THE AUSTRALIAN
THE WALL STREET JOURNAL.
BUSINESS REVIEW

S&P/ASX200 6742.6	▼	-15.06
GOLD $US1836.89	▼	-US16c
DOLLAR US77.1C	▲	+US0.19c

CLEANING UP

Bingo play just the start for private equity { P14 }

RICHARD GLUYAS

Excuses will start to wear thin if Westpac's new team is unable to deliver { P20 }

STELLA WHAT?

What do you get when you combine Chrysler, Fiat and Peugeot? { P17 }

HERITAGE SITE UNCERTAINTY FORCES MINER TO PUSH BACK PILBARA COPPER PROJECT

Juukan fallout slows Rio plans

NICK EVANS

The impact of Rio Tinto's destruction of 46,000-year-old heritage sites in the Pilbara could reverberate through its operations for years, as the mining giant conceeded it doesn't know how a renewed focus on relationships with traditional owners will affect its operations.

Uncertainty caused by the fallout of the Juukan Gorge debacle has forced Rio to push back the development of its Winu copper project in the Pilbara, with the mining giant flagging the need for further discussions with traditional owner groups over its development, and saying it could still not quantify the impact of new heritage laws likely to be passed in Western Australia this year on its future operations.

And, in the December quarter production report released on Tuesday, Rio gave its clearest signal yet it intends to push ahead with the development of a giant new iron ore mine at Simandou in Guinea, saying it had launched early works at the project and expected to update technical studies on the infrastructure needed by the middle of the year.

"Activity at the mine area is starting, including roadworks. We are progressing the implementation of the project's 2012 Social and Environmental Impact Assessment," Rio said.

Rio finished the year at a rush, shipping 88.9 million tonnes of ore into a roaring market for the steelmaking commodity in the December quarter and lifting output guidance for 2021.

Rio released its December-quarter production report on Tuesday, saying its Pilbara mines shipped at a rate of 355 million tonnes a year in the quarter, taking the company's annual shipments to 330.6 million tonnes. The mines Rio operates in the Pilbara produced 334.4 million tonnes of iron ore in 2020, up 2 per cent compared to 2019.

The mining giant lifted Pilbara guidance to a range of 325-340 million tonnes in 2021, a record rate if it hits the top end of expected output, but still behind where it expected to be a few years ago.

Rio had originally expected to ship 338-350 million tonnes of iron ore from the Pilbara in 2019, an improvement from the record 338.1 million tonnes it moved into the market in 2018. But fires at processing and handling facilities at its ports, as well as lost shipments from Cyclone Veronica, forced Rio to cut its guidance, to 333-343 million tonnes, and then again when problems with ore movement at its Brockman mines emerged.

Rio's iron ore division is getting back on track, but is still shipping significant quantities of lower-grade ore — 1.8 million tonnes in the December period, and 6 million tonnes in 2020 — and flagged longer-term impacts from the fallout of the destruction of the heritage sites at Juukan Gorge.

"The future impact on our Pilbara iron ore operations, mine developments and heritage approach from the reform of the Aboriginal Heritage Act 1972 (WA) remains unknown," Rio said on Tuesday.

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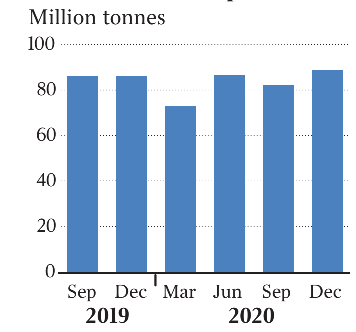
Rio's iron ore shipments
Million tonnes



Source: The company

Stausholm gets the message — but are the board on board?

JOHN DURIE

New Rio Tinto boss Jakob Stausholm has used the company's latest production report to underline his understanding of the remediation efforts needed in the wake of the Juukan Gorge disaster.

The message from those outside is the new Danish boss at Rio Tinto gets the importance of the relationship with native title holders and understands it's more than a moral duty — it's good business.

The question mark remaining is whether he has board backing, because based on the report prepared by Michael L'Estrange, the Rio Tinto board has zero credibility.

Chair Simon Thompson has his work cut out to show the market he too sees the importance of the relationship and is willing to back Stausholm.

Stausholm has come to the job with an impeccable reputation — super-smart but with no ego, which is a combination sorely needed.

At stake is Rio Tinto's social licence to operate at a time when its reputation is in tatters.

In a note to staff on Tuesday he said all the right things.

"Juukan Gorge has taken its toll on many of us and, understandably, many of you are disappointed and feel let down," he said.

"For this I am truly sorry. We are working hard to heal and rebuild our relationships, credibility and reputation — both internally and externally. I do not underestimate the time and effort it will take to achieve this. I have met many of you who care deeply about Rio and our host communities. We each have a role to play and, collectively, we will learn from this sad incident and put ourselves in the shoes of others

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Power prices spark a legal row

GLEN NORRIS

Australia's largest energy class action will be launched in the Federal Court on Wednesday, alleging two Queensland government-owned electricity generators manipulated prices.

