

Investors' Corner

Citiplace, Perth
for ASA, 18th April 2024
Convenor: Mark Dixon

A photograph of a fire hose reel and a fire extinguisher in a hallway. The hose reel is in the foreground, and the fire extinguisher is in the background. The image is partially obscured by a blue geometric overlay on the right side of the slide.

Citiplace - Emergency Procedure

- ▶ If smoke is detected, or fire alarm is raised, follow exit signs
- ▶ Upon evacuating the building, meet at ***designated area***
- ▶ Do not use lift in an emergency
- ▶ **Designated area**
 - ▶ Turn right from the Citiplace Centre and proceed over the bridge to the pond area past the Art Gallery, if safe to do so.
 - ▶ Regroup there for head count if safe to do so.
 - ▶ If emergency personnel instruct differently then follow their directions.

Agenda

- ▶ Intro – welcome, emergency procedure, disclaimer
- ▶ Peter Scales – Macro-technical, with discussion
- ▶ Fiona Blazer – ASA Advocacy & Company Monitoring manager
- ▶ Bob Kelliher – Instalment Warrants
- ▶ Phill - Contracts for Difference (CFDs)
- ▶ Next meeting – 16th May
- ▶ Close ~ noon.

Disclaimer

- ▶ The Australian Shareholders' Association (ASA) has provided the facilities for this meeting to provide general information about the ASA and to stimulate interest in financial markets.
- ▶ The ASA is not licensed to give financial advice.
- ▶ Presentations made here are not designed to provide any specific investment advice to any person present.
- ▶ The ASA does not accept any responsibility to inform you of any matter that subsequently comes to our notice that may affect any of the information discussed.
- ▶ Anyone wishing to act on any matter discussed should seek independent advice from a licensed financial adviser.

Attention!

- ▶ The next **WA Members Meeting and Investors Forum** have been postponed by 1 day to **Wednesday 8th May**. This was because of a scheduling conflict for the State Library auditorium on our usual day (first Tuesday).



Peter Scales — Macro- technical, with discussion



ASA Advocacy and Monitoring

Fiona Blazer, ASA Policy & Advocacy Manager since 2017, with deep knowledge of ASA, and a background in corporate governance and equity investment.

Prior roles include:





POLICY & ADVOCACY

April 2024

ASA 2023 POLICY PRIORITIES

- ▶ **1. Balancing risk and opportunity in accessible exchange-traded investments:** an appropriately regulated market that protects investors while not limiting their access to appropriate investment options in line with risk tolerance and financial literacy.
- ▶ **2. Improving governance of companies:** promoting practices within company boardrooms that lead to better decision-making and more informed shareholders
- ▶ **3. Sustainable retirement incomes and superannuation:** well-considered, consistent policy frameworks that support investment for retirement.

ASA Policy Priorities 2023/2024



- 1. Balancing risk and opportunity in accessible exchange-traded investments:** an appropriately regulated market that protects investors while not limiting their access to appropriate investment options in line with risk tolerance and financial literacy.
- 2. Improving governance of companies:** promoting practices within company boardrooms that lead to better decision-making and more informed shareholders.
- 3. Sustainable retirement incomes and superannuation:** well-considered, consistent policy frameworks that support investment for retirement.

Alignment with ASA vision and purpose – ASA’s vision is to stand up for retail investors through educating and connecting members and influencing the investment environment, and our purpose is to stand up for retail investors through educating and connecting members and influencing the investment environment. By refining our focus on policy, we will better utilise our resources to represent and stand up for retail investors.

Policy Opportunity – ASA is the link to the retail shareholder, a diverse group of individuals with different needs and perspectives, who invest while juggling competing time priorities. ASA distils their views for other stakeholders (regulators, companies, legislators) and educates this broad church to come to better outcomes on complex financial and governance matters.

Outcomes –

- Shape debate with clearer communication of ASA policy to influence the development of future policy;
- Engage with retail investors on what matters to them;
- Educate stakeholders on the importance of Australia’s 7.7m investors to financial markets operation and confidence; and
- Educate retail investors on and contribute to development of better governance trends and leading practice.

