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SAFAA 2020 Virtual Conference

EVENT REPORT

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EVENT OVERVIEW

I am delighted to provide you with a report on the SAFAA 2020 virtual conference. It was a great success, with delegates advising that they liked the format and thought the sessions were informative and geared appropriately to our industry.

Interestingly, delegates experienced a greater sense of connection to speakers and panels during sessions. Delegates advised they felt more connected to the speakers on their screen than in a big conference venue — the impact was more immediate and more engaging.

Choice was easier. It is easier to navigate an online platform in the way that suits the individual, as everything is at your fingertips. That includes accessing presentation slides and sponsor resources as and when it suits and checking out concurrent sessions quickly to decide which one aligns with individual interests. And asking questions is also easier, as delegates do not need to find the courage to stand up and ask for the microphone in front of a crowd.

Delegates also utilised the chat functionality to engage with each other as they commented on the sessions. However, fewer delegates engaged with our sponsors than we had envisaged. Wandering around sponsor profiles on a conference platform is not the same as wandering around exhibition booths at the conference venue. While branding is impressive in the online environment it is important that we find new ways of building connection between our delegates and sponsors in the online environment.

Because as we learn to live with COVID-19, learning how to improve engagement at every level in the virtual world is key. Government public health regulations mean that we don't know when we will hold face-to-face events again. We do know that virtual events are likely to be the norm for the foreseeable future and hybrid conferences are likely to figure long-term. The team at SAFAA is dedicated to building robust virtual connections that can replace some of the physical proximity we have lost for the time being.

One thing is sure — it's an exciting time to experiment and test new approaches and build new knowledge. On behalf of the Board and team at SAFAA I want to thank all those who joined us for this opportunity to learn and connect. Our thanks go to all of you for making our first virtual conference such an interesting and compelling journey.

Judith Fox
Chief Executive Officer

19
SESSIONS

49
PRESENTERS

300
DELEGATES

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SESSION OUTLINES DAY 1

THE TECH STORY: JUDGING INVESTMENT

The opening keynote was moderated by **Vic Jokovic**, CEO, Chi-X and featured:

- **Heath Behncke**, Founder and Managing Director, Holon Global Investments
- **Stefan Marcionetti**, Portfolio Manager, Magellan Global Trust
- **Roger Samuel**, Senior Vice President, Equity Research, Jefferies

The opening keynote coincided with a big night for tech stocks in the US and well received results from Afterpay domestically. The consensus from the panel was that big tech is not a bubble and has further to run, given that COVID-19 has brought forward tech adoption rates by 3-5 years.

In terms of local stock picks, Roger Samuel from Jefferies likes Megaport and Altium. He also pointed out that Afterpay's $25 billion market cap is modest compared with the combined $A1 trillion-plus market cap of the two giants it is taking on, Visa and Mastercard.

L–R: Vic Jokovic, Chi-X; Heath Behncke, Holon Global Investments; Stefan Marcionetti, Magellan Global Trust; Roger Samuel, Jefferies

In regards to the tech arms race and US-China conflict, Stefan Marcionetti from Magellan argued that Apple carries the most China risk, but has also established a track record of compliance with the Chinese authorities (unlike Google) and is partly politically inoculated because it employs millions of Chinese workers through its supply chain. In terms of valuing tech stocks, Stefan still believes investors are ultimately buying current and future cash flow and revenue valuation multiples are not credible.

Heath Behncke from Holon Global Investments emphasised the huge opportunity for tech stocks which go global as demonstrated by both Afterpay and Xero. Once a business is offering digital products in the cloud, the world really is the organisation's oyster based on the scale and network effects.

Overall, with the tech sector stronger than ever, this conference opening panel provided a bullish perspective, which suggests this is a sustainable mega-trend, not a bubble like we saw in 2000.