The action, initiated by law firm Piper Alderman and backed by litigation funder LCM, has been filed on behalf of 40,000 customers who paid for electricity in Queensland between January 2015 and January 2021.

The majority of registrants in the case against generators CS Energy and Stanwell are residential users, but more than 1600 businesses also have signed on.

Piper Alderman dispute resolution and litigation team head Greg Whyte said the firm had spent more than two years investigating Stanwell and CS Energy's conduct on the National Electricity Market (NEM), which allegedly involved manipulating the pricing system and artificially inflating consumers' electricity bills.

"There is a lot of complexity in generation and power prices," Mr Whyte said.

"The conduct occurred at the generation stage and retailers passed that cost through to consumers."

He said the action would seek to prove that the state-owned power generators manipulated the wholesale cost of electricity for their own profit, amounting to a hidden tax.

Brisbane business owner Iain Saul said he registered in the class action to help highlight the impact of soaring power prices on the economy. "I don't want anything out of it personally but I want to help other people," said Mr Saul, who runs an electronics company.

He said he had noticed a significant increase in power prices over the last five years.

CS Energy and Stanwell dominate power generation in Queensland and in 2018-19 contributed $895.2m in net profits.

Mr Whyte said the firm would seek an order that the generators repay the amount they had gained from the conduct, equal to about $1000 per residential customer and more for business customers.

"The conduct of Stanwell and CS Energy has had a devastating effect on the Queensland economy," he said.

The total amount sought in the action, being fought on a no-win, no fee basis, is not yet known.

Mr Whyte said that while the firm would seek an early settlement of the case, it could continue for several years, with economists and electricity market experts called as witnesses.

Stanwell and CS Energy say they will defend the action.

A Stanwell spokeswoman said it strongly denied any allegation of misuse of market power.

"We are totally transparent in

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Active fund managers clean up amid chaos

DAVID ROGERS
MARKETS EDITOR

The most extraordinary year for financial markets in living memory was a good one for active equity fund managers, particularly those who were wary of economic risk before COVID-19 struck and also took the opportunity to add structural-growth and cyclic exposures after the sell-off.

Passive funds made subpar returns in the year to the end of December as the S&P/ASX 300 index fell 1.2 per cent and dividends were crimped by a combination of recession and the regulation of banking sector payouts. But the top 10 active equity funds returned 24 per cent on average, according to Mercer's closely watched Australian Shares Investment Manager Performance Survey released on Tuesday.

But it was also a year in which unprecedented fiscal and monetary policy stimulus trumped economic concerns and vaccine developments, and the US election outcome added to the market's upward momentum.

Whereas long-short funds — better known for their hedge fund strategies — topped the league tables in the first half, the long-only funds excelled in the second half, with "buy and hold" strategies generating the best returns.

Collins Street Value Fund co-founder and managing director, Michael Goldberg — who's fund topped the Mercer tables with returns of 43.6 per cent for 2020 and 32.2 per cent for the December quarter — says the concentrated portfolio allowed by his investment mandate, combined with a fortuitous decision to raise cash levels in 2019 and then buy on dips, set the fund up for its performance.

"We're very fortunate that we have a concentrated mandate and that our clients have had patience and faith in our best ideas, but our cash reserve also helped," Mr Goldberg told The Australian.

"I don't want to pretend for a second that we picked COVID-19, but we had concerns about the broader market because the market was expensive and it was getting harder to find stocks that were attractive and cheap, so we had built up a cash position of about 35 per cent by the time COVID hit.

"But the real key was being able to allocate that capital when the market was panicking.

"I think we did more buying in 2020 than we did in the two or three years before that."

After the index dived as much as 39 per cent from a record high to a 6½-year low in the space of just five weeks — marking its sharpest sell-off since the 1987 crash — Collins Street waded into a couple of companies via heavily discounted equity capital raisings in March and April and then continued buying in the following months, adding about seven new positions in total.

Collins Street's performance was also enhanced by its holding of gold stocks — where profits were subsequently booked — and the stellar December-quarter jump in the uranium sector.

But as a value fund manager, Mr Goldberg shuns the high-flying technology sector.

"From a valuation perspective, it's hard to get a sense of what Afterpay is worth, even if it succeeds in everything it's seeking to achieve and I'm a bit nervous about these prices," he said.

However, the surge in Afterpay last year was a key performance driver for Hyperion Australian Growth Fund, which returned 33.7 per cent in 2020 and 16.3 per cent in the December quarter.

Hyperion bought Afterpay shares at about $50 a share after realising that the "buy now, pay later" operator would survive the looming recession and assessing regulatory risk as minimal, while

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CHAYA GOLDBERG
Collins Street Value Fund co-founder Michael Goldberg

AARON FRANCIS
Helen Sawczak says Australia 'needs to put itself first' in trade deals

'Beware Biden's China trade bid'

EXCLUSIVE

GLENDA KORPORAAL

Australia will need to keep a watching brief on the policies of the Biden administration to make sure it is not dealt out of trade with China, one of the nation's top trade experts has warned.