Key collaborators – Regulators (ASIC, APRA), ASX listed companies, legislators (Treasury, Senators, and Ministers of Parliament), other stakeholders with similar interests (AICD, ACSI, AIRA, Governance Institute of Australia etc), ASA members.

Review – Annual assessment of progress against the Policy Priorities and determination of the focus for the following financial year in March/April each year.

ASA POLICY ON A PAGE

Outcomes

- ▶ Shape debate with clearer communication
- ▶ Engage with retail investors
- ▶ Educate stakeholders on the importance of retail investors
- ▶ Develop better governance trends and practice.

KEY COLLABORATORS

- ▶ **Regulators (ASIC, APRA, ASX),**
- ▶ **ASX listed companies,**
- ▶ **Legislators (Treasury, Senators, and Ministers of Parliament),**
- ▶ **Other stakeholders with similar interests (AICD, ACSI, AIRA, Governance Institute of Australia etc),**
- ▶ **ASA members.**

ASA REPRESENTATION

- ▶ ASIC Consumer Consultative Panel
- ▶ ASIC Regional Liaison Committee ASIC Corporate Governance Consultative Panel
- ▶ ASX Corporate Governance Council
- ▶ ASX Business Council
- ▶ ATO Individuals Stewardship Group

Previous participation:

- ▶ Modernising Business Communications Panel

RECENT SUBMISSIONS

- ▶ Pre-budget submission
- ▶ Parliamentary enquiry into PWC
- ▶ Better Targeted Superannuation Concessions
- ▶ Climate-related financial disclosure

OPEN CONSULTATIONS

- ▶ Wholesale investor and wholesale client tests
- ▶ ASX Corporate Governance Council Principles and Recommendations
- ▶ Better Targeted Superannuation Concessions

The background is a solid blue color with a subtle pattern of white silhouettes. These silhouettes include several human heads in profile, some containing question marks, and one central head containing a lightbulb. The lightbulb is depicted with lines radiating from it, suggesting it is turned on. The overall theme is intellectual, creative, and focused on inquiry.

QUESTIONS AND DISCUSSION

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Instalment Warrants

Low Risk Acquisition of Blue Chip Shares

Also called Self-Funded Instalments

Issued by Banks (Westpac, Macquarie) and other Financial Institutions

Initial payment (approx. 50% plus non-recourse loan for total share price Blue Chip shares)

Bank charges interest and fees (Put Option, borrowing fee)

Borrower received dividends and franking credits as if fully owned, pays off loan amount

Fixed term to maturity (5 years)

At maturity, pay off balance of loan and take ownership of share

Non-recourse loan, lenders rights restricted to amount already paid in case of default.

Required for SMSF where “no borrowings” is a standard condition

Pay half price, receive full benefits as if fully paid.

A warrant is a structured financial instrument issued by a bank or other financial institution, traded on ASX. Warrants provide investors an alternative way to gain exposure to a variety of underlying assets, such as shares, to achieve a desired result.

Why invest in Warrants?

There are approximately 2,000 instalments quoted on ASX, covering over 100 different underlying assets. Instalments may be issued over domestic and international shares, baskets of shares, share price indices, currencies and commodities. Warrants allow investors to:

- Leverage exposure to the sharemarket – from shares to debt to commodities.
- Generate an income stream in the form of dividends and franking credits.
- Protect the value of a share portfolio.

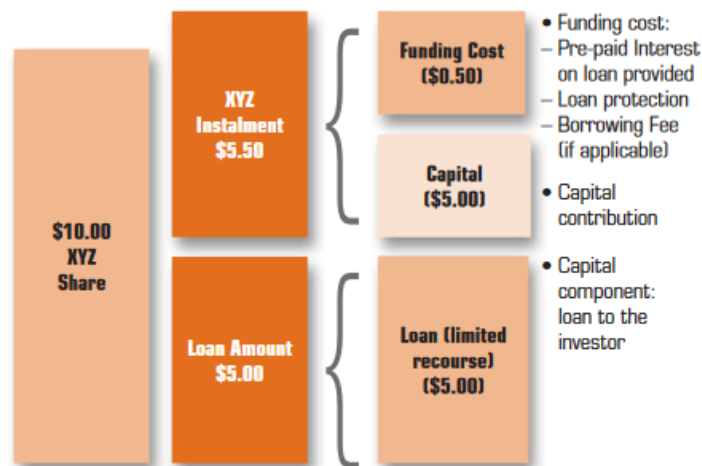
Features of trading Instalment Warrants

Generally, the purchase of an instalment warrant gives the investor the right to buy the underlying asset with an initial part payment and an optional final payment. Key features of instalments are:

