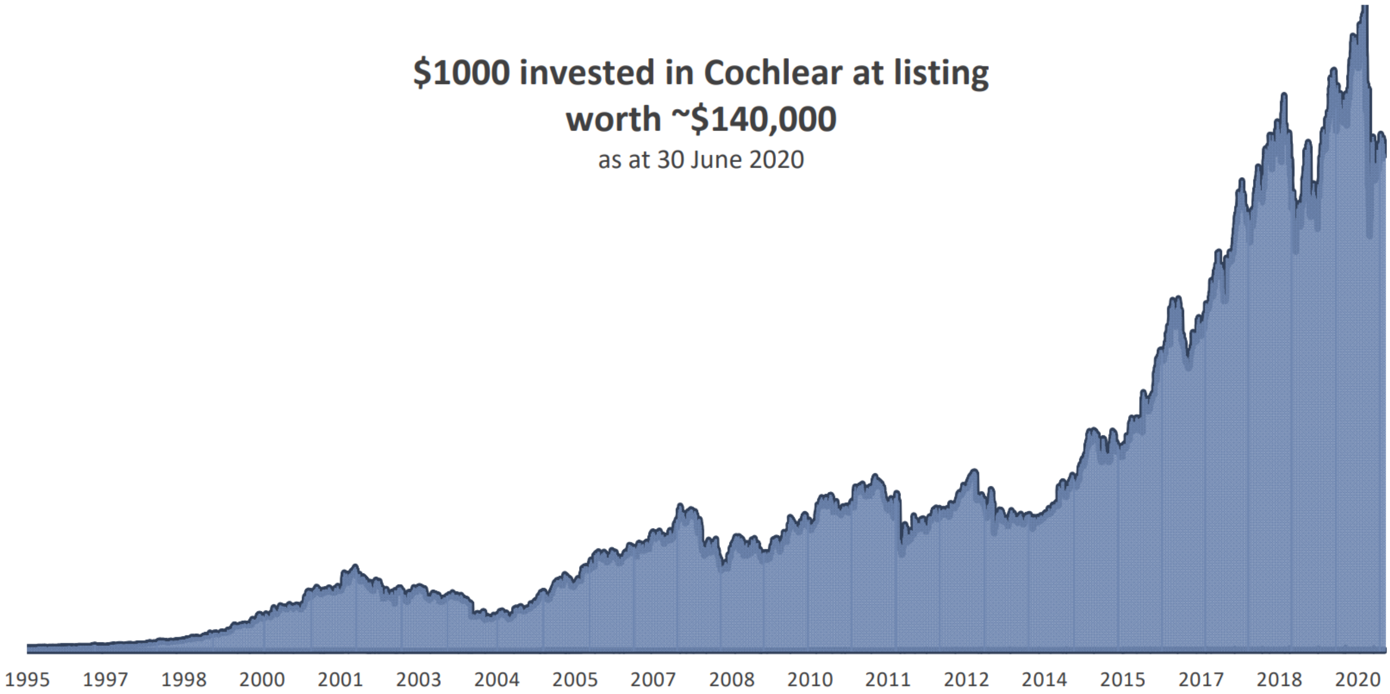
Internally, we talk about the power of businesses that can compound profits over long periods and our aversion to selling them unnecessarily, *"when you find these compounders, don't trade out of them quickly."*

It is an important point because unlike our compounding example above, the returns generated by businesses are not as predictable. They are lumpy in nature, reflecting the very essence of company life. And this lumpiness invariably causes investors to sell out in search of new winners. But the truth is, there are very few real long-term compound earners out there.

To identify and hold long-term compound winners requires a combination of patience, an appreciation of the business qualities, comprising both the quantitative (financials) and qualitative (people) that underpin it, and an ounce of luck.

Focusing on bionic ear manufacturer Cochlear as an example, their 2020 annual report denoted that a $1,000 investment made at the company's listing time in 1995, would have grown to $140,000 by the end of financial year 2020.

Graph 4: Cochlear total shareholder return since listing



Source: Cochlear Annual Report 2020

Over a period of 25 years this would equate to a compound annual return of 21.8%. However, as Graph 4 highlights, there have been long periods of return stagnation, followed by periods of strong performance.

The reality of investing is that unlike a spreadsheet model, returns can vary widely in the real world and investors are not generally equipped mentally to deal with these swings.

Our preference generally is to sit tight and allow businesses to execute the investment case. One that is not restricted to a time frame, but open to capturing the long-term opportunity and inherent latency that these types of investments tend to offer.

Artificial Intelligence (AI) - the power of compounding

Perhaps it is then a little surprising to be discussing compounding when referring to AI, but in his book *The AI-First Company* by Ash Fontana, our eyes were opened to the notion of compounding once again. Fontana notes, *"AI-First companies make short term trade-offs to build intelligence in order to gain a long-term advantage over their competitors."*

He goes on to define Data Learning Effects (DLE) as *"the new type of competitive advantage that arises as we move from human to machine intelligence. This new concept builds upon three existing concepts of competitive advantages: network, scale, and learning effects."*

AI has increasingly become a discussion point in society, but its relevance to businesses is still in its infancy. The term DLE is Fontana's way of giving AI its own vocabulary, so that general knowledge around the topic may be improved.

So according to Fontana, what competitive advantage does DLE offer?

"People tried to define AI in terms of scale, referring to data as the new oil – maybe because oil is an input, and the more of it you have, the better. People also tried to define AI in terms of networks, talking about data network effects – maybe because social networking was a major trend at the start of the big data era. But neither scale nor network effects capture the power of AI. They don't get to the definition of intelligence: learning fast."

It is the combination of these three elements that make up DLE, and *"learning fast"* is the key.

"We learn as to we observe. Machines can now observe and learn at a rate and scale far beyond us."

This "*automatic compounding of information"* removes the need to go back and relearn steps, leading to faster and better decision making and a competitive edge. This is referred to as next level data network effects, *"when the addition of data provides a compounding marginal benefit to an existing collection of data in terms of information value by virtue of a model that creates new data from existing data, such as a machine learning model."*

The power of AI is already evident in companies like Google that have collected enormous amounts of data, only to create additional data, providing a continuous compounding layer of information. Fontana highlights the power of AI to disrupt the incumbents, using DLEs in a three-phase process.

In the first phase, companies using DLE can enter markets using lower price points, initially attracting customers from incumbents. In the second phase, as more data is collected and with greater customer insight, the offering becomes more personalised, resulting in higher quality and higher priced products. The third and final phase of disruption is one that leads to the creation of products with *"complete automation."*

Netflix acts as a perfect illustration of this process.

"The streaming entertainment service has a critical mass of customers (demand) encouraging the production of content (supply), with the additional content attracting more customers, and so on, in a positively self-reinforcing loop. AI-First aggregators have the potential to build a more rapidly self-reinforcing loop because their customers are both the demand and supply sides of the equation. Essentially, a critical mass of customers (demand) can generate enough data for an AI to generate increasingly accurate predictions. In turn, the predictions' greater accuracy encourages more usage from these same customers, and so on. Customers generate enough data to kick off the flywheel in the AL, which then self-generates just enough data to increase the accuracy of the system and thus encourage more usage, in a rapidly self-reinforcing loop. This allows AI-First companies to build market power fast."

U.S. Government embracing of AI

"The best human operator cannot defend against multiple machines making thousands of manoeuvres per second potentially moving at hypersonic speeds and orchestrated by AI across domains. Humans cannot be everywhere at once, but software can."

In the U.S., the National Security Commission on Artificial Intelligence (NSCAI) was established under the fiscal year 2019 National Defense Authorization Act, with the aim to research ways to advance the development of AI for national security and defence purposes. In March 2021, the NSCAI released its final report to the U.S. Congress, after two years of work.

The Commission's Chair Eric Schmidt, the former head of Google's parent company Alphabet, speaking to the 756-page report[1] highlighted its significance.

"To win in AI, we need more money, more talent and strong leadership. Collectively, we as a commission believe this is a national security priority and that the steps that are outlined in the report represent not just our consensus, but also a distillation of hundreds and hundreds of experts in policy and technology and ethics."

Split in two parts, the report covers "*Defending America in the AI Era*" and "*Winning the Technology Competition*". The first focuses on defence implications covering national security and the second promoting national competitiveness and protecting U.S. advantages against China, as its key competitor.

The report considers the four pillars of action required: leadership, talent, hardware and innovation.

On leadership Chair Schmidt notes, *"If I've learned anything in studying the way the government works, leadership — especially from the top — is critical to get the bureaucracy to move to the next challenge and the next opportunity. We're proposing the setting up of a Technology Competitiveness Council at the White House, and the DoD and the [intelligence community] should be organized as well for this competition."*

On innovation, the fourth pillar, Chair Schmidt outlines areas where the U.S. needs to win, including AI, 5G (telecommunications network), synthetic biology, semiconductor manufacturing and energy. Focusing specifically on the semiconductor space he notes, *"We need to revitalize domestic semiconductor manufacturing and ensure that we're two generations ahead of China."*

[1] https://www.nscai.gov

Delivering on this program will come at a significant cost, as outlined by the accompanying Letter from the Chair to the Commission.

"The federal government must partner with U.S. companies to preserve American leadership and to support development of diverse AI applications that advance the national interest in the broadest sense. If anything, this report underplays the investments America will need to make. The $40 billion we recommend to expand and democratize federal AI research and development (R&D) is a modest down payment on future breakthroughs. We will also need to build secure digital infrastructure across the nation, shared cloud computing access, and smart cities to truly leverage AI for the benefit of all Americans. We envision hundreds of billions in federal spending in the coming years."

The report's recommendations are now with the Biden administration and Congress. If accepted, the U.S. is aiming to have the country AI-ready by 2025.

The Economist

In an article published in June 2020, The Economist questioned whether AI had hit its own limits. Lacking *"cognitive abilities that biological brains take for granted"*, everything seems fine on delivering structured tasks, but not so well when faced with unexpected input.

This is certainly the case surrounding the hyped arrival of self-driving cars, which remains on the cusp of being safe but not safe enough to deploy on everyday streets. The role of the radiologist is another skill set that AI or its sub-fields, Machine Learning (ML), is earmarked to replace.

Despite the promise of AI, implementation is taking longer and the old way of doing things continues to offer a simpler and trusted alternative. The NSCAI report acknowledges these shortcomings, but progress is being made and with every setback there remains industry acknowledgment that AI will play a powerful future role.

It is a similar view shared by both industry consultants PWC and McKinsey. Both predict AI will add in the range of US$13T-US$16T to the global economy by 2030, equal in size to China's economy.

Locally, one business that offers first-hand knowledge of the AI industry is listed operator Appen, a global leader and provider of language and data solutions for technology companies.

The group is primarily involved in data annotation; the process of collecting and labelling images, text, speech, audio, video and other data used to build and continuously improve artificial intelligence systems. Organisations can outsource these requirements to Appen, essentially removing a key bottleneck in the process often described as the most complicated, laborious and time-consuming task by data scientists.

With the ability to source their data labelling requirements from a highly qualified, scalable and diverse set of crowd workers, Appen stands out as a key differentiator in this space. Its crowd of over one million skilled contractors, with expertise in over 180 languages and dialects across more than 130 countries, have a proven track record of completing projects on a recurring basis for the largest technology firms.

Appen is well positioned to exploit the AI demand tailwind, with a differentiated offering that complements the growing need for diverse and high-quality data sets used to continually improve AI models.

From Fontana's vantage point, "*Today, it's no longer about building the right software – it's about building the right AI." **SFM***

UNINVESTABLE

Investors are often confronted with moral dilemmas. Taking a contrarian view is one approach that resonates with many professional fund managers, as it offers an opportunity to apply 'unique' investment skills in an otherwise crowded industry.

A case in point is the current situation involving casino operator Crown Resorts. We have never owned this business and our concerns regarding governance matters stretches back a long way as we first highlighted in our March 2017 Selector Quarterly Newsletter. Here we pose the question; when a company loses the 'right' to operate, where does it leave the fund manager?

This is where the moral dilemma kicks in. At present, the regulatory inquiry to determine whether Crown Resorts is suitable to hold licenses to operate gaming operations including Crown Sydney, Crown Melbourne and Crown Perth is ongoing.