"There is no indication, apart from his political appointments, on which way he will go with China," said Helen Sawczak, former CEO of the Australia-China Business Council, referring to US president-elect Joe Biden.

"He has campaigned in a very hawkish manner during the election but he has also campaigned in support of multilateral bodies such as the World Trade Organisation and World Health Organisation, which bodes well for more conciliatory policies towards China.

"Australia needs to watch closely what happens on US-China relations.

"Every trade deal the US does with China could help American farmers and mean there is less that China buys from us.

"Any US trade deal with China will have a flow-on effect on Australia."

Ms Sawczak, who is now a senior adviser with investment bank Moelis and a trade consultant, said while the US was one of Australia's closest strategic allies, when it came to its trade interests it would put America first.

"We should not presume that just because we have a strong strategic relationship with the US that it is going to translate into economic matters," she said.

"Australia needs to put Australia first."

Her comments came as figures released this week showed China's economy, the world's second largest, finished the year on a high note. Gross domestic product rose 6.5 per cent in the fourth quarter from a year earlier, according to data released by the National Bureau of Statistics on Monday, marking China's best quarter of year-over-year growth in two years.

China would continue to be one of the world's strongest economies and many countries would continue to want to trade with it in the wake of the COVID-19 pandemic, she said.

Ms Sawczak, who was speaking to The Australian ahead of a speech to Hong Kong-based trade and tech consultancy Lynk later this week, said observers in Asia were "aghast" at how Australia's relationship with China had gone from the signing of a "gold standard" free trade agreement that came into effect in 2015, to the current low point in the political relationship that was now damaging trade ties.

"People who also trade with China are looking aghast at how we have gone from what was the gold standard in terms of trade deals, which was the envy of the world, to the absolute pariah we are now," Ms Sawczak said.

She said Australia's decision to very publicly ban China's Huawei and ZTE from supplying its 5G network and a string of rejections for Chinese companies bidding for Australian companies, plus its strong call for an inquiry into the origins of the COVID-19 pandemic, had helped to push political relations with China to new lows.

Ms Sawczak said there were more than 100 countries which, like Australia, had China as their major trading partner, many of which also had differences of opinion on many issues.

But she said Australia was one

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Tyro hits back against 'alternative facts'

CLIONA O'DOWD

Tyro CEO Robbie Cooke believes it is inevitable the fintech will lose customers following the software glitch that has rendered a swathe of its widely held payment terminals useless, but says the company is taking action to ensure such an event never happens again.

Speaking to The Australian after Tyro issued a rebuttal to Friday's attack by short-seller Viceroy Research, Mr Cooke said the report on the embattled fintech was full of "alternative facts".

The forceful defence triggered a 26 per cent surge in Tyro's share price in a sign that public short attacks are losing traction with investors.

"Everybody's entitled to an opinion; I've got no problem with that. But what I do have a problem with is when people put a set of alternative facts out there. Clearly the base facts in the Viceroy report are just so wrong. They never contacted the company. They didn't make any inquiry," Mr Cooke said.

"It was very important to us to get the correct information in front of the people who had read the report, and that's what we've done."

Short-seller Viceroy, in its scathing report, labelled the ASX-listed Tyro the "most unreliable and technologically inferior fintech" in Australia and accused it of having no disaster recovery plan following the software problem that has plagued its terminals for the past two weeks.

Viceroy made its name targeting listed South African furniture retailer Steinhoff, and before that made bets against the now scandalised German payments group Wirecard.

"Viceroy Research believes Tyro presents a limited-risk short as customers churn in record numbers to vastly superior, non-archaic payment solutions providers, which are available in abundance, and immediately,"

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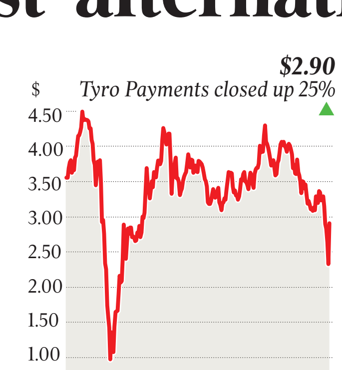

Source: Bloomberg

The Agency in admin as debt dispute gets serious

LISA ALLEN
BEN WILMOT

Sydney's prestige property market has been rocked by the appointment of voluntary administrators to parts of listed real estate firm The Agency Group over an outstanding debt of just $379,000, with a once-supportive lender saying it had lost confidence in the company's board.

The listed company is a minnow on the ASX but has an outsize influence as its agents negotiate high-profile sales in prized suburbs on the east and west coasts.

The company founders split from John McGrath's listed McGrath agency as it suffered a precipitous share price fall soon after its ASX listing back in late 2015.

Sydney boutique investment group Magnolia Capital's announcement that it had called in BDO as voluntary administrators over parts of The Agency yesterday sparked yet more clashes within the egocentric world of high-priced real estate, although

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