- The holder is entitled to all dividends, distributions and franking credits similar to share ownership.
- Generally issued between 1 to 15 years by a financial institution.
- Tradeable on-market (ASX) through a broker.
- Offered over 'blue chip/Top 100' ASX listed securities including shares, LICs and ETFs.
- Eligible form of gearing in Self Managed Super Funds (SMSFs).

FEATURE	MARGIN LENDING	INSTALMENTS
Available over most blue chip stocks	✓	✓
Tradeable on ASX	✓	✓
No need to repay loan	✗	✓
No credit checks	✗	✓
No margin payments	✗	✓
Eligible for SMSF	✗	✓

Buying an Instalment Warrant



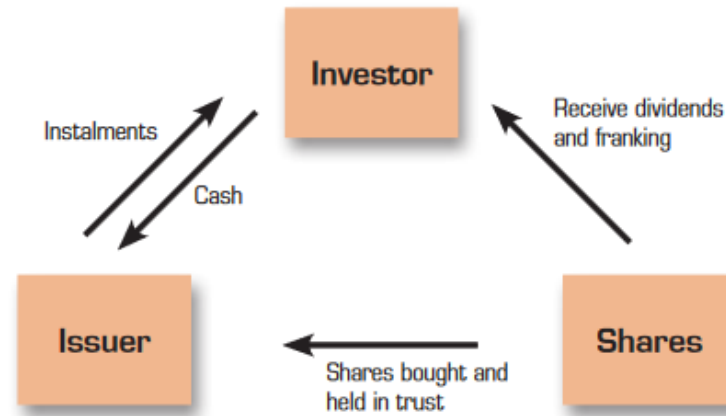
The structure of an Instalment

The diagram above shows:

- The purchase cost of a single XYZ share is \$10.00.
- The purchase cost of a single warrant on the underlying XYZ is \$5.50.
- This initial part payment of \$5.50 is a combination of \$5.00 as an upfront capital payment and \$0.50 to cover the warrant issuer's funding costs.
- The funding costs are made up of pre-paid interest on the loan provided, loan protection and a borrowing fee if applicable.
- The issuer is loaning the holder \$5.00 if the holder wishes to take full share ownership at the end of the term this outstanding balance will need to be paid.
- Over the warrants term the initial instalment value (\$5.50) will change as the XYZ share price changes.
- The loan amount remains constant.

Instalment Warrants Fact Sheet

A Warrants overview



The diagram above shows the relationship between warrant holders, issuers and the underlying shares.

How to buy Instalments?

Warrants can be bought on the primary market through a warrant issuer by using a cash application, shareholder or roll-over application form. They can also be bought on the secondary market (ASX sharemarket) through any licensed adviser or internet broker.

Benefits of Instalments

Instalments offer investors many benefits and strategies including:

- Leverage and diversification
- Enhanced dividend yield (compared to shares)
- Unlocking wealth from existing shareholdings
- Application within self-managed super funds (SMSFs)
- Smaller initial outlays through partial payment upfront
- Known and limited downside risk
- Excess franking credits can be refundable for SMSFs
- Potential taxation benefits
- Interest expense deductible
- Tradeable on ASX.

Risks of Instalments

Instalments are issued by a number of different investment banks. Each Instalment is unique. Therefore, it is important that you read each instalment product disclosure statement to ensure you have a proper understanding of gearing, dividends and the relationship to the underlying asset.

Additional Information

- To learn more about instalments and for contact details of each of the warrant issuers visit the ASX website www.asx.com.au/warrants
- To register for a free seminar on 'Instalments' go to www.asx.com.au/warrants
- To obtain an ASX brochure 'Understanding Trading and Investment Warrants' contact ASX customer service on **131 279** or email info@asx.com.au

Mr Martin Dinh
Warrant Administration
Australian Securities Exchange
Level 6, 20 Bridge St
Sydney NSW 2000

Dear Mr Dinh

Re: Westpac Self-Funding Instalments over securities in ASX Limited (ASX) - Dividend announcement

Westpac Banking Corporation, as issuer of Westpac Self-Funding Instalments ("Westpac SFIs") over the following Underlying Securities, notifies of a dividend in respect of the Underlying Securities:

Underlying Securities	ASX Limited (ASX)
Dividend/distribution type	Interim Dividend
Amount	\$1.0120 per security
Franking percentage	100%
Ex-dividend date	1 March 2024
Record Date	4 March 2024
Payment Date	On or about 27 March 2024

As detailed in the Westpac SFIs Product Disclosure Statement ("PDS"), Holders direct that dividends be applied to reduce the Completion Payment of the Westpac SFIs. The new Completion Payment will become effective from the ex-dividend date. The following series of Westpac SFIs will commence trading ex-dividend on the same date as the Underlying Securities are ex-dividend.

ASX Code	Previous Completion Payment	Dividend/distribution amount applied to reduce Completion Payment	New Completion Payment
ASXSWB	\$35.3819	\$1.0120	\$34.3699

For further information please contact Westpac Structured Investments on 1800 990 107.

Capitalised terms not otherwise defined in this announcement have the same meaning as given in the PDS.

This document has been authorised for release by Tim Hartin, Company Secretary

Contracts of Difference CFD's

by Phill



Disclaimer

- ▶ There is a very high degree of risk involved in trading.
- ▶ Past results are not indicative of future returns and all individuals affiliated with this meeting assume own responsibilities for their trading and investment results.
- ▶ The indicators, strategies, columns, articles and all other features are for educational purposes only and should not be construed as investment advice.
- ▶ Information for stock observations are obtained from sources believed to be reliable, but we do not warrant its completeness or accuracy, or warrant any results from the use of the information.
- ▶ Your use of the stock observations is entirely at your own risk and it is your sole responsibility to evaluate the accuracy completeness and usefulness of the information.
- ▶ You must assess the risk of any trade with your broker and make your own independent decisions regarding any securities mentioned herein.

Contract of Difference

- ▶ A contract for differences (CFD) is an agreement between an investor and a CFD broker to exchange the difference in the value of a financial product (securities or derivatives) between the time the contract opens and closes. It is an advanced trading strategy that is utilized by experienced traders only
- ▶ A contract for differences (CFD) is a financial contract that pays the differences in the settlement price between the open and closing trades. CFDs essentially allow investors to trade the direction of securities over the very short-term and are especially popular in Forex and commodities products.
- ▶ A high-risk, leveraged derivative contract between a client and a CFD provider. CFDs let you speculate on short-term market movements, like foreign exchange rates, share prices, stock market index levels, crypto currency rates or other underlying assets. **Most people lose money trading CFDs.**
- ▶ By failing to adopt certain risk management techniques and simply opening trades without protecting their trades with take-profit and stop-loss orders, they risk losing all their trading funds

Opportunities & Pitfalls of CFD Trading

- ▶ **Commissions**- Same as Shares
- ▶ **Shorting Stocks**- CFDs also offer you to short stocks
- ▶ (Commonwealth government stopped CFD shorting on banks during GFC)
- ▶ **Leverage** is built into the CFD product - (variable dependant on liquidity)
- ▶ **Margins** range from **5% on the ASX 20 (BHP)** to **10% on the ASX 200 (ZIP)**
- ▶ **Time Decay** - There is no time decay with CFDs as there is with options
- ▶ **Overtrading**- The high leverage makes it easy to take large positions which your capital base does not justify.
- ▶ **Wide Spread** - Price written by market maker, not exchange !!!!!
- ▶ ASX20 have tighter spreads and other ASX 200 due to liquidity volume
- ▶ **Safety Net** - As with futures, your position is not limited to the amount of the margin.