As we have learnt from previous government investigations, most recently The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, the public scrutiny can make for uncomfortable viewing.

Crown Resorts is no exception. On 9 February 2021, Commissioner Patricia Bergen tabled her final 751 page report. Her conclusions, outlined below, left little doubt on Crown's suitability.

"*Any applicant for a casino license with the attributes of Crown's stark realities of facilitating money laundering, exposing staff to the risk of detention in a foreign jurisdiction and pursuing commercial relationships with individuals with connections to Triads and organized crime groups would not be confident of a positive outcome. It is obvious that such attributes would render an applicant quite unsuitable to hold a casino license in New South Wales.*

These facts and the stark realities … may also suggest that it is obvious that the Licensee is not suitable to continue to give effect to the Barangaroo License and that Crown is not suitable to be a close associate of the Licensee … they may also present as an irresistible death knell for the Crown Board's continued existence as it is presently constituted."

The inquiry's findings have since led to significant personnel changes, particularly at the Board level.

"The ultimate decision of whether a license might be cancelled, suspended or made conditional is exquisitely a matter for the expertise of the [NSW Independent Liquor & Gaming] Authority."

On 16 February 2021, a week after the Bergen report was released, the NSW Independent Liquor and Gaming Authority publicly deemed Crown Resorts no longer suitable to hold a gaming licence for its Sydney casino. The company would however have the opportunity to address the issues, in a bid to open in the future.

In subsequent releases, the NSW Gaming Authority noted progress had been made on a number of fronts, including undertakings from its largest shareholder, Consolidated Press Holdings, to sever information sharing arrangements with the company and its management team.

Crown has also agreed to meet certain inquiry costs, contribute to an annual Casino Supervisory Levy and cease dealing with all junket operators.

The ILGA chair Philip Crawford noted, "*Crown, through its Executive Chair Helen Coonan, is addressing many of the issues which caused Commissioner Bergen to find that it was unsuitable to hold a casino licence in NSW*."

The Authority is currently awaiting a final report, following the appointment of an Independent Monitor, with a particular focus on its corporate governance, anti-money laundering measures and culture, before making a final decision on suitability.

The uncertainty cast over the company's operating future has opened up the opportunity for corporate action, with Crown Resorts now the subject of three proposals from The Blackstone Group, Oak Tree Capital Management and Star Entertainment Group.

This has partly vindicated those that saw value in Crown Resorts market valuation. However, in recent weeks two further Royal Commission inquiries, covering both Crown Melbourne and Crown Perth, have unveiled serious failings.

The Perth Casino Royal Commission, the first royal commission called in the state in 20 years, will examine the regulation of casinos in the state and whether Crown Resorts is a suitable licensee of the Perth Casino.

While an interim report is imminent, a final report on all issues is expected by November. The inquiry has already revealed concerning activities surrounding money laundering operations through the casino and the standing down of WA chief casino officer.

In Victoria, following a request from Commissioner Raymond Finkelstein, the royal commission has extended its inquiry until mid-October and almost doubled its funding from $10m to $19.75m.

The Acting Premier of Victoria James Merlino announcing, "*Due to the seriousness of evidence produced through hearings and submissions to date, Commissioner Finkelstein is now investigating a wider range of matters. This relates the corporate culture of Crown Melbourne, gambling harm minimisation, and claims brought forward in evidence so far - including allegations Crown Melbourne underpaid casino tax*."

So here the dilemma remains. Many see value in the operations of Crown Resorts. The share register includes several 'value' investors, with the recent corporate activity suggesting vindication of their investment position.

Perhaps at the end of the day, the simple conclusion is investors want positive performance and fund managers make calls on investments that can make that happen.

But there is a line that one shouldn't cross. When a business or more importantly its custodians, the employees, the management team or the board, appear to undermine the very essence of why they exist – to operate a business in accordance with the laws of the land – it leads us to only one conclusion.

The stock is uninvestable. ***SFM***

BIODIVERSITY – ESG FOOD FOR THOUGHT

In seeking a solution for SFML's 2020 Carbon Offset we reviewed projects from around the globe. It is a difficult task, as no two projects are alike. In both 2019 and 2020 we invested in a domestic carbon offset scheme.

We continue to cast a wide net to consider a diverse range of projects and technologies. That net captured a second important consideration, which we are now exploring – Biodiversity, or more precisely, the loss of biodiversity.

According to The Economist, Brazilian businesses rarely preach greenery. In July 2020, 20 months after Jair Bolsonaro was elected president, rampant deforestation in the Amazon roused 38 CEOs to speak up.

Foreign investment was falling, and trade talks were stalled. *"This negative perception has an enormous potential for harm,"* they wrote in a letter to the government, urging Mr Bolsonaro to do something.

He ignored them. The pace of deforestation, as reported in November, was 10% faster in 2020 than in 2019. Yet the president merrily slashed the budget for environmental enforcement for the third year in a row.

Not only is the rainforest brimming with irreplaceable biodiversity, it is also a carbon sink. Burning or chopping it down reduces biodiversity and turns it into a source of carbon emissions instead. For many reasons, including those outlined above, it was easy for SFML to rule Brazil out of our investment considerations for carbon offset certificates.

In this brief note we define Biodiversity and try to attach an economic meaning to the problem. To add further perspective, we have highlighted ASX companies with Environmental, Social and Governance (ESG) issues so chronic, we believe they are uninvestable under our common-sense investment process.

Figure 19: Brazil's President *"Jair Bolsonaro wants every Brazilian to have a gun"*[2]

The Economist

[2] *Mr Bolsonaro has tried to approve 31 legal changes that would make guns easier to get hold of. Other policies such as Economic reform, Biodiversity and climate change have taken a back seat.*

According to the World Wildlife Fund, biological diversity is the resource upon which families, communities, nations and future generations depend. It is the link between all organisms on earth, binding each into an interdependent ecosystem, in which all species have their role.

Put simply, reduced biodiversity means millions of people face a future where food supplies are more vulnerable to pests and disease, and where fresh water is in irregular or short supply.

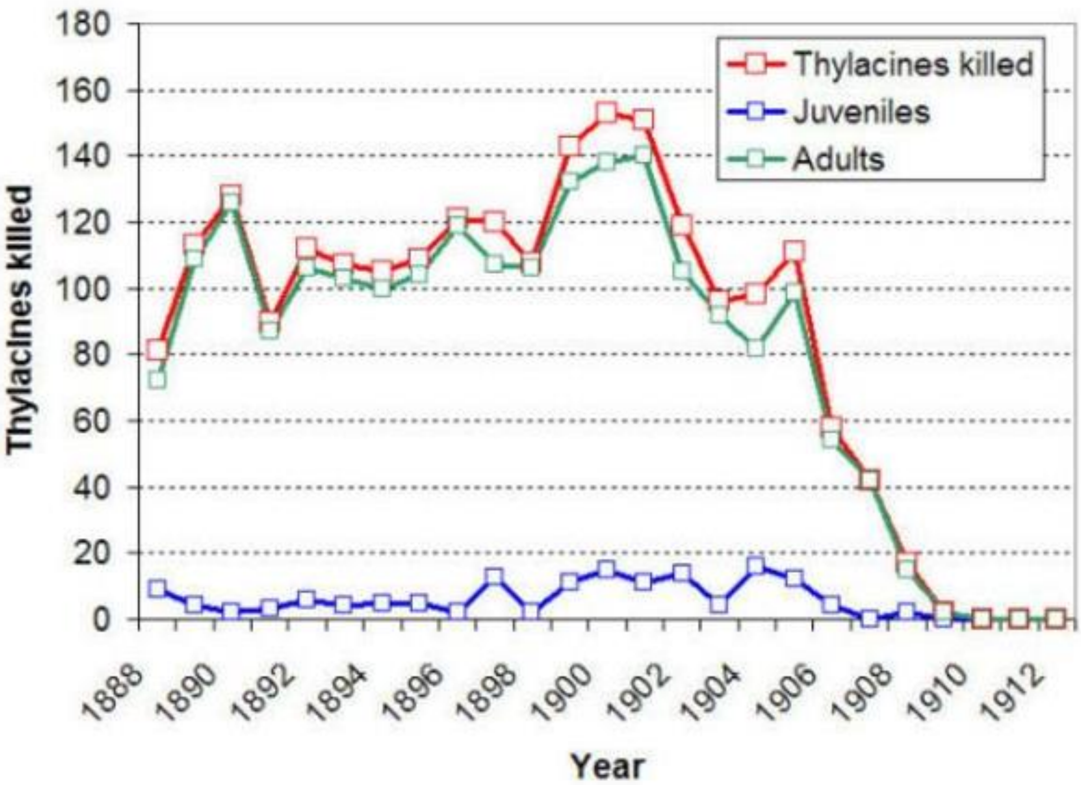
In 2019, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) published its assessment of the state of global biodiversity. While the findings were not expected to be heart-warming for those with environmental cares, they were enough to send a shiver down the back of field hardened farmers and capitalists alike.

Roughly one million animal and plant species were deemed to be at risk of extinction, more than at any other point in human history. These included many that are used in farming. At least 9% of the 6,200 breeds of domesticated mammals that humans eat, or use to produce food, had become extinct by 2016, and at least 1,000 more are threatened.

More than one-third of continental land area and nearly three-quarters of freshwater resources are used to produce crops or livestock, but environmental degradation has damaged the land's ability to support these activities. And one-third of marine fish stocks were being unsustainably exploited in 2015.

The biodiversity crisis potentially poses as great a risk to human societies as climate change. Yet it has a fraction of the public profile. In part that is because the loss of biodiversity cannot be neatly quantified, as climate change can, into parts per million of carbon dioxide, or degrees above pre-industrial average temperatures. And the webs that link species within and across ecosystems are even more complex than the processes that drive climate change.

Figure 20: Thylacines presented for government bounty annually, Tasmania 1888-1912[3]



Source: TwilightBeasts. 2015. A striped wonder. [online] Available at: <https://twilightbeasts.org/2015/08/26/a-striped-wonder/>.

[3] *The Tasmanian Tiger (Thylacine) was last sighted in 1936. It's demise reflects Australia's poor track record on biodiversity.*

It is becoming clear that biodiversity and climate change are intimately linked, and this complexity challenges us to consider a more holistic approach to ESG. In terms of custodianship of the global ecosystem, it would appear there are many ways we can nudge management of resources in a positive direction.

Transparency and numbers matter; they help us to understand the magnitude of the risk posed to populations and financial assets alike. A risk-based pricing approach is required if we are to slow the loss of entire species or prevent assets becoming stranded.

According to the World Conservation Union (IUCN), the monetary value of goods and services provided by ecosystems is estimated to amount to some US$33t per year.[4]

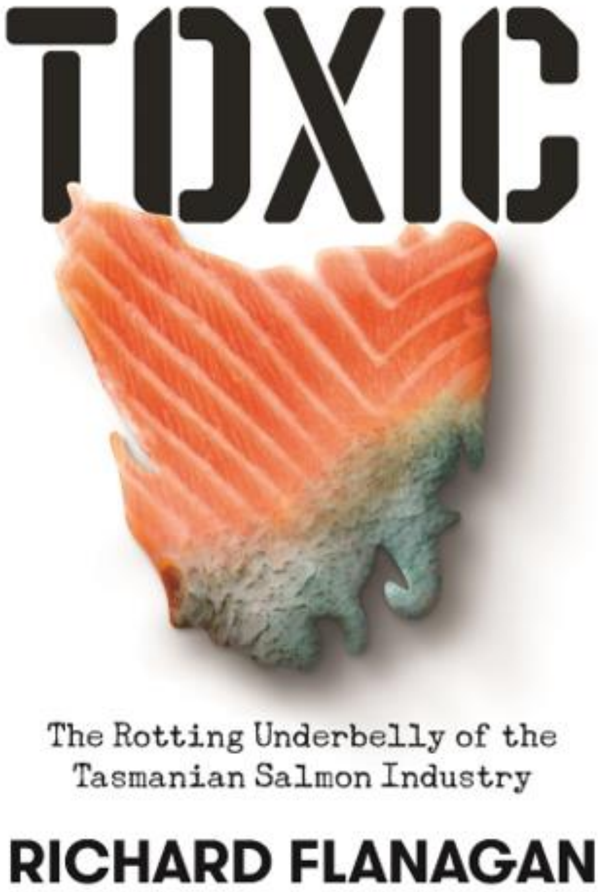
The Environmental goods and services captured by this number include:

- the provision of food, freshwater, fuel, medicines, building materials, fertile soils, and breathable air
- climate regulation
- nutrient and waste management
- flood control
- coastal protection

To put this in perspective, the U.S. GDP was approximately US$21.43t in 2019. It's clearly a larger number which translates to a sizeable problem if resources are consumed faster than they are replaced. National and Global carbon trading schemes will be required if we are to accurately price and conserve scarce assets including our biodiversity.