SUPERVISING ADVISERS UNDER FASEA

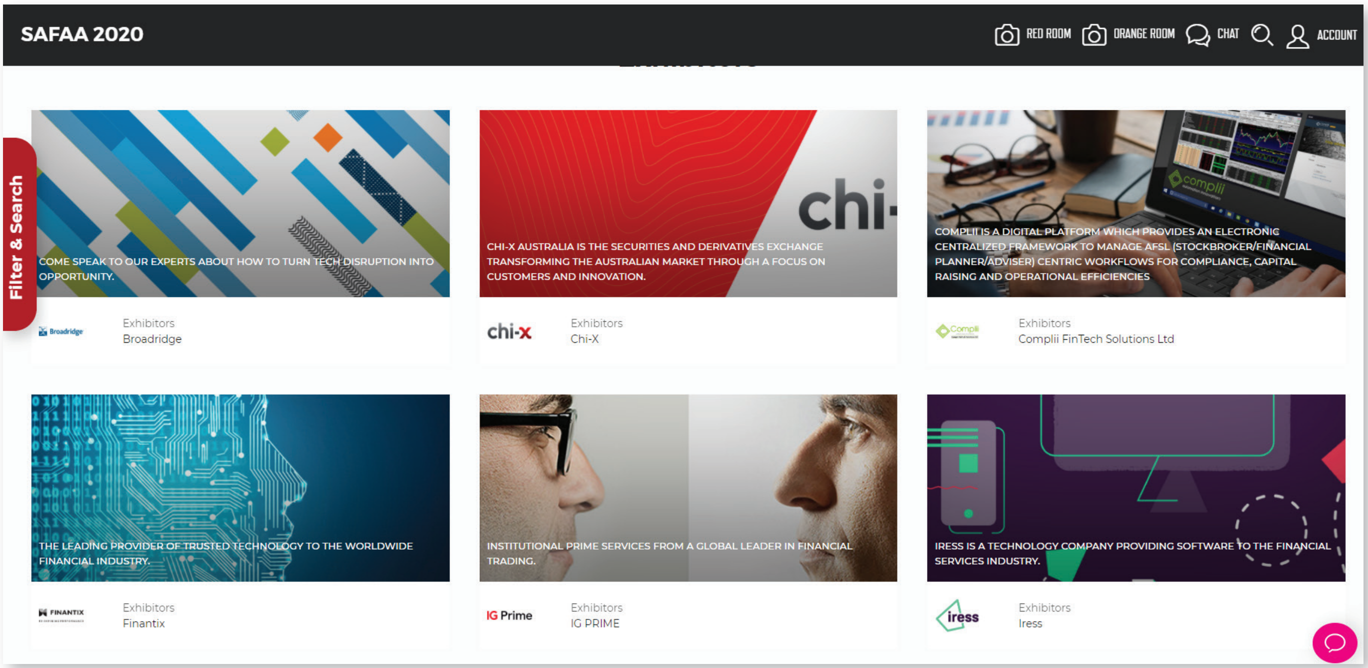
This session was moderated by **Craig Mason**, Executive Chair, Complii FinTech solutions and featured:

- **Donna Caird**, Head of Risk, Euroz Securities
- **Stuart Frith**, Sales & Delivery Director, Lumen – Iress
- **Nicole Roberts**, Manager — Risk & Governance, Morgans Financial Ltd

Licensees are acutely aware of the focus of regulators and have an obligation to ensure that their advisers comply with the FASEA Code of Ethics.

This was a very relevant session as the industry wrestles with regulatory fatigue from changing legislation, new technology, greater compliance risks and, of course, the controversial FASEA educational requirements.

Craig Mason had a great suggestion from his time in Japan, where those with more than 20 years of experience in the industry were grandfathered through requirements to go back to university.



Stuart Frith from Iress noted that "experience trumps paper any day", but also said the reforms were leading to a massive shift for the industry away from documentation to a more digitised approach to process and delivery, partly to satisfy rising compliance requirements.

Nicole Roberts from Morgans, which is Australia's biggest privately-owned broker, said around 120 of its 500 advisers have degrees in the likes of commerce or finance from sandstone universities, which are not being recognised. This has led to the loss of experienced advisers being the number one issue on the Morgans risk register. Nicole didn't hold back, saying the open-ended nature of these reforms has been overwhelming; FASEA needs stockbroking representation on its board; and the FASEA code needs to be reworked as it is confusing and inoperable.

Stuart Frith from Iress noted that "experience trumps paper any day", but also said the reforms were leading to a massive shift for the industry away from documentation to a more digitised approach to process and delivery, partly to satisfy rising compliance requirements. He also noted that the FASEA board lacks technical expertise along with the obvious issue of having no stockbroker voice.

Donna Caird from Euroz, which has about 30 advisers, said the reform process has been complex and difficult, with a lot of frustration and anxiety, particularly about the education requirements. However, she said a young adviser has recently graduated through the new system and joined the firm.

Looking for positives, Nicole noted that system enhancements flowing from the Royal Commission reform avalanche were driving productivity and freeing up time for advisers to spend with clients and that compliance was also best treated as a shared responsibility between adviser and licence holder.

SESSION OUTLINES DAY 1 cont...