Cont-

- ▶ **Dividends-** Conversely, if you are shorting stocks, watch out for dividend declarations. If you are short a stock on the effective date, your account is likely to be debited, not only with the dividend amount, but with the franking credit due to the stock lender
- ▶ **Franking Credits** - CFDs are not suitable for long-term traders/investors as they do not offer franking credits on dividends. Your account will be credited with the dividend but you do not receive the tax benefit of the franking credit.

Overnight Cost - RBA Rates +or- 2.5% @ Daily Rate

Shares

Overnight fees for [share](#) CFDs are based on the underlying interbank rate for the currency of the relevant share (see table below), plus 2.5% on buy positions and minus 2.5% on sell positions.

Holding costs are charged for buy positions and credited for sell positions, unless the underlying interbank rate is equal to or less than 2.5%, in which case sell positions may incur a holding cost charge that will be deducted from the cash in your account. Holding rates for sell trades may also include an additional adjustment for borrowing fees on shares that attract a higher borrowing cost in the underlying market. These borrowing fees can be significant and are subject to large changes as short interest in a stock increases. Please be aware of this additional risk/charge when holding sell trades in individual shares.

CFD Example

- ▶ \$1,000,000 Capital
- ▶ BHP SHARE = \$45.61 (Friday 16Feb23)
- ▶ Buy 1000 shares = $\$45.61 \times 1000 = \$45,610$
- ▶ = 4.561% of capital
- ▶ Commission Buy=\$60 Sell=\$60




















- ▶ BHP CFD = \$45.61 (Friday 16Feb23)
- ▶ Buy 1000 shares = $\$45.61 \times 1000 = \$45,610$
- ▶ Margin Of 10% = $\$45,610 = \4561
- ▶ =0.4561% of capital
- ▶ Commission Buy=\$60 Sell=\$60

- ▶ Overnight charge 6.7% (RBA Rate (4.1%) +or- 2.5%) charged on daily rate of position
- ▶ $\$45610 \times 6.7\% = \305.58 divide by 365 = \$0.83 per day (weekends equals three days)

Brokers

CFD brokers

From sources across the web

 AvaTrade	▼	 CMC Markets	▼	 eToro	▼
 First Prudential Markets	▼	 XTB	▼	 IC Markets	▼
 Pepperstone	▼	 Plus500	▼	 XM	▼
 City Index Group	▼	 Interactivebrokers	▼	 Saxo Bank	▼
 Axi	▼	 Tickmill	▼	 lg#	▼
 Admirals	▼	 TMGM	▼	 Vantage	▼
					

References

- ▶ <https://www.cmcmarkets.com/en-au/learn-cfd-trading>
- ▶ <https://thetradingbible.com/what-is-a-contract-for-difference-cfd-beginners-guide>
- ▶ https://www.incrediblecharts.com/trading/cfd_opportunities_pitfalls.php

▶ **Most people lose money trading CFDs.**

▶ **QUESTIONS**

▶ **Most people lose money trading CFDs.**

Additional Material for the group



ASA Investor Conference – 19-21 May



ASX Sharemarket Game

- ▶ Registrations are open for the 2024 ASX sharemarket game.
 - ▶ Trading opened: 7 March. Runs till: 5 September 2024
 - ▶ ASX offers prizes
 - ▶ I have set up the “ASA Perth City Group” for those interested in participating.
 - ▶ Information on how-to at:
<http://mark-dixon.com/ASA/SharemarketGameleague.pdf>
 - ▶ Plus, I am once again offering a bottle of quality¹ wine to the winner² of our league.
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- ▶ ¹ “quality” is at the subjective judgement of the convenor 😊
 - ▶ ² it is possible that convenor might get the highest score, in which case he *might* share the bottle 😊



Close

- ▶ **Our next meeting:** Thursday, 16th May 2024, 10 am, Citiplace.
- ▶ **Other ASA groups:**
- ▶ 26th March — Perth South of the River, Bull Creek (10:00 am)
- ▶ 24th April — Busselton Discussion (9:30 am)
- ▶ 25th April — Nedlands Group (10:00 am)
- ▶ **Wednesday 8th May** — WA Members Meeting & Investors Forum (10 am)
- ▶ 21st May — Stirling Discussion Group, Tuart Hill (10:30 am)

<https://www.australianshareholders.com.au/learn-connect/local-meeting-groups/>