Like other environmental issues, the loss of biodiversity is clearly a global problem. And while it's easy to point towards Brazil, and President Bolsonaro in particular, one does not need to lift many rocks to find entrenched problems at home.

Figure 21: Toxic by Richard Flanagan



Source: penguin.com.au

In *Toxic: The Rotting Underbelly of the Tasmanian Salmon Industry*, published in April 2021, Richard Flanagan achieves at least one outcome. Once you have read this book you will unlikely eat Tasmanian salmon ever again.

Flanagan, a Bruny Island (TAS) local, clearly has both an axe to grind and has a quick turn of phrase to go with it. That said, *Toxic* is the type of compelling read that is hard to put down and you will want to share with at least one family member.

It's even harder to reconcile how two of the three largest Tasmanian salmon corporations – Tassal Group (TGR.ASX) with a market capitalisation $759m and Huon Aquaculture Group (HUO.ASX) with a $326m market capitalisation, would fit into any fair dinkum approach to ESG. Stakeholder engagement, social licence to operate and even basic governance principals, if charted, may well appear to have closely tracked Tasmanian Tiger

[4] https://www.iucn.org/

sightings post 1936. The third operator Petuna Aquaculture is privately owned.

Flanagan's personal journey started with the noise pollution that floated across the bay day and night. This continuous *"thudding"* generated by on water salmon farming operations, he believed, was driving marine and birdlife out of the island's waters, but as blogger James Whitmore explains, this is just the tip of the iceberg.

Chapter by chapter Flanagan explores the environmental and social impacts of the expansion of the Tasmanian salmon industry.

Key to these impacts are the numbers of salmon kept in their underwater cages. The more salmon, the more fish faeces and uneaten fish feed falling onto the sea floor below – the equivalent of four times the state's sewage. This is key to the destruction of biodiversity in Tasmanian waterways subject to intensive salmon farming.

Industry best-practice suggests these cages need to be in deeper waters, up to 30 meters of water depth is required below the cages, with currents that will flush away this pollution. But Flanagan reveals that the Tasmanian government ignored the advice of Norwegian consultants (the country that invented industrial farmed salmon) and began building farms in Tasmania's shallow and still coastal waters in the 1980s.

The waste from fish farms – effectively fertiliser – causes algae and jellyfish blooms that leaves the ocean floor barren. Locals have documented countless species no longer sighted in these areas, including dolphins.

In one well-documented case (that saw one of the salmon corporations take the government to court for failure to regulate another), the salmon industry has left Macquarie Harbour on Tasmania's west coast ruined. The waste may even reactivate heavy metal pollution in Tasmania's waterways.

The fish hatcheries situated in inland river systems threaten Tasmanians drinking water supplies. Because Tasmania's seas are warmer than Atlantic salmon are acclimatised to (and rapidly getting warmer), the salmon must be traumatically *"bathed*" (30,000 fish were killed in a 2018 bathing accident) and fed antibiotics to avoid gill disease, contributing to the problem of antibiotic resistance.

For the end consumer the story gets worse. In a recent essay Flanagan writes:

"If we are what we eat, what our food has eaten in turn matters. Yet it's easier to find out what you're feeding your dog than what you're feeding yourself when you eat Tasmanian salmon."

Should you search the murky filth of a salmon pen to discover what constitutes the millions of feed pellets that drift down, you would quickly find yourself enveloped in a growing darkness. A veil of secrecy, green-washed and flesh-pink-rosetted, was long ago drawn over the methods and practices of the Tasmanian salmon industry, from its inexplicable influence over government processes to its grotesque environmental impacts. But the biggest secret of all is what the industry feeds its salmon.

From the beginning, the outsized environmental damage the industrial production of Tasmanian salmon creates has been outsourced to where it cannot be seen – under water – and to countries so far off, few have any idea that the problems and suffering of these countries are connected to the Tasmanian salmon industry.

In the early decades of farming, Tasmanian salmon – a carnivore in the wild – were largely fed on anchovy-based fishmeal and fish oil imported from Peru. The fishmeal industry on which the rise of the *"clean and green"* Tasmanian salmon industry was built, left the sea surrounding Peru's capital of anchovy fishing, Chimbote, contaminated, its coastline badly degraded and the town seriously polluted. According to Professor Romulo Loayza, a biology professor at the National University of Santa in Nuevo Chimbote, there are around 53m cubic metres of sludge in the seas around Chimbote, residual waste from the fishmeal factories, which in some parts reach more than two metres in height.

In an investigation for The Guardian, Andrew Wasley observed that the Chimbote fishmeal factories' insatiable demand for anchovy *"impacted on the sea's natural food chain, and reduced stocks of previously plentiful species fished for human consumption"*.

He describes Chimbote in 2008 with black smoke billowing from the fishmeal factories drifting through the streets, *"obscuring vision and choking passers-by. It looked like the aftermath of a bomb."* In *"one poor community … more than a dozen women and children* *gathered in the dusty, unpaved street to vent their anger at pollution from the fishmeal plants: they claimed they were responsible for asthma, bronchial and skin problems, particularly in children."*

The protesting Peruvian women and their sick children is one image of Tasmanian salmon that won't appear in any glossy history of the industry's rapid rise or its marketing of itself as environmentally responsible. Nor will that of the sea lions slaughtered by local anchovy fishermen, who saw them as competitors for a dwindling resource, their corpses scattered along a rubbish-strewn Chimbote beach, *"quietly rotting in the sunshine".*

Today, Tassal claims it uses 1.73kg of wild fish to make one kilogram of salmon. In other words, a lot more protein to make a lot less. Yet a major study found that 90% of fish caught globally not used for human consumption were *"food-grade or prime food-grade fish".* In other words, why aren't we just eating those fish instead of feeding them to other fish?

Fishmeal and fish oil are the products of global supply chains of staggering complexity and opacity, subject to constant change because of weather, natural catastrophe and politics; captive to a thriving black market in which fishmeal from one country with unacceptable practices, can be illegally traded to another and then on-sold as that second country's product.

A recent report by the Netherlands-based Changing Markets Foundation, linked leading global fish-feed giants BioMar and Skretting – which, along with Ridley, are the feed suppliers to Tasmania's salmon industry – to *"illegal and unsustainable fishing practices"* that were *"accelerating the collapse of local fish stocks", "driving illegal, unregulated and unreported fishing"* and *"wreaking environmental damage around production sites."*

The salmon industry rejects such reports, claiming that its fishmeal and oil are legitimately and ethically sourced. It points to the fishmeal industry's certification standard, known as the International Fishmeal and Fish Oil Organization Global Standard for Responsible Supply (IFFO RS) – IFFO being the fishmeal producers' own global association. Or it was, until last year when in the wake of the Changing Markets Foundation report and subsequent controversy, it was rebranded as the Marin Trust Standard to distance itself from IFFO. Accordingly, the IFFO Marin Trust Standard has been condemned as *"a sustainability smokescreen"*. If the standard is not independent, as its critics claim, it's difficult to believe it is trustworthy, given the conflict of interest.

Salmon farming is about creating protein by stealing it from others. Far from being a sustainable solution to the global collapse of wild fishing stocks, fish farming is driving overfishing, with an estimated 25% of fish caught globally being used for aquaculture. Alassane Samba, the former head of research at Senegal's Oceanic Research Institute, has warned that depleting fish at the bottom of the food chain *"could lead to a collapse of the marine ecosystem".*

In at least one case, a Namibian sardinella fishery, that nightmare is already reality with the fishery collapsing entirely and the void left by the sardinella being filled with jellyfish – the first case in the world where fish were replaced with jellyfish. More salmon for us means less food for others. Far from feeding the world today, Tasmanian salmon corporations are thieving from its future.

This may not worry those who love to eat salmon. But what may concern them is the way fishmeal and fish oil is transported. Unless stabilised with chemicals, fishmeal and fish oil go rancid, losing their precious omega-3 oils – the source of salmon's much-vaunted health-food status. The chemical stabiliser of choice is ethoxyquin.

Developed by Monsanto in the 1950s as a pesticide, manufactured from petrochemicals, with a range of uses including preventing rubber cracking, ethoxyquin also ensures fishmeal won't self-combust in transport. As a result, the International Maritime Organisation stipulated it as one of two obligatory fishmeal stabilisers to prevent fires and explosions.

Skretting is the largest salmon feed producer in Tasmania, supplying both Tassal and Petuna. Responding to questions put to them in March 2021, Skretting said their feeds *"are well within"* European limits of 150mg of ethoxyquin per kilogram of feed. According to Skretting, *"In Australia and New Zealand, ethoxyquin is considered generally regarded [sic] as safe."* Neither BioMar nor Ridley answered questions about ethoxyquin, and their websites are silent on the petrochemical-based additive.

It has been known for some decades that ethoxyquin is a potential carcinogen. Ethoxyquin has been shown to cross the blood–brain barrier of animals, can accumulate in the fatty tissue of humans, lead to chromosome breakage and is detectable in human breast milk. The eminent Dutch toxicologist Hendrik Tennekes suspected that ethoxyquin could influence the brain development of human foetuses.

The major source of ethoxyquin contamination of humans would appear to be aquaculture: a 2013 Polish study found that *“farmed fish is probably the major source of EQ [ethoxyquin] and its residues for European consumers”.* Research funded by the Norwegian Seafood Research Fund and major global salmon feed companies, including BioMar and Skretting, concluded that ethoxyquin *“was detected in salmon fillets regardless of the amount contained in the feed.”*

Victoria Bohne, a Norwegian scientist assigned by Norway’s prestigious National Institute of Nutrition and Seafood Research to research ethoxyquin, made European headlines in 2015 when she admitted on German television that she no longer dared to eat farmed salmon because of ethoxyquin.

According to Professor Edmund Maser of the Department of Toxicology and Pharmacology at the University of Kiel, ethoxyquin *“can be mutagenic and toxic. You need to eat a lot of farmed salmon to reach those levels, but people who eat a lot of salmon can reach them. Also, think of children and people with less body weight, for them the limit is lower. My answer is that one must find alternatives.”*

After a series of studies linked the chemical with a range of human health issues, in 2017 the EU banned the use of ethoxyquin as a food additive, and its use in human food is similarly banned in Australia. But the majority of Tasmanian salmon continues to be produced using feed containing ethoxyquin.

And so, to get the supposed health benefits from salmon, Australian salmon consumers have for more than three decades also been consuming ethoxyquin residue. Just as they were never confronted with images of the devastation of places like Chimbote, nor were consumers informed that the salmon they ate came tainted with the carcinogen used to transport the fishmeal and fish oil. Not to mention the PCBs and heavy metals that were concentrated in the smaller fish species used to make that very fishmeal and oil.

Flanagan’s detractors point out emotional rants, repetitive content and highlight that the rush to publish before Tasmania state elections, has reduced the readability of the book.

As generalists we can’t verify all the facts, but we note the book is well referenced throughout. There are clearly enough red flags to fill our simple common-sense roadmaps.

As we close out the financial year, the sixth most shorted company according to shortman.com is Tassal Group (TGR.ASX) with 8.13% of shares sold short. Kogan (KGN.ASX), who featured in our March 2021 quarterly ESG commentary, remains the most shorted ASX company with 11.49% of stock sold short. ***SFM***

FOLLOWING THE LEADER CAN WORK

We recently met with Domino's Chairman Jack Cowin. It's worth listening to wisdom, particularly when distilled into simple sentences and lessons.

We discussed the power of compound returns and investing into areas where innovation has clearly succeeded and a large-scale penetration opportunity remains. Cowin has consistently applied both strategies.