INTERGENERATIONAL WEALTH TRANSFER — OPPORTUNITIES

Moderated by **Mark Hoven**, CEO, Adviser Ratings, this session featured:

- **Jason Andriessen**, Managing Director, Core Data
- **Pat Garrett**, Co-Chief Executive Officer, Six Park Asset Management
- **Peter McCarthy**, Founder & Executive Chairman, myprosperity

The moderator Mark Hoven opened proceedings pointing out that COVID-19 has highlighted the importance of financial management, plus also led to a global wave of new accounts being opened by younger first-time investors.

Jason Andriessen from Core Data quoted some interesting statistics on the wealth transfer opportunity, while also pointing out that younger investors are going to want quality relationships with an adviser and this could be a major problem if the supply of advice is shrunk by regulatory intervention.

Peter McCarthy from MyProsperity said younger investors are keen for advice from someone who can provide a whole-of-wealth view, not just stockpicking, and to also utilise a single trusted platform as opposed to having documents and relationships all over the place.

Pat Garrett from Six Park Asset Management explained how robo-advice works, while dispelling some of the myths, such as that no human interaction is involved. He said technology is the key, but it should be seen as complimentary, not a threat.

Everyone agreed there is an enormous opportunity with the coming wealth transfer from the baby boomers — it's just not clear who will grasp the opportunity.

Jason observed that accountants were in the box seat, but were gun shy and many clients of super funds want them to step up and provide broader advice and representation.

Even as MLC exits the advice business, Pat Garrett predicted the banks would eventually re-enter the advice game using technology and also noted that even Kogan.com had recently launched a super fund, suggesting there will be plenty of competition, particularly from new tech players.

THE VIEW FROM ASX

Dominic Stevens, CEO, ASX was interviewed by **Narelle Hooper**, Editor-in-Chief, Company Director

Dominic Stevens noted he and ASX had been through a lot in recent months, but he was delighted with how Australia's markets have coped.

ASX itself was transitioning to have 95% of staff working from home in March at the same time as it experienced "a volume and volatility explosion". He said that the ASX tech stack held up well, but it was a strong reminder that ASX needs to be more digitised, like every other business.

On the key issue of replacing CHESS, interviewer Narelle Hooper from Company Director magazine grilled the ASX CEO on timeframes, cost, functionality and transparency.

L–R: Dominic Stevens, ASX and Narelle Hooper, Company Director

Mr Stevens defended ASX's record on all these fronts, stressing that detailed industry consultation is continuing. The timeframe has been pushed back a year, but ASX is working hard to drive what will be a once-in-25-years change and market participants can look forward to seeing a brand new ASX website and backend in 2022.

Other changes such as the new futures trading system is already operative with the new equities trading system set to go live in two months. However, it will be the replacement of CHESS which brings it all together.

Mr Stevens also said the IPO pipeline was encouraging and he was a strong supporter of the one board approach, because it maintains high standards across the market.

INVESTMENT IN ASIA POST-COVID-19

Jacob Mitchell, CIO and Lead Portfolio Manager, Antipodes Partners in conversation with **Sunny Bangia**, Lead Portfolio Manager, Antipodes Asia Fund

L–R: Sunny Bangia and Jacob Mitchell, Antipodes Partners

Antipodes Partners is an Asia-focused investment fund and delegates received great insights during this session with CIO Jacob Mitchell and lead portfolio manager Sunny Bangia.

While Australian travel is locked down, it is remarkable to think that Chinese domestic travel is flat, year on year, meaning the economy has re-opened faster and more sustainably than most observers expected. It is this re-opening which has underpinned Australia's booming iron ore miners, along with a big infrastructure-focused stimulus program by the Chinese Government.

> Delegates heard that the major Asian economies such as China, Japan and South Korea have had to provide far less COVID-19 income support than the US and therefore have more flexibility to deliver recovery funding with future infrastructure or sector investment.

Asian markets are very tech heavy and Antipodes likes the two dominant Chinese e-commerce players: Alibaba and Tencent. Alibaba prospers particularly because China never had the scaled offline retail sector like the US and delivery costs of $1US in China are so much more efficient that $US7 in the US.

Tencent was described as "the heart of the internet economy in China" and with just US$4 in revenue per user on its Wechat messaging service, it has enormous scope for growth.

Delegates heard that the major Asian economies such as China, Japan and South Korea have had to provide far less COVID-19 income support than the US and therefore have more flexibility to deliver recovery funding with future infrastructure or sector investment.

In South Korea, that government support is expected to continue to focus on the "green new deal" which is underpinning enormous growth in the electric vehicle market. EV growth is also strong in China, partly driven by pollution concerns, and this trend will also flow though to commodity demand boosting the likes of nickel, copper, lithium and aluminium.

SESSION OUTLINES DAY 1 cont...

In terms of other stocