



Australian Dream

*"Amazing grace! How sweet the sound. That saved a wretch like me!
I once was lost but now am found, Was blind but now I see"*

John Newton, Amazing Grace

"Never, Ever give up!"

Nev Power, FMG CEO



Seeing is believing.

In 2012, Fortescue Metal Group's (FMG) iron ore operating cost was US\$48 per tonne, now in 2016, the cost had been reduced to US\$15, and it is aiming lower. Was it true? How could they do it? I was a doubter before a tour of the company.

Thanks to the courtesy of FMG, I was invited to join the investors' tour to visit the company and see its Solomon Mines operation in the Pilbara.



Charley with Julie Shuttleworth, GM for FMG's 73mtpa Solomon Mines in Pilbara

FMG's head office is in a modest building on the side of the beautiful Swan River in Perth. In front of the building, there was a huge red rock, the Pilbara iron rock. Going inside, we found that it is actually one of the world's largest remote control auto mining operation centres. In front of us there were a few guys & girls, each watching a few screens, making phone calls from time to time. They are now the "modern miners". They look more like stock brokers than miners!

At the Solomon Mines in the Pilbara, FMG has 54 Autonomous Haulage CAT trucks (driverless truck), each can carry 230t per load, working 24 hours a day, with a speed limit up to 50kph, almost unheard of by many in the investment community. But it beat the Aussie's two big brothers Rio and BHP, to become the most advanced and largest autonomous operating fleet in the world!

FMG founder Mr Andrew Forrest was born in Perth, Western Australia, a Christian, and a great-great nephew of the first Premier of Western Australia. When younger he was a jackaroo at his family's cattle station Minderoo in the Pilbara. Andrew attended the University of Western Australia and majored in economic and politics, then he worked in a stockbroking company before venturing into the mining industry. As a boy growing up in the Pilbara, and as a former jackaroo, no one had a stronger dream than him to turn the red dirt land into river of gold for the local people.

The first mining company he took charge of was Anaconda Nickle in 1995. Interestingly, when I was studying for a Master of Finance at the Melbourne University in 1999, one assignment was the project finance case study for Anaconda Nickle's flagship Murrin Murrin Joint Venture nickel and cobalt project. The Murrin Murrin plant was being built at that time. The vision of the project was great, the plant to be built was the largest laterite nickel cobalt project in the world. I was amazed by Andrew's big vision and passion. The plant was finally built but ran into difficulties after it was hit by contractor's delays and design problems, the commodities price down turn also made thing worst. Andrew retired from the company in 2002.



Perth city view

As humans, we all have weaknesses and faults.

Despite the setback, Andrew saw that China was rising, with its strong demand for iron ore. He then took on a small mining shell company Fortescue Metal. “If you have a dream and passion, you come to work for Andrew”. With his drive, himself leading by example, he worked his guts out day and night. “From no money and no iron ore” in 2003, he has transferred this little company to one that now has over 10 billion tons of iron ore resource and produces over 160 million tons per year of low cost iron ore. So far the company has invested more than US \$22 billion into local mining projects, railways and ports; employing thousands of people including a significant number of indigenous Australians. It has made a big contribution to the Australian economy and shows that free capital market are working.

FMG is now the fourth largest iron ore producer in the world, its market cap grew from less than \$100m in 2003 to now over \$15b, and Andrew also made himself one of the wealthiest people in Australia.

This is an amazing Australia story, and an Australian dream come true.

When I watched the FMG's Story video (<https://www.youtube.com/watch?v=t9A3ribtheA>) in the Solomon camp, I couldn't hold my tears back. That's the truth of Australian miners' spirit: passion, adventure, working over the limit, with a mateship team, overcoming tremendous difficulties, achieving the unbelievable and impossible, to become the best in the world. This passion and spirit took us back to the 19th century, and the time of the gold rush. Many men and women from around the world, took on a dangerous and long journey to come to Australia looking for gold. This spirit is now showing at FMG.

Given the dynamic and cyclical nature of the mining industry, and the big investment involved, sometimes things become a bit controversial. Andrew was tapped on the shoulders by ASIC in 2006 for his perceived over confident and optimistic statements. He was then later cleared of wrongdoing.

In 2011 Andrew took a step back from the executive role after he found one of the most talented CEOs in Nev Power and appointed him to run the business. Nev has been credited with reducing the operating cost and cutting down the company's borrowings significantly. Andrew now spends most his time on philanthropy and projects for Indigenous Australians. The Forrest family set up the Minderoo Foundation in 2001 and has since donated more than \$200 million for many good causes, including helping to train up the Indigenous Australian work force and fighting slave labour. In 2014 together with Pope Francis and others leaders at Vatican, they declared "each human being is a free person, whether girl, boy, woman or man, and is destined to exist for the good of all in equality and fraternity".

Andrew now chairs FMG's board and has more female than male directors.

In a business world, you don't get much more than this from a human being. Doubters, enviers turn to supporters and admirers.

If there were no challenges, no difficulties & failures, the taste of success would not be so sweet.

Australians have great dreams and should "Never, ever give up"

Merry Christmas,

Charley Wang

Managing Director
123 Investment Management Pty Ltd
charley@123investment.com.au; tel: 613 96397773
102W, The Block Arcade, 282 Collins Street, Melbourne

Disclosure:

123 IGF owns a small amount of FMG share

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FMG Investor's Tour October 2016



FMG Headquarter in Perth



Mining Operation Control Room in Perth head office



Pilbara Iron Ore Rock at FMG Camp



Solomon campsite night view



Aerial View of Solomon Mines



Auto CAT (driverless) trucks in operation



Iron Ore crushing facility at Solomon Mines



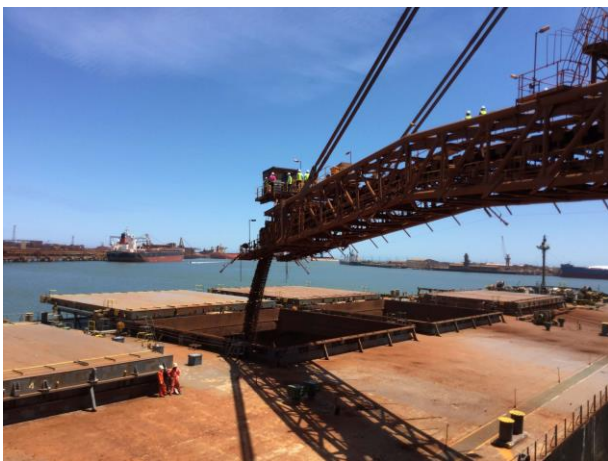
Conveyor Belt at Solomon Mines



Train Wagon in Port Hedland



Loading Facility in Port Hedland



Iron Ore being loaded in Iron Ore Carrier



200,000 tonne Iron Ore Carrier from China

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