Cowin's personal investments reflect the first principle, having never sold a share in Domino's, nor his personal business, Competitive Foods. The latter was a partnership of 30 Canadian backers, started in 1969.

Today Cowin owns 98.5%, having bought out most of the original shareholders. Competitive Foods has a history of paying no dividends, instead choosing to compound, and it now owns more than 460 Burger King stores across Australia.

His businesses also reflect the second principle. Rather than reinventing the wheel, Cowin has exploited proven innovation and simply grown the footprint into penetration opportunities that are large scale. *"People need to eat three times a day"* he told us with a smile.

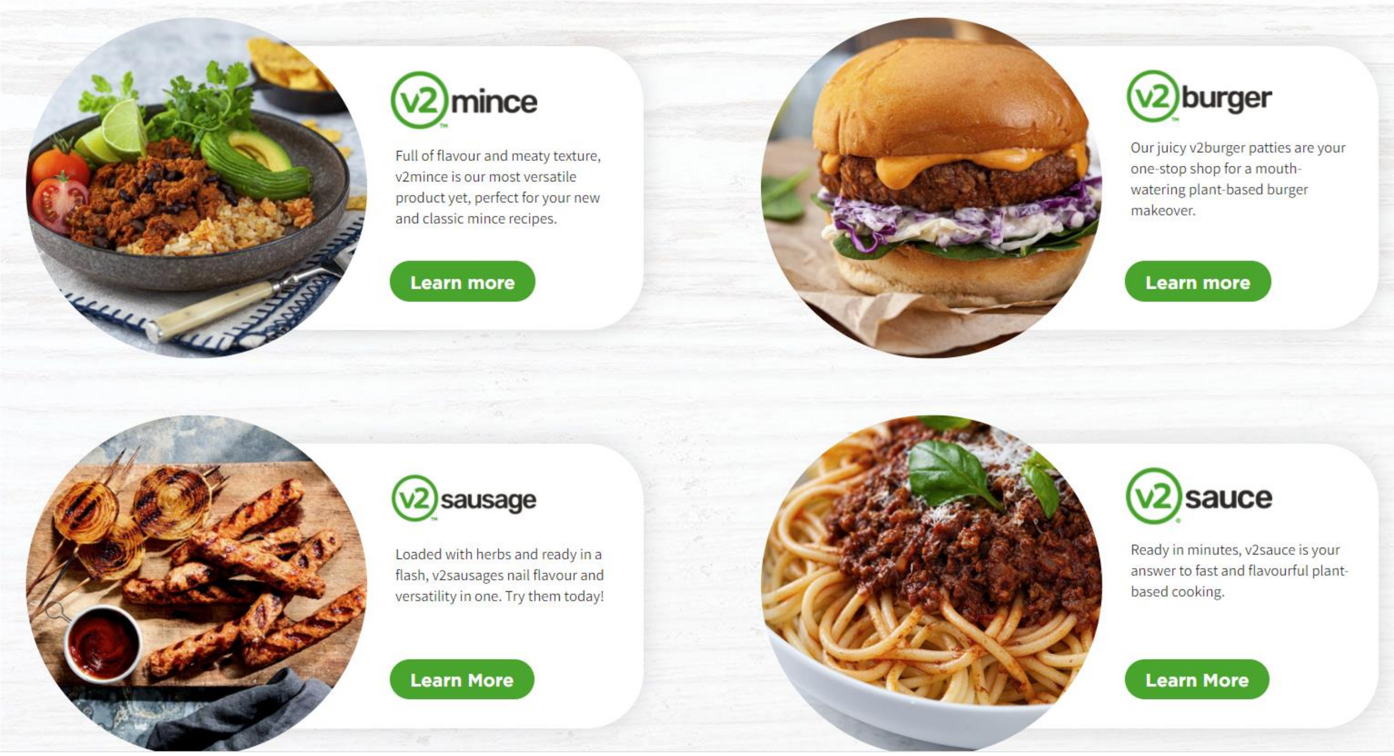
Being amongst the first to bring fast food to Australia, the concept seemed like a no brainer to Cowin in the 70s having proven success in the U.S. and Canada.

Days after we met, Cowin was on the front page of The Australian discussing how *"anything that is planet friendly, the Millennials are into that with their ears pinned back"*. Cowin has dived into the space feet first, again without reinventing the wheel.

In 2019, Cowin and CSIRO launched Australia's number one plant-based meat company v2food and it now supplies the big supermarkets with v2burgers, v2mince, v2sausages and v2sauce.

In October 2020, Temasek and Sequoia Capital China were among the investors in v2food's US$55m series B round of funding. The company, understood to be valued at $500m, follows in the footsteps of Beyond Meat. Listed on the Nasdaq, Beyond Meat has a market capitalisation of US$9.5b and this iconic green behemoth is yet to make a profit.

Figure 22: v2food Products



Source: v2food.com

Compounding has always appealed to us – as both common-sense and a powerful investing outcome, so we are definitely on the same page as Cowin.

We also believe in innovation, and we understand that at the cutting edge it needs to be funded. This can be expensive and can result in dilution, as more capital is inevitably required. The alternative is to be a fast follower, taking less risk and filling known gaps, the space where Cowin has had outsized success.

Our approach to tackling climate change across both our business and our portfolios reflects this attitude. We have reviewed potential avenues and the undertakings of leaders in the Environmental, Social and Governance (ESG) space. From these examples, we have adopted a common-sense pathway that fits our own culture and beliefs.

Microsoft are clearly an inspiring leader in the space. In January of 2020, Microsoft made the following public statements outlining their path to climate related negative emissions.

By 2030 Microsoft vows to become carbon negative and by 2050 aims to offset all direct emissions produced since the company's founding in 1975.

"We recognise that progress requires not just a bold goal but a detailed plan. As described below, we are launching today an aggressive program to cut our carbon emissions by more than half by 2030, both for our direct emissions and for our entire supply and value chain. We will fund this in part by expanding our internal carbon fee, in place since 2012 and increased last year, to start charging not only our direct emissions, but those from our supply and value chains."

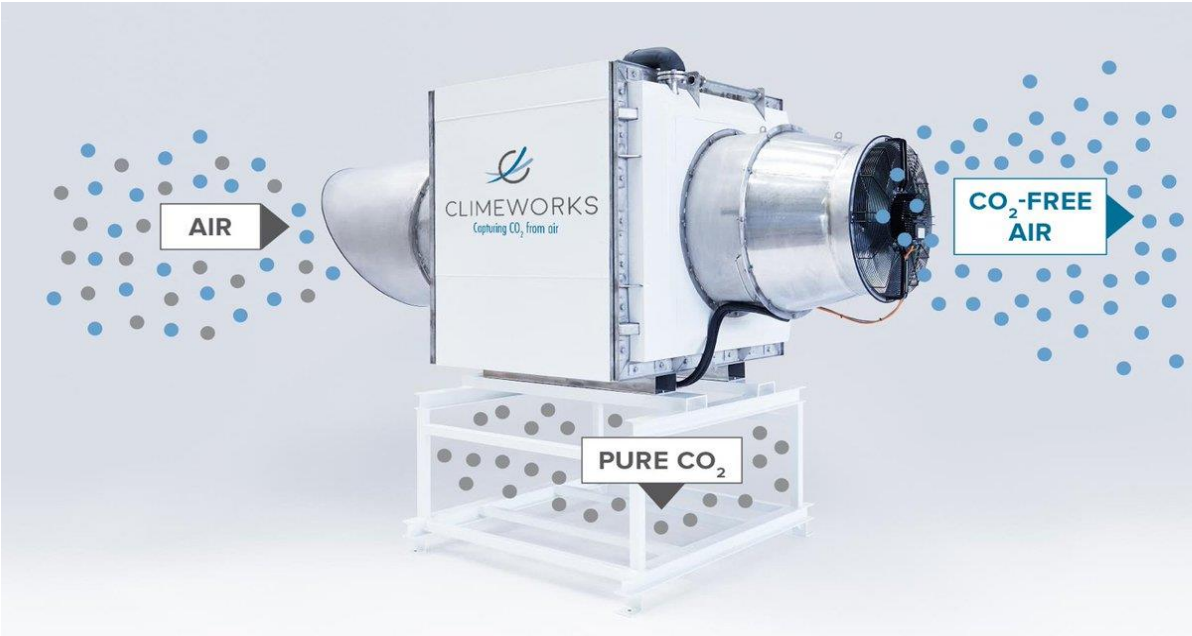
We have taken a lead from Microsoft, in developing our own pathway to negative carbon emissions. See separate article "Carbon Footprint", describing how SFML has become carbon emissions negative since inception.

Collectively we will not achieve global climate targets by simply reducing our emissions. If we want to restore a healthy balance of CO_2 in the atmosphere, we must achieve **negative** emissions. This means humanity has to remove more CO_2 from the air than it emits, if we are to keep global warming in the line of the limits of the Paris Agreement. Paris targets are one of the four outcomes we measure, to rate the climate-related actions of companies within our portfolios.

The report of the Intergovernmental Panel on Climate Change (IPCC) of 8 October 2018 clearly says:

All scenarios to limit global warming to 1.5°C, involve extracting atmospheric CO_2 in huge volumes – between 100 and 1,000b tons by 2100 – which is two to twenty times the current annual total amount of global greenhouse gas emissions.

Figure 23: Direct Air Capture



Source; Climeworks

Removing CO_2 from the air is what scientists call negative emissions. There are several ways to achieve this:

1. The easiest way is to plant forests. Trees are natural carbon sinks, capturing CO_2 through photosynthesis and storing it in their trunks, branches and roots, as well as in the soil. But not enough land area is globally available to capture between 100 and 1,000b tons of CO_2 with trees alone.

   Also, the permanence and verification of the removed CO_2 cannot always be guaranteed. Both fires or deforestation can destroy trees and release the CO_2 back into the atmosphere.

2. A second possibility is based on bioenergy. This consists in cultivating fast-growing plants. But here again, more than 700m hectares would have to be devoted to these crops by 2050, which is unrealistic.

3. There is a third way that is emerging – using technology to capture CO_2 directly from the air and storing it underground (direct air capture and storage). Several companies are exploring this avenue, such as Climeworks.

Founded in 2009, Swiss company Climeworks has developed a technology called direct air capture (DAC), which removes carbon dioxide from ambient air.

Climeworks' DAC and storage is a scalable solution that can pull vast amounts of CO_2 from the air in a permanent and measurable way. They have built 14 plants to date and have recently completed their biggest project "Orca" in Iceland.

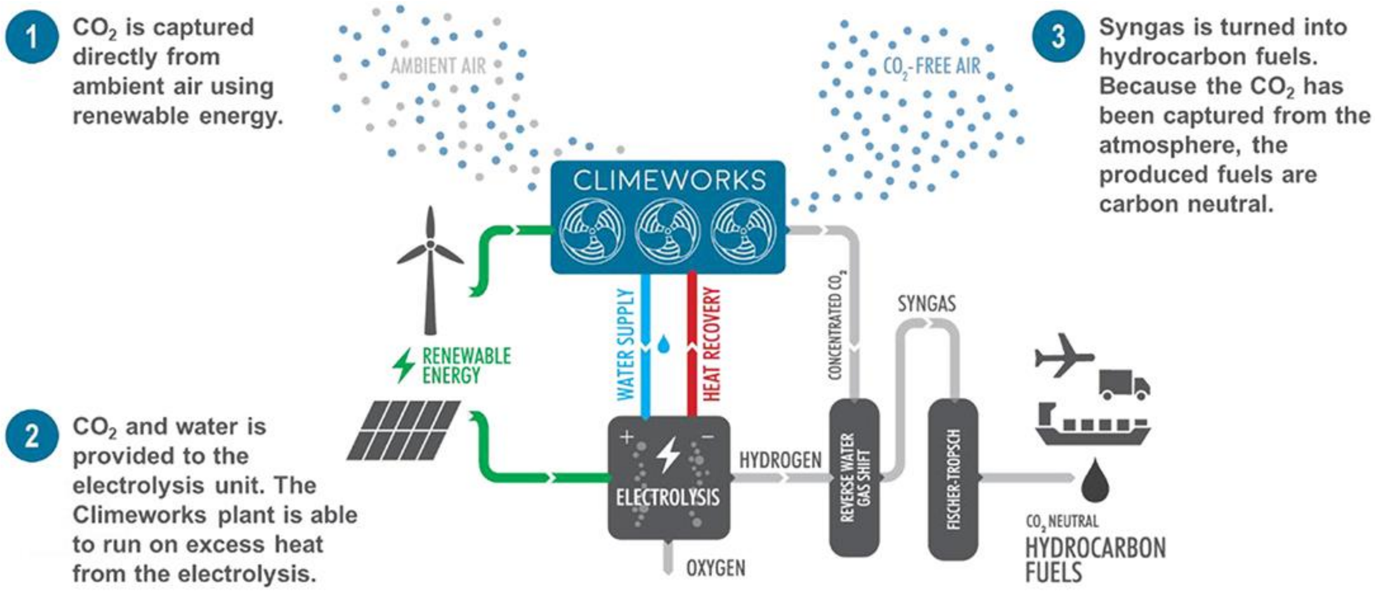
Climeworks raised CHF100m (≈AUD$146m) in 2020 from private investors, including Microsoft. This is the largest ever investment into DAC. This sum enables the company to further scale and optimise its technology and make it accessible to more stakeholders. On a small scale, the technology is comparatively expensive. Offset costs US$100 per 92Kg of CO_2 emissions. Climeworks has a scale-up roadmap in place and a longer-term cost target of US$100 per ton of CO_2.

Climeworks develops, builds and operates direct air capture machines

Using DAC technology, Climeworks' captured CO_2 can either be recycled and used as a raw material, or completely removed and stored away permanently.

The modular CO_2 collectors, powered solely by renewable energy or energy-from-waste, can be stacked to build machines of any size. Grey emissions are below 10%, which means that out of 100t of DAC machine captured air, at least 90t are permanently removed and only up to 10t are re-emitted.

Figure 24: The core element of our technology are the CO_2 collectors



Source: Climeworks

Figure 25: Orca, Iceland

Source Climeworks

CO_2 collectors selectively capture carbon dioxide in a two-step process. First, air is drawn into the collectors with a fan. Carbon dioxide is captured on the surface of a highly selective filter material that sits inside the collectors. Second, after the filter material is full with carbon dioxide, the collector is closed. As the temperature rises to between 80 and 100°C, this high-purity, high-concentration carbon dioxide is released and collected.

Science-based and scalable

CO_2 is captured from air in Hellisheiði, Iceland. The aptly named Orca DAC project will be able to permanently and safely remove 4,000 tons of carbon dioxide from the air per year. It is claimed to be the world's biggest climate-positive direct air capture plant to date. Set on a concrete footing (as pictured above) the modular CO_2 collectors can be stacked to build DAC machines of any size.

Climeworks' partner Carbfix then mixes the CO_2 with water and pumps it underground. Through the process of rapid mineralisation, the CO_2 is stored safely and permanently. While SFML is not in a position to verify this technology, Microsoft, far better resourced in this space, has.

Climeworks' carbon dioxide capture technology has been selected in Microsoft's carbon removal portfolio, after successfully passing an extensive application process. The selection is recognition of Climeworks' strong scientific backbone, resulting in an effective, safe and permanent storage solution.

By partnering with Climeworks', Microsoft remove their emissions while also helping to scale up a much-needed climate technology.

This negative emission plan by Microsoft also marks an important milestone on the road to addressing climate change and sends a strong signal to other established companies. It inspires those who want to help combat climate change and leverage a science-backed, fully measurable and permanent solution.

In addition to becoming carbon negative since inception, in July SFML subscribed to the monthly Climeworks offset program along with over 6,000 subscribers.

What's in a name – Carbon Neutral or negative?

To become carbon neutral, businesses and organisations calculate the greenhouse gas emissions generated by their activity, such as fuel or electricity use and travel. They reduce these emissions as much as possible by investing in new technology or changing the way they operate. Any remaining emissions can be 'cancelled out' by purchasing carbon offsets. Carbon offset units are generated from activities that prevent, reduce or remove greenhouse gas emissions from being released into the atmosphere. When the offsets purchased by an organisation equal the emissions produced they are carbon neutral.

Carbon negative, on the other hand, means a company is removing more carbon than it emits each year. ***SFM***

Learn more at:

https://www.youtube.com/watch?v=cxVFopLpIQY

https://climeworks.com/net-zero-solutions-for-businesses

SELECTOR'S CARBON EMISSIONS

We believe business needs to be proactive in reducing carbon emissions. The good news is that companies are clearly responding, as Environmental, Social and Governance (ESG) factors, climate change included, have become mainstream business considerations.

2020 was a watershed year, as we are all aware. Scratch the surface and it becomes clear more people are questioning the status quo. This includes how we work, who we work for and why.

In the last year some more notable global leaders have stepped up. Apple announced its plans to become carbon neutral across its business, supply chain and product life cycle by 2040.

U.S. automotive giants GM and Ford announced plans to achieve carbon neutrality by 2040 and 2050 respectively.

Microsoft has set the most ambitious goal, pledging to actively reduce carbon emissions in the atmosphere. By 2030 the company vows to become carbon negative and by 2050 aims to offset all direct emissions produced since the company's founding in 1975.

Locally, technology leaders REA Group and TechnologyOne both took bold steps in announcing they have become carbon neutral.

ESG progress should not be the domain of big players alone, as most businesses either start out or remain small. In the U.S., as the economy recovers, new business creation has been at its highest since records began in 2004. We see this as a positive platform for change.

SFML strongly believes small business has a significant role to play. We all need to act like leaders. As a result, SFML has endeavoured to recognise and offset our firm's carbon output since inception in 2003.

Our plan is to remain a carbon negative business going forward. This involves seeking ways to actively reduce our emissions where possible and selectively participate in the new emissions technologies required to reach the Global Paris Targets, which are recognised by the Task Force on Climate related Financial Disclosures.

Calculating Greenhouse Gas (GHG) emissions

As the calculation of GHG emissions requires assumptions, we have taken a conservative approach to our estimates. To ensure best practise, whilst adhering to the Greenhouse Gas Protocol standards, we engaged Australian carbon solutions provider, Carbon Neutral. SFML has estimated scope 1, 2 and 3 emissions. Note, an independent auditor has not reviewed these calculations.

Our GHG emissions output since inception was driven by six key contributors: electricity, office consumables, travel (domestic and international), food, waste, and transportation to and from work.

Breakdown of SFML emissions since 2003

The main contributors to our GHG emissions since inception were travel and electricity (85%). International travel made up 54.7% of total emissions. This is reflective of our corporate engagement program and the global nature of the businesses that make up our portfolios.

In calendar year (CY) 2020, our largest emissions contributor was electricity at 65.15%, reflecting the impact of COVID-19 government-imposed travel restrictions in Australia.

Below is a summary of our GHG estimates since inception. We have split out our 'since inception' emissions estimate for 2003 to 2018 in Table 8. CY19 emissions, which was offset in June 2020 as previously disclosed, is set out in Table 9. Finally, our CY20 emissions are disclosed in Table 10.

Calendar year 2003 to 2018 and 2020 emissions were both certificated as of 3rd May 2021, by Carbon Neutral.

Table 8: Selector's CO_2 Emissions for CY 2003-2018

Category	**CO_2 Emissions (t)**
Air Travel	246.7
Electricity	65.5
Transportation	22.0
Office Consumables	19.5
Food	10.0
Waste	3.7
Total	**367.3**

Source: SFML. OFFSET Certificate Date – 3 May 2021

Table 9: Selector's CO_2 Emissions for CY19

Category	CO_2 Emissions (t)
Air Travel	79.1
Electricity	15.5
Transportation	3.0
Waste	1.4
Paper	0.5
Total	**99.5**

Source: SFML OFFSET Certificate Date – 29 June 2020

Table 10: Selector's CO_2 Emissions for CY20

Category	CO_2 Emissions (t)
Electricity	12.6
Transportation	2.8
Food	2.1
Office Consumables	1.1
Waste	0.8
Total	**19.3**

Source: SFML OFFSET Certificate Date – 3 May 2021

Offsetting emissions

For the periods relating to 2003-2018 and 2020, we estimate SFML's CO_2 output to be 387t (rounded up to the nearest tonne). We offset a total of 430t to reach our goal of becoming carbon negative since inception. The additional 43 tonnes offset represents a 10% buffer as a margin for estimation error. In total, our journey to carbon negative has resulted in 530t of CO_2 been offset since inception.

These estimations have tried to capture all relevant scopes of emissions.

We partnered with Carbon Neutral to support their Yarra Yarra Biodiversity Corridor initiative. This Australian Native Reforestation project aims to restore habitat loss and deforestation in the Northern Wheatbelt of Western Australia.

The cost to offset the "since inception" combined emissions from 2003-2018 and 2020 emissions, totalling 430t of CO_2, was $8,514.00 (inclusive of GST). Selector has received a certificate from Carbon Neutral as proof of purchase of carbon credits.

SFML has previously disclosed the offset cost of our CY19 CO_2 emissions was $2,420 (inclusive of GST).

New technology

Long-term climate targets require the emergence of new emission technologies, which can both scale and achieve cost efficiency to enable widespread global adoption.

The process of planting and reforestation require scarce land resources that have competing interests. In addition, the process of measuring CO_2 captured through these programs has limitations. Accuracy cannot be guaranteed as we have discussed, and the carbon dioxide removed may not be permanent. Fires for instance will result in CO_2 rereleased into the atmosphere.

The offsets we have undertaken acknowledge these limitations and the ongoing journey we are on.

Looking to the future, we have undertaken a review of current and emerging technologies, which can capture CO_2 emissions more accurately and efficiently.

As discussed in our previous article, Climeworks has developed a technology called direct air capture (DAC), which removes carbon dioxide from ambient air.

Selector has subscribed to an annual offset target of 1.1t through Climeworks. Along with Microsoft, we are one of more than 6,000 subscribers.

Selector's long-term plan

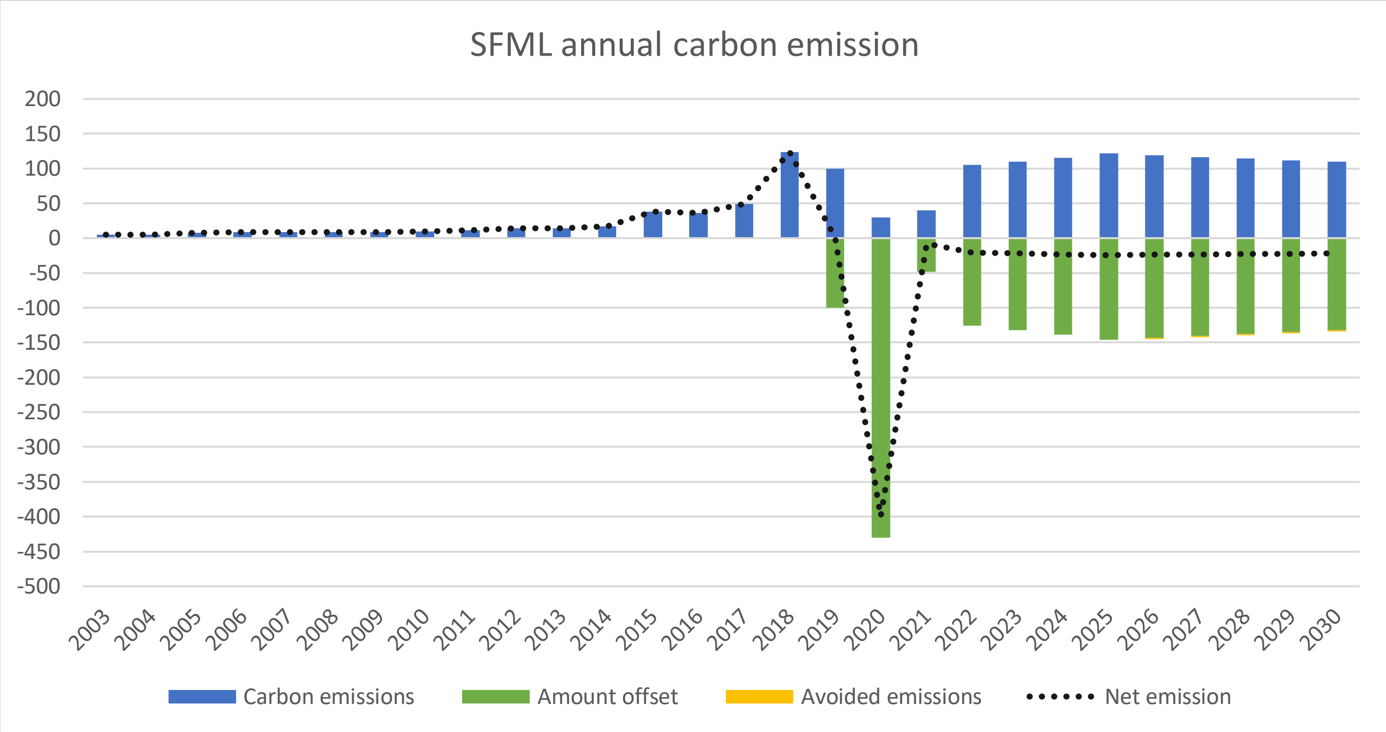
New technology is key to realising Global Paris climate targets. As a small business, we aim to be a leader in supporting solutions which we believe are best in class.

