Awards raise $300k for charity

JAMES DUNN

WHEN stockbrokers from 50-plus firms get together in the same room, at the Australian Stockbrokers Foundation's Stockbroker of the Year Awards, received wisdom would have it that the competitive juices run high. But if these are present — a debatable assertion, given the function's prevailing air of bonhomie and fun — the fact is that they are channelled into the service of charitable causes.

This was certainly true of the 22nd Stockbroker of the Year Awards, which raised about $300,000 for 10 charities, on the night, taking the total across the two-plus decades to more than $7 million. About one-third of that amount has gone to the original charity beneficiary, the St Vincent de Paul Society's Matthew Talbot Hostel in Sydney, which provides accommodation and specialised support to people who are homeless or at risk of homelessness, but more recently the brokers have switched the focus of their giving to the Sydney Children's Hospital — the foundation sponsors the physiotherapy wing — and Lifestart, and a group of other charities that focus on early intervention programs for disadvantaged kids.

On Thursday night, although lower market volumes this financial year might have dampened the industry's overall mood, the brokers in attendance paid up big at a calcutta on the World Cup, run by auctioneer Gordon Philip,

BRITTA CAMPION

The UBS team celebrates winning Trade of the Year

with several fancied nations such as Germany getting bids of $5000.

Richard Purseglove, of Morgan Stanley Smith Barney, a director of the Australian Stockbrokers Foundation, got the night going, raising the roof with the joke suggestion that stockbrokers, who have been feeling the pinch from lower margins and static volumes, should form a protest and march in the streets.

"Bigger bonuses! Longer lunches," he suggested they might shout, wearing their best cufflinks and pumping Rolex-clad fists in the air.

Brokers applauded research doyenne Elaine Prior, director at Citi responsible for environment, social and governance research, for her Research of the Year Award, honouring her contribution over the past decade in educating investors (and companies) on S&P/ASX 100 companies' exposure to sustainability and climate change, focusing on both risks and opportunities.

Stock-picker of the Year, Ord Minnett's Tony Paterno, was recognised for getting 83 per cent of his buy and sell recommendations over the year correct — his second title in the past three years.

Trade of the Year recognised the UBS equity capital markets team's sharp work in its $381.7m block trade in August, which shifted 104 million Sydney Airport shares from the Abu Dhabi Investment Authority through a bookbuild underwritten at $3.60 a share, but which secured $3.67 a share.

Corporate Deal of the Year — which assessed 230 placements and 45 initial public offerings — went to Foster Stockbroking, which executed three placements for US gas project developer Liquefied Natural Gas Limited, with a subsequent average price gain of 523 per cent.

Irish sandminer rejects Iluka's scrip-only offer

TAKEOVERS: Iluka's initial pitch for Kenmare Resources — valued yesterday at more than $800 million — has been rejected out of hand by the Dublin-based and London-listed mineral sands producer.

The rejection was despite an implied premium in what has been confirmed as a scrip-only offer for the struggling Kenmare of close to 70 per cent, based on its market price before news of Iluka's interest leaked out.

The London market is betting that Iluka's stalking of Kenmare and its Moma mineral sands mine on Mozambique's north-east coast is not over, pushing Kenmare shares 31 per cent higher to 15.75 pence (28.45c) on Thursday, just below yesterday's implied price of the offer of 29c.

Kenmare told its home market that the proposal received was based on a share-for-share exchange, with no cash component, with shareholders to get 0.036 of an Iluka share for each Kenmare share they hold.

"The board of Kenmare has rejected Iluka's proposal, which it believes does not recognise the value inherent in Moma as a long-life, low-cost asset," it said.

Kenmare said M&G Investment Management, which manages funds owning 19.05 per cent of the miner, had confirmed it supported the board's decision.

Citi analysts said that from a strategic standpoint, Kenmare would be a good fit for Iluka due to industry consolidation in the mineral sands sector at what it sees as the bottom of the titanium feedstock cycle.

BARRY FITZGERALD

Mason cleared path for many in tough times

JAMES DUNN

AWAY from the trading screens and the conversations with clients, the enormous bulk of the transactional iceberg — the settlement and clearing process — hums away silently.

But it was brought to the fore at the Stockbroker of the Year Awards, with the induction to the Stockbrokers Hall of Fame of Craig Mason, chief executive of agency clearing firm Pershing Australia.

The 45-year-old Mason is far from a household name in the stockbroking world but, according to Australian Stockbrokers Foundation director Danny Dreyfus, he has "saved the jobs of many of the people in it".

Dreyfus says Pershing Australia represents the third agency clearing firm Mason has built and run in Australia — firstly at Merrill Lynch's Berndale Securities, then with UBS — each time offering a service that, for a fee, took over settlement and clearing functions for small to medium-sized brokers, freeing them from the stock exchange's requirements to have 12 per cent of their unencumbered liquid capital — with a minimum of $5 million — quarantined to back their trades.

"If they are a non-settlement broker — which half the broking firms are — they don't have to put up their own capital, if they are a Pershing client," says Dreyfus.

"Before that, firms were finding themselves having to put up 12 per cent of their capital, or $5m, when their actual exposure might only have been $500,000. It was getting tougher and tougher for the smaller firms."

Mason says Pershing is not a charity, and its clients still have to meet its credit criteria, lodge a security deposit and pay its fees, but they can then to varying extents "leverage off our balance sheet".

"We handle only 4 per cent of the turnover on the exchange but in other words, we support one-third of the broking firms," he says.

In effect, he says, Pershing supports the "lifeblood" of the industry — transactions.

And it goes deeper than that, says Dreyfus. In the worst of the GFC, and in instances such as the Opes Prime and Tricom Securities collapses in 2008, Mason is remembered as "the man who kept the wheels of clearing turning, in some pretty dire moments for the market".

Weekend loser has winning way with stocks

JAMES DUNN

AWAY from stockbroking, Tony Paterno, private client adviser at Ord Minnett in Melbourne, likes nothing better than heading to the racetrack or watching his beloved Tigers — AFL club Richmond.

So naturally, Paterno says, he is a "loser". Richmond puts both the "long" and "suffering" into "long-suffering", and he is a "shocking" tipster at the track.

Fortunately for Paterno (and his clients at Ord Minnett), he is anything but a loser in his day job.

For the second year in the past three, Paterno, 39, has taken out the stock-picker of the year award, with 83 per cent of his buy and sell recommendations subsequently heading in the direction predicted.

Paterno edged out Macquarie's Sean Conlan, with 71 per cent of tips borne out, while Michael Heffernan of Lonsec took bronze, with 59 per cent "directional accuracy" of recommendations.

Paterno joked that the last time he won one and flew back to Melbourne with it, he was asked whether he had a weapon in his bag. This time, he was more prepared to explain what it was.

Paterno says it is "very satisfying" to win the award for the second time, given that it represents the judgment of his peers. "Definitely it is professionally satisfying, in that sense, but it's also very satisfying because it comes out of the job that we're always trying to do for clients, that is, to make them money and to manage their risk," he says. The inclusion of correct "sell" picks in the stock-picker of the year award makes it more realistic than a lot of broker comparisons, he says.

BRITTA CAMPION

Stock-picker of the year Tony Paterno accepts his award in Sydney this week

"Buying is easy for clients, selling is hard. They fall in love with the stock: if it's made them money, they convince themselves that it's going higher, and if it's down, they convince themselves that it will bounce back. Or they will be reluctant to sell for tax reasons.

"You've got to be far more patient and convincing in making the case to sell a stock."

In the advice business, Paterno says a broker has to be prepared to make a call every day. "It's a tough environment, which is why this job never really stops," he says.

"You're always looking at research and reading and seeking information, scouring the media, because everything that happens today determines tomorrow in the stockmarket."

Clients should review their portfolio "at least every six months", he says, but always be prepared to boot a stock that has made good money, or is poised to fall. "Just don't fall in love with them — fall in love with your football team," he says.

Even if it is Richmond.

Citi's Prior ties sustainability to financial markets

JAMES DUNN

FOR a "greenie" in a room full of capitalists, Elaine Prior certainly got a resounding ovation as she collected the Research of the Year award at the Australian Stockbrokers Foundation's Stockbroker of the Year Awards.

Over three decades of producing high-quality research, Prior has built a reputation for forensic examination of company innards — but her focus has changed over the past 10 years.

English-born and a petroleum engineer by qualification, she followed a reasonably conventional path to become the top-rated BHP analyst in the 1980s and 90s, but a sabbatical in the late 90s changed her career path.

Prior headed to the University of Tasmania in Hobart, where she completed a degree in Antarctic Studies in 1999.

Having become an authority on seals and penguins, she contemplated a return to the world of equity research — but on a slightly different tangent.

"I had always been interested in environmental issues, and doing the Antarctic Studies degree crystallised that interest," Prior says.

She worked briefly on environmental projects relating to polar tourism, but started wondering how to tie her environmental interest together with the financial markets. Soon after, she pitched to Bruce Rolph, head of research at Citi, which she had joined in 2006,

BRITTA CAMPION

Citi's Bruce Rolph with Elaine Prior at the awards event

the idea of examining the physical and regulatory risks and opportunities arising from climate change on the S&P/ASX 100-listed companies. Rolph liked the idea, and the report, titled "Climate Change and the ASX 100", was published in November 2006.

The report — a pioneering one in the market — was received well. "Fund managers and super funds were very concerned about their potential exposures," Prior says.

"Those investors subsequently asked Citi for a similar perspective on the 'sustainability' front, so my interest gradually morphed into a wider remit looking at ESG (environment, social and governance) issues. That kind of research has grown as a commercial area."

Prior is now a director at Citi, responsible for ESG research for the firm's clients.

Press Council adjudication

THE following adjudication has been issued by the Australian Press Council.

The Press Council has considered a complaint about an article, "Legacy warning in mine collapse", published in *The Weekend Australian* on 23 November 2013. The article began: "The subsidence of an abandoned mine site in remote Western Australia has highlighted the 'gigantic legacy headache' posed by deserted mines in the state". It said "a farmer stumbled across the collapsed mine at Norilsk's Lake Johnston nickel operations, 540km east of Perth".

The article said Norilsk had put its Australian operations on the market and had reported the mine as being in "care and maintenance mode". It then reported a WA Conservation Council spokesman as saying that the mine posed "an enormous safety issue", "anyone can blunder into this hole and the fissures where the walls will continue to collapse", closed mines were "a gigantic legacy headache for government" and legal action should be taken against directors and mine managers who walk away from mines without rehabilitating them. The article made other references to public costs and environmental damage arising from mines being abandoned by their owners without adequate rehabilitation. It concluded by reporting Norilsk saying the mine was a "sub-level caving operation designed to collapse" and referring to a WA Mines Department spokesperson saying it was not currently classified as a closed or abandoned mine. No reference was made to any mine other than Lake Johnston.

Norilsk complained to the council that the headline and second paragraph described the mine as "collapsed", when it was actually a "controlled collapse" caused by mining under ground with the intention of eventually collapsing the ground above. It said the article was inaccurate and unfair in describing the mine in the opening sentence as being "abandoned" and presenting it is an example of the problems caused by abandoned mines. In fact, it said, maintenance activities were being conducted by an on-site team to help sell the mine and ensure it could be restarted readily if economic conditions improved.

Norilsk also said the site was in a remote location and a Mines Department inspection shortly after the article had confirmed it was surrounded by a fence with a number of warning signs. It said the Conservation Council spokesman had not been to the site and was not qualified to comment on this type of mine.

The publication responded that use of the word "collapse" was accurate in the ordinary sense of that term. Similarly, although it was aware the term "abandoned" has a specific meaning and the department had not classified Lake Johnston in that way, it was accurate in the ordinary sense of the term to describe a mine that was no longer operating. In any event, it said, the article included the Norilsk quote about the "controlled collapse" as well as the department's statement that the mine was not classified by it as abandoned. The publication said the Conservation Council spokesman was a former environmental inspector for the Pilbara region, experienced in the closing of mine sites and a member of the Department's Reforming Environmental Regulation Advisory Panel. It added that its journalist had interviewed people who had entered the site without impediment other than some steel pickets and loose wire and had not seen any other people there.

The Press Council has concluded that the article inaccurately described the mine as "abandoned" and unfairly implied it was a prime example of the safety and rehabilitation problems caused by abandoned mines. The assertions of a person who had not visited the site were not sufficient to justify these aspects of the article in the face of Norilsk's statements to the contrary. In discussions with the council, it also emerged that concerns about public safety had been exaggerated by inaccurately stating that the mine had been "stumbled" upon, rather than deliberately visited by crossing a fence with "no entry" signs. It was also unfair to prominently describe Lake Johnston as a "mine collapse" and a "collapsed mine", implying it was unintended.

Accordingly, the complaint is upheld on grounds of inaccuracy and unfairness.