Our plan is simple. It is based on a consistent common-sense effort to tackle climate change, with a long-term approach.

Today we are carbon negative since inception. To maintain this position, going forward we plan to offset between 110-120% of our annual estimated CO_2 emissions. We plan to do this through a mixture of initiatives that we believe in.

Chart 1 represents our long-term plan out to 2030. Note that estimations have been used to forecast our CO_2 emission output in future periods. ***SFM***

Chart 1: Selector's long-term plan



Source: SFML

MOVING AGAIN

During May, we took the opportunity to travel south to Melbourne, meeting several portfolio investments. The financial numbers provide an understanding, but the face-to-face interaction fills in the gaps. This trip was no different, although the impact of COVID was clearly felt at the airports and accompanying services.

As we have often discussed, investing is a knowledge business. How you use that knowledge and the preparedness to frame an investment over a duration is equally critical. At the very beginning we aim to remove a lot of barriers that many other investors choose to introduce, be it valuation constraints or index biases, and focus purely on the business opportunity and the people who make it happen.

Carsales

Our first pitstop of the trip was Carsales' head office. The company's announcement to enter the U.S. market, following its acquisition of a 49% interest in non-automotive online classifieds operator Trader Interactive, presented the perfect opportunity to meet with the group's management team.

Carsales is a long held, significant investment holding within the portfolio, that has expanded successfully overseas by making sensible, business enhancing acquisitions.

Since its founding in 1997 it has stuck to its core and built a formidable leadership position in both the local online automotive and non-automotive classifieds business segments.

The pursuit of offshore opportunities was driven by the knowledge that many more markets could benefit from the know-how and technological capabilities housed within the local organisation.

In this endeavour the first significant region considered was Brazil. In 2013, the company entered the market via the purchase of a 30% interest in leading online automotive classifieds operator Webmotors SA, for a total outlay of $89m. From the outset the business was generating positive operating profits and was earnings per share accretive. The one downside being management had no avenue to move beyond its initial interest, a situation corrected in future deals.

During 2020, Webmotors SA delivered total revenues of $75m and operating profits of $30m. For Carsales the 30% equity interest translated to $9m, which also compared to the $4m of operating profits at time of acquisition.

In 2014, the company embarked on its second international expansion opportunity, buying an initial 49.9% interest in South Korea's leading online automotive operator from SK Encar for $126m. Like Webmotors SA, the contribution metrics delivered the group immediate earnings per share accretion.

In 2017, Carsales bought the outstanding 50.1% shareholding for a further outlay of $244m. The group's total investment of $370m compares to operating profits of $18m at time of acquisition and the $39m recorded for the 2020 financial year.

Importantly, the business continues to thrive. All operational and on the ground performance metrics point to the South Korean region being a bigger business than the current Australian division.

Having successfully expanded in both the South Korean and South American market, the company is now making moves in the U.S.

The U.S. entry, whilst non-automotive, remains within the group's core capabilities. Trader Interactive is a leading platform of online marketplaces operating in four verticals, including Recreational Vehicles (RV), PowerSports (PS), Trucks and Equipment.

The business was founded in 2010 in Norfolk, Virginia and has morphed from an offline to a predominantly subscription-based online offering.

Carsales' management's first introduction to the business came in 2017, when Dominion Web Solutions as it was known then and subsequently renamed Traders Interactive, came on the market. Preoccupied with the Encar purchase at the time, Carsales passed on the opportunity and the business instead went to the hands of private equity players Goldman Sachs PIA and Eurazeo North America Inc.

On 12 May 2021, the private equity owners agreed to sell down 49% of Traders Interactive to Carsales for

US$624m or approximately A$797m. The deal also allows Carsales to purchase the remaining 51% balance from the current private equity owners by way of a call option, on terms not disclosed.

Traders Interactive is a high quality, high margin business, with full year revenues of US$123m and operating profits of US$61m, as reported in 2020. Since 2016 the track record of plus 10% annual growth in revenues and profits is testament to the digital shift. The group's customer base is diversified, with over 8,500 dealers and 49 Original Equipment Manufacturers (OEM).

The subscription-based model, where dealers pay on average US$1,200 per month, is recurring in nature and illustrative of the Carsales business model of earlier years. The opportunity thus exists to develop the model further and extract returns similar to those enjoyed by the Australian operations.

As with Brazil and South Korea, Carsales will allow current management, led by long-term employee Lori Stacey, to run the business. Carsales digital experience and globally renowned technology platform capability will be service enhancing.

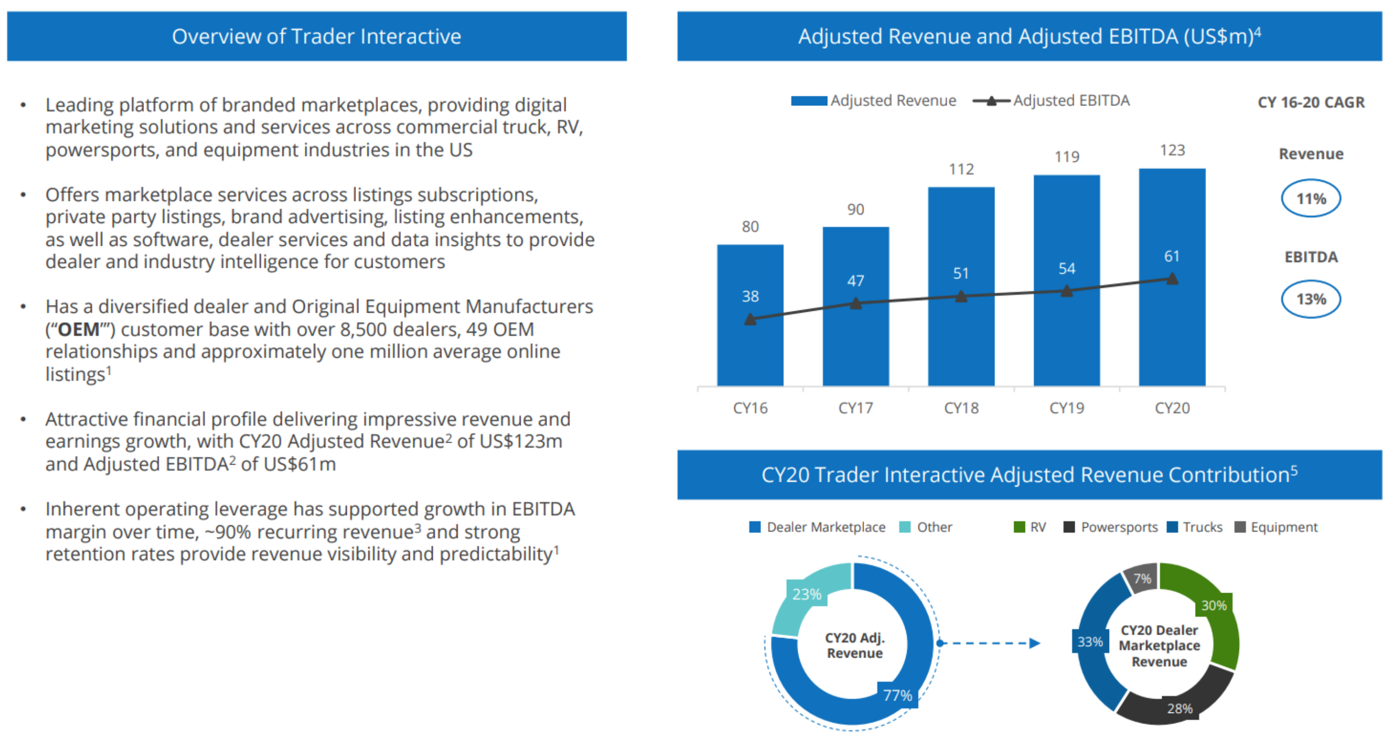
On this, Carsales has form, illustrated by the significant value generated since acquiring both operations in Brazil and South Korea. Management is confident and the asset provides a solid profitable base to build upon.

A capital raising to the tune of $600m will enable management to complete the deal, while maintaining a conservative balance sheet and the ability to sustain a sensible dividend payout policy.

We remain strong supporters of a management team that continues to deliver, with a preparedness to take the long road but still ending up in front.

Figure 26: Trader Interactive financial performance 2016-2020

Trader Interactive has a strong financial track record



Source: Carsales acquisition presentation May 2021

Figure 27: Trader Interactive brands and services

Founded in Norfolk, Virginia, with c.380 employees TI operates across four key segments in the US, with a focus on RV, motorcycle, truck and equipment industries. Supported by software, service and data insights capability

Brand Position Summary & Metrics

	RV	Powersports	Trucks	Equipment
Key brands	RV Trader, RV Insider	Cycle Trader, ATV Trader, PWC Trader, Snowmobile Trader, Aero Trader	Commercial Truck Trader, Next Truck	Equipment Trader, Rock & Dirt, Tradequip International
Summary	Leading marketplace for buying, selling and renting motorhomes, caravans and campers. Portfolio includes RV Insider, an RV review website for owners	Leading marketplace for motorcycles and all-terrain vehicles (ATVs), personal watercraft (PWC), snowmobiles and aircraft	Marketplace for buying and selling light, medium and heavy duty trucks and trailers	Marketplace buying, selling and renting of all types of commercial and agricultural equipment
US Market position[1]	#1	#1	#2	#2
Average monthly visits[2]	7.9m	7.1m	1.9m	1.4m
Lead over nearest competitor	6.3x[3]	4.9x[4]	0.8x[5]	0.3x[6]
Active listings (000)[7]	160	187	470	208
Dealer subscriptions[8]	1,931	1,910	3,000	1,950

Software, Services, Data & Insights

- Provides services to enable dealer website customisation, web services, dealer inventory and lead management as well as real-time listing and advertising analytics
- Key value proposition to users in providing customer, dealer and industry intelligence insights

Statistical Surveys | RV Web Services | Trader Traxx | Commercial Webservices

Source: Carsales acquisition presentation May 2021

PolyNovo

Our September 2019 Quarterly Newsletter presented the PolyNovo story to investors. It is available on our website here for those who wish to reacquaint themselves with the business. It followed on from our visit to the group's head office based in Melbourne and the U.S. office in San Diego.

Since then, the company has made substantial progress. Investors could be forgiven to think there is little depth to the business. We read with interest how one well-known local fund manager regarded PolyNovo as a speculative investment. Such views reflect a lack of understanding of a management team committed to a global commercial rollout, based on a unique wound healing polymer platform technology initially developed by the CSIRO.

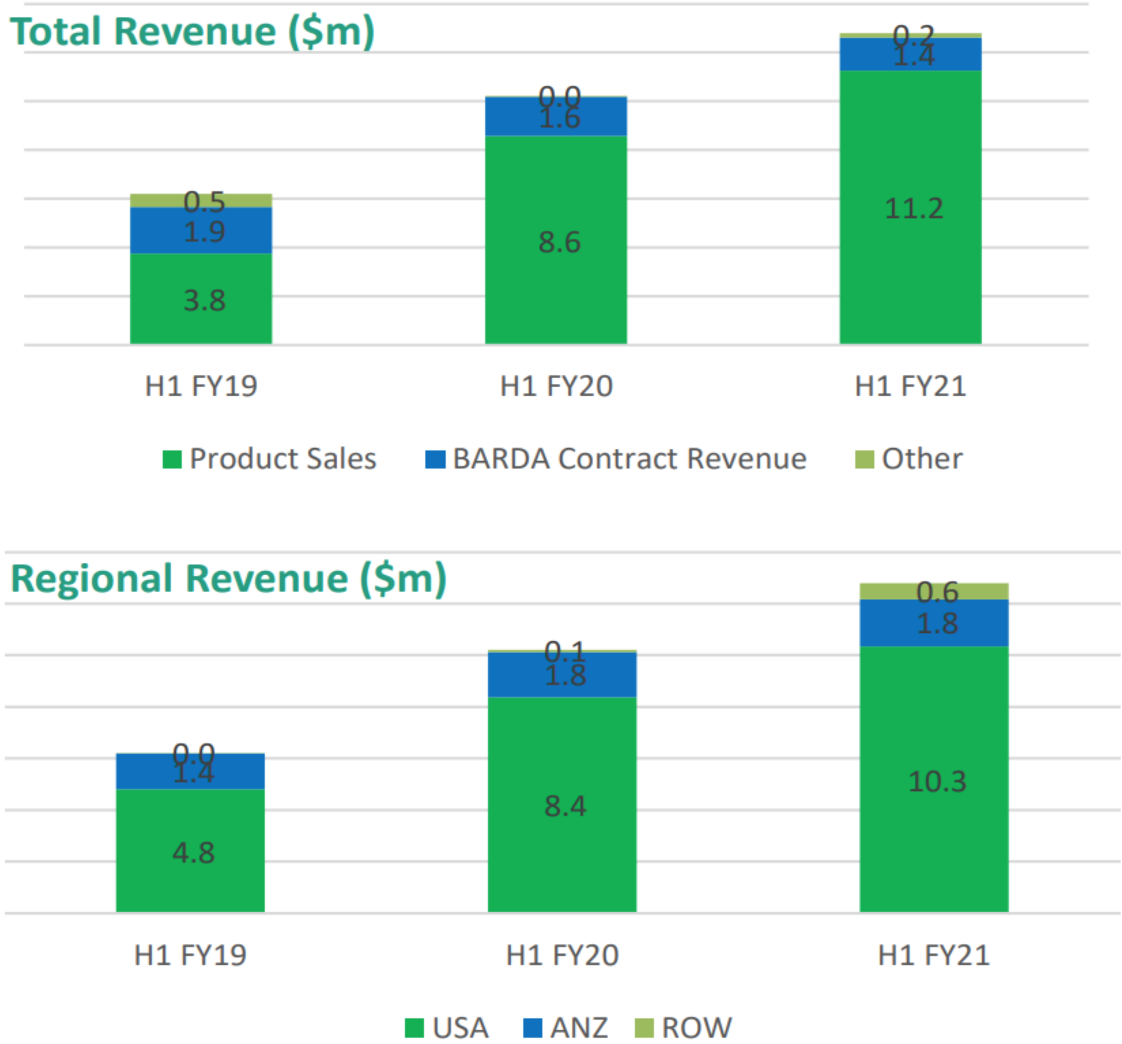
The first product, the Novosorb Biodegradable Temporizing Matrix (BTM), is the group's flagship offering. When we first visited two years ago, the business plans were in place but execution still a risk. Pleasingly, under the direction of CEO Paul Brennan and the group's working board, the achievements to date are impressive.

Operating within the group's limited surplus funds, it has studiously reinvested all cash flows back into building out the manufacturing base and expanding the global sales force. Full time staff has just hit 100, 40 more than at the time of our last visit.

Most significant has been the expansion of the U.S. sales force. Here the company has chosen to go direct, segmenting the country into four regions, with a team of 33 now on the ground, compared to the 12 on last count. This has led to both a steady stream of individual hospital wins and the signing of contracts with powerful Group Purchasing Organisations (GPO) covering aggregated healthcare providers.

The result has been positive, with both top line revenue and regional growth despite the COVID impacts. In the U.S., revenues of $10.3m for the first half 2021 have more than doubled from the $4.8m recorded in the 2019 comparative period. (see Figure 28)

Figure 28: Financial performance 1H21



Source: PolyNovo company presentation February 2021

Elsewhere, a string of new distributors were signed. This has particularly been the case in Europe with a presence formed across Germany, Italy and other European Union countries, alongside direct operations in the U.K. and Ireland.

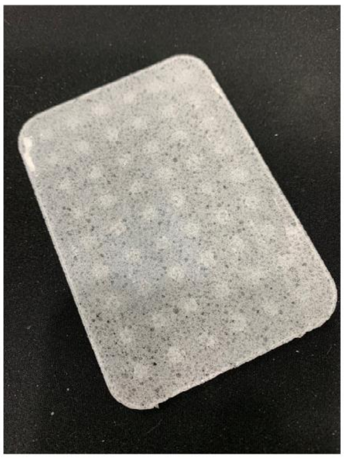
Our tour of the new hernia cleanroom and film extrusion facility is a further illustration of the progress made. The company's core market segment, covering burns and trauma injuries, are to be augmented by new platform products encompassing hernia and chronic wound injuries, including diabetic foot ulcers. The total addressable market for each is estimated at US$850m and US$400m respectively, with little competitor alternatives.

Figure 29: New product development – hernia

NovoSorb® SynTrel

Hernia Devices

- Factory complete end March
- Film extrusion unique NovoSorb polymer film that is 100% resorbable
- Ultrasonically welded film/foam construct
- Production capability achieved
- Looking at additional product configurations for faster route to market
- Looking at partnership opportunities to accelerate market entry and penetration rate
- Preferred pathway to be announced by July '21



Syntrel Hernia device

Polymer manufacturing

Source: PolyNovo company presentation February 2021

Figure 30: New product development – other

NovoSorb® BTM

- Addition of smaller sizes for chronic wounds
  - 2x2 cm
  - 5x5cm
- Additional sizes for reimbursement in some countries e.g.: 20x20cm
- Accelerated aging testing of packaging in progress
- Further qualification testing required to complete the quality standards

On track

NovoSorb SynPath™

US Alternate Care/ Community Market

- Unique sizes and shapes of NovoSorb BTM for the US Alternate care $400+m market (community/ non-hospital)
- DFU/VLU reimbursement study in progress, first patient will be enrolled February. 2 year study. New sizes manufactured prior to study conclusion.
- Launch once reimbursement established

NovoSorb®

Plastics and Reconstructive Device

- Development brought in house.
- Employed dedicated marketing resource
- Recruiting additional development scientist
- Estimate a 3 year + development path

Betacell Diabetes Treatment

- PolyNovo will supply BetaCell with NovoSorb BTM for use in their studies. Once these studies are complete we see this as a new segment opportunity for NovoSorb BTM sales.

Source: PolyNovo company presentation February 2021

Perhaps the most pleasing development is the skill set within the board and executive ranks. The board has been strengthened with the appointment of Christine Emmanuel, currently Executive Manager of Business Development and Commercial at the CSIRO, as well as her membership of the Chartered Institute of Patent Attorneys U.K.

Joined alongside her is Dr Robyn Elliott with qualifications from Monash University and currently Senior Director for Strategic Expansion Projects at CSL Behring. Her involvement was instrumental in attracting the company's Chief Operating Officer Dr Anthony Kaye, with specific manufacturing and operational oversight. Lastly, in May the company appointed Dr Joshua Cheetham to the new position of Director of Research and Development.

This year the group is on track to pass $30m in sales, with most of the excess income reinvested into operational expansion. The business enjoys attractive gross profit margins in excess of 90% and strong clinician endorsement, evident by underlying annual growth rates exceeding 50%.

To date, management have chartered a prudent path, reinvesting into manufacturing capability, strengthening the executive ranks and pursuing new platform extension opportunities. The results to date, while still in its infancy, point to a positive outlook and are far less speculative than some would suggest.

ARB Corporation

Next, we caught up with long serving founding directors John Forsyth and Roger Brown (also the non-executive chairman of ARB). Founded in 1975 and listed on the Australian Stock Exchange in 1987, automotive group ARB is internationally recognised for its quality and performance of auto accessory products.

The company has never issued new capital, other than undertaking company share splits in 2002 and dividend reinvestment plans over the 34 years of public life. We have updated the group's financial results timeline in Table 11, last provided in our December 2017 Quarterly Newsletter.

COVID-19 took an initial toll on the business, but like many domestically based discretionary operations this was short lived as the Federal Government's stimulus spend took hold. The result has been an unprecedented level of domestic and international demand, far outstretching the group's existing manufacturing capabilities.

Back orders of over six months are not uncommon, as manufacturing operations in Thailand are ramped up to meet strong demand. The company has its hands full not only in expanding production facilities, but in bedding down new acquisitions. Among these are Proform Plastics and Beaut Utes based in New Zealand, as well as the leading manufacturer and distributor of utility accessories in the U.K. trading under the Truckman name.

Table 11: ARB Corporation financial results time series 1987-2020

Year	Shares on Issue	Sales Revenue ($'000)	Export Sales ($'000)	EBIT ($'000)	NPAT ($'000)	EPS cents	DPS cents	ROE %	EBIT Margin %	Share price (Adjusted) 30-Jun	Market Cap 30-Jun
30-Jun-87	10,141,544	1,472	-	70	46	0.1	-	1%	4.8%		
30-Jun-88	10,141,544	8,746	505	259	(53)	(0.3)	-	-2%	3.0%		
30-Jun-89	10,141,544	12,553	510	1,588	505	1.0	0.6	5%	12.7%		
30-Jun-90	10,933,850	14,249	1,050	1,594	1,027	2.0	1.1	10%	11.2%		
30-Jun-91	10,998,369	13,319	1,700	453	278	0.5	0.6	3%	3.4%		
30-Jun-92	11,057,097	15,664	2,380	897	658	1.2	0.9	6%	5.7%		
30-Jun-93	11,177,042	20,813	2,833	1,874	1,513	2.7	1.5	13%	9.0%	0.2200	12,294,746
30-Jun-94	11,252,531	25,686	4,020	2,280	1,557	2.8	1.7	13%	8.9%	0.3360	18,904,252
30-Jun-95	11,252,531	28,940	5,480	2,642	1,759	3.1	1.9	13%	9.1%	0.2780	15,614,018
30-Jun-96	11,252,531	33,607	7,548	3,282	2,085	3.7	2.1	14%	9.8%	0.3700	20,817,182
30-Jun-97	11,252,531	38,247	9,688	4,099	2,515	4.5	2.3	16%	10.7%	0.5200	29,256,581
30-Jun-98	11,252,531	43,980	12,557	5,652	3,427	6.1	2.8	20%	12.9%	0.7400	41,634,365
30-Jun-99	11,252,531	50,926	16,406	6,485	4,001	7.1	3.4	20%	12.7%	1.2000	67,515,186
30-Jun-00	11,252,531	59,136	20,055	8,234	5,136	9.1	4.4	22%	13.9%	1.0200	57,387,908
30-Jun-01	12,613,036	67,771	25,499	10,131	6,507	11.4	25.0	24%	14.9%	1.7500	110,364,065
30-Jun-02	12,613,036	78,836	29,283	11,978	8,279	13.1	6.5	26%	15.2%	2.7000	170,275,986
30-Jun-03	63,065,180	87,995	33,229	14,790	10,292	16.3	8.0	27%	16.8%	2.6000	163,969,468
30-Jun-04	63,201,976	100,652	31,870	17,413	12,094	19.2	9.5	27%	17.3%	3.5300	223,102,975
30-Jun-05	66,565,082	114,729	35,881	21,010	14,172	21.8	30.5	27%	18.3%	3.0500	203,023,500
30-Jun-06	66,565,082	125,867	41,093	22,902	15,782	23.7	11.5	26%	18.2%	3.1500	209,680,008
30-Jun-07	66,565,082	146,059	50,277	22,411	15,756	23.7	13.0	23%	15.3%	4.3000	286,229,853
30-Jun-08	66,565,082	171,603	55,134	28,478	19,647	29.5	15.0	25%	16.6%	3.8500	256,275,566
30-Jun-09	66,565,082	191,154	56,422	32,001	22,539	33.9	16.5	24%	16.7%	3.5500	236,306,041
30-Jun-10	72,481,302	228,001	55,704	44,599	32,628	46.3	59.5	29%	19.6%	5.8000	420,391,552
30-Jun-11	72,481,302	254,171	56,762	50,416	37,854	52.2	23.0	29%	19.8%	7.5700	548,683,456
30-Jun-12	72,481,302	268,718	59,352	51,307	38,499	53.1	25.0	25%	19.1%	9.1000	659,579,848
30-Jun-13	72,481,302	291,510	59,318	57,803	42,358	58.4	28.0	24%	19.8%	11.4000	826,286,843
30-Jun-14	72,493,302	297,779	69,680	56,085	42,570	58.7	29.0	22%	18.8%	12.2400	887,318,016
30-Jun-15	79,156,214	329,755	82,066	59,751	44,093	57.8	129.0	19%	18.1%	13.0300	1,031,405,468
30-Jun-16	79,168,214	356,905	92,432	64,516	47,439	59.9	31.5	19%	18.1%	16.7400	1,325,275,902
30-Jun-17	79,184,214	382,599	105,597	67,458	49,152	62.1	34.0	18%	17.6%	15.7100	1,243,984,002
30-Jun-18	79,224,767	422,675	118,713	74,641	50,969	64.3	37.0	17%	17.7%	22.8300	1,808,701,431
30-Jun-19	79,725,131	443,891	130,504	77,908	57,137	71.9	39.5	16%	17.6%	18.2000	1,450,997,384
30-Jun-20	79,830,525	465,379	152,179	79,766	57,295	71.8	39.5	15%	17.1%	17.9500	1,432,957,924
30-Dec-20	80,853,876	283,921	98,521	66,100	47,100	58.3	29.0	22%	23.3%	31.2500	2,526,683,625

Source: ARB Corporation company financials

In addition to new store rollouts, the company has also been busy on its recently announced collaboration with Ford, which will see ARB accessories on offer for the Ford Ranger and Everest vehicles in Australia and the Ford Bronco in the U.S.

With this heightened demand, perhaps it's not surprising that management are also adding to the group's employee base, which currently exceeds 2,100 and includes some 740 in Thailand.

The company's financial track record is extraordinary, and a true reflection of a founder led mindset, displaying prudent, conservative and long duration thinking. At the interim result in February 2021, the company retained a cash balance of $84m, more than sufficient to satisfy the Truckman acquisition, while allowing for further manufacturing expansion.

Not everyone is happy however, with proxy advisors pressuring the company to lift female representation on the board. Currently the board of seven comprises only one female, partially reflecting the type of industry in which it operates. Nevertheless, in a perfect world, a higher gender balance would be preferred, and we believe a sensible merit and gender based rebalance can be achieved in time.

The current situation where proxy advisors are threatening to cast votes against company resolutions, including the reappointment of sitting company directors, unless there is formal agreement to meet gender quotas, is not a positive development. This form of corporate bullying, quite frankly, sits well outside the scope or role of proxy advisors and is not well understood by ordinary shareholders.

The business world is not without its flaws, but ARB has carried out its obligations in an exemplary fashion, adopting a conservatively run ethos in building out a growing international business footprint. If only we had more compounders like this.

Medical Developments International

We travelled to the manufacturing base of Medical Developments International at Scoresby to meet the group's management team. The business is profiled in this quarterly edition and our visit allowed us to follow up on our earlier Zoom meetings.

CEO Brent MacGregor has settled in, having moved from the U.S. to take on the role. The board and senior executives are fully aligned to exploiting the Penthrox global opportunity, with the European and Australian markets first in line.

Management is buoyed by a recently completed external review on the European opportunity. The information gleaned will form the basis of action over the immediate future.

Equally critical is an organisational reshape that is more befitting of management's aspiration to support a business many multiples of current revenues.

Finally, the board is in transition, with new director appointments including Mary Sontrop and Richard Betts. Sontrop adds to the high calibre CSL experience that both Chairman Gordon Naylor and CEO MacGregor bring to the table.

Management is in place and the business case is set. What is now required is a modicum of time and the proper execution of a well thought out plan.

We jetted home, in a fully occupied Qantas plane, carbon offset paid. ***SFM***

COMPANY ENGAGEMENTS – JUNE 2021 QUARTER

Date	Company	Description
19-Apr	CUV	Clinuvel Pharmaceutical Management Conference Call
19-Apr	JIN	Jumbo Interactive Management Conference Call
20-Apr	PNV	PolyNovo GS Small/Mid Cap Healthcare Forum
20-Apr	PME	Pro Medicus GS Small/Mid Cap Healthcare Forum
20-Apr	VHT	Volpara Health Technologies GS Small/Mid Cap Healthcare Forum
21-Apr	NXL	Nuix FY21 Forecasts Investor Conference Call
21-Apr	ARX	Aora Biosurgery GS Small/Mid Cap Healthcare Forum
21-Apr	4DX	4DMedical GS Small/Mid Cap Healthcare Forum
21-Apr	TLX	Telix Pharmaceuticals GS Small/Mid Cap Healthcare Forum
21-Apr	FLT	Flight Centre Travel Group Citi Travel Conference
22-Apr	MP1	Megaport 3Q21 Results Conference Call
22-Apr	BKL	Blackmores Investor Day
22-Apr	NEA	Nearmap Barrenjoey Industry Insight Call
27-Apr	IRE	IRESS GS Management Conference Call
27-Apr	IRE	IRESS GS Emerging Leaders Conference Webcast
27-Apr	AD8	Audinate GS Emerging Leaders Conference Webcast
27-Apr	NXL	Nuix GS Emerging Leaders Conference Webcast
27-Apr	UWL	Uniti Group GS Emerging Leaders Conference Webcast
28-Apr	HUB	HUB24 GS Emerging Leaders Conference Webcast
29-Apr	PBH	Pointsbet Holdings GS Emerging Leaders Conference Webcast
30-Apr	RMD	ResMed 3Q21 Results Conference Call
3-May	MP1	Megaport Management Meeting
4-May	RWC	Reliance Worldwide Macquarie Australia Conference Webcast
4-May	WTC	Wisetech Global Macquarie Australia Conference Webcast
4-May	DMP	Domino's Pizza Enterprises Macquarie Australia Conference Webcast
4-May	IFM	Infomedia SimplePart Acquisition Conference Call
4-May	FLT	Flight Centre Travel Group Macquarie Australia Conference Webcast
4-May	DHG	Domain Holdings Australia Macquarie Australia Conference Webcast
4-May	NHF	NIB Holdings Macquarie Australia Conference Webcast
4-May	CPU	Computershare Macquarie Australia Conference Webcast
5-May	IEL	IDP Education Macquarie Australia Conference Webcast
5-May	RMD	ResMed Macquarie Australia Conference Webcast
5-May	CSL	CSL Macquarie Australia Conference Webcast
5-May	CUV	Clinuvel Pharmaceutical UBS Management Conference Call
5-May	PNV	PolyNovo Macquarie Australia Conference Webcast
5-May	BAP	Bapcor Macquarie Australia Conference Webcast
5-May	BKL	Blackmores Macquarie Australia Conference Webcast
5-May	NEA	Nearmap Macquarie Australia Conference Webcast
6-May	APX	Appen Macquarie Australia Conference Webcast
6-May	LME	Limeade Macquarie Australia Conference Webcast
6-May	IFM	Infomedia Management Meeting

Date	Company	Description
6-May	IRE	IRESS Annual General Meeting
6-May	BRG	Breville Macquarie Australia Conference Webcast
6-May	MP1	Megaport Macquarie Australia Conference Webcast
6-May	NXL	Nuix Macquarie Australia Conference Webcast
6-May	NXT	NEXT DC Macquarie Australia Conference Webcast
6-May	NEA	Nearmap Management Meeting
6-May	FCL	FINEOS Macquarie Australia Conference Webcast
7-May	REA	REA Group 3Q21 Results Conference Call
10-May	APX	Appen Management Meeting
11-May	DMP	Domino's Pizza Enterprises CLSA Management Meeting
11-May	NEA	Nearmap Management Meeting
12-May	CAR	Carsales.com Acquisition and Capital Raising Conference Call
13-May	XRO	Xero FY21 Results Conference Call
13-May	CAR	Carsales.com Melbourne Site Visit
13-May	PNV	PolyNovo Melbourne Site Visit
13-May	ARB	ARB Corporation Melbourne Site Visit
14-May	MVP	Medical Developments International Melbourne Site Visit
14-May	TLX	Telix Pharmaceuticals Management Meeting
17-May	IFL	IOOF Holdings Management Meeting
18-May	NXL	Nuix Investor Day
18-May	JHX	James Hardie Industries 4Q21 Investor Call
18-May	OFX	OFX Group FY21 Results Conference Call
18-May	JHX	James Hardie Industries Post Results Group Briefing
18-May	OFX	OFX Group Management Meeting
19-May	APX	Appen Business and Trading Update Call
19-May	NAN	Nanosonics Investor Call
20-May	APX	Appen Technology Day
21-May	OCL	Objective Corporation UBS Management Meeting
24-May	ALL	Aristocrat Leisure HY21 Results Conference Call
25-May	JHX	James Hardie Industries Investor Day
25-May	TNE	TechnologyOne HY21 Results Conference Call
25-May	ALL	Aristocrat Leisure Management Meeting
25-May	CAR	Carsales.com JPM Management Meeting
26-May	FCL	FINEOS Virtual Exchange Webinar
26-May	JIN	Jumbo Interactive Management Meeting
26-May	TNE	TechnologyOne Management Meeting
27-May	FPH	Fisher & Paykel Healthcare FY21 Results Conference Call
27-May	JHX	James Hardie Industries Management Meeting
27-May	VHT	Volpara Health Technologies UBS Management Meeting
28-May	APX	Appen Annual General Meeting
28-May	TLX	Telix Pharmaceuticals Management Meeting
1-Jun	FPH	Fisher & Paykel Healthcare Investor Series - Day 1
1-Jun	DMP	Domino's Pizza Enterprises Management Meeting
2-Jun	FPH	Fisher & Paykel Healthcare Investor Series - Day 2

Date	Company	Description
2-Jun	CAR	Carsales.com UBS Management Meeting
3-Jun	FPH	Fisher & Paykel Healthcare Management Meeting
3-Jun	FPH	Fisher & Paykel Healthcare Investor Series - Day 3
3-Jun	REA	REA Group Management Meeting
7-Jun	PBH	Pointsbet Holdings Macquarie Emerging Leaders Conference
8-Jun	NHF	NIB Holdings JPM Management Meeting
9-Jun	IFL	IOOF Holdings UBS Management Meeting
9-Jun	COUR.NYSE	Coursera Citi Management Meeting
9-Jun	DMP	Domino's Pizza Enterprises UBS Germany Industry Insight Briefing
10-Jun	ALU	Altium JPM Analyst Meeting
10-Jun	JIN	Jumbo Interactive Barrenjoey Management Conference Call
10-Jun	NobleOak	NobleOak Barrenjoey Pre-IPO Meeting
11-Jun	LPX.NYSE	Louisiana Pacific JPM Management Meeting
15-Jun	IFL	IOOF Holdings Barrenjoey Management Meeting
15-Jun	JIN	Jumbo Interactive Macquarie Emerging Leaders Conference
16-Jun	BRG	Breville UBS Industry insight Call
16-Jun	CAR	Carsales.com UBS Industry insight Call
16-Jun	REA	REA Group UBS Management Meeting
16-Jun	HUB	HUB24 Macquarie Emerging Leaders Conference
16-Jun	ALL	Aristocrat Leisure JPM Management Meeting
23-Jun	ALL	Aristocrat Leisure UBS Gaming industry Insight Call
23-Jun	EVRI.NYSE	Everi Holdings JPM Management Meeting
25-Jun	VHT	Volpara Health Technologies UBS Product Demo
25-Jun	CSL	CSL UBS Plasma Collection Industry Insight Call
29-Jun	CPU	Computershare UBS Management Meeting
29-Jun	NAN	Nanosonics GS Management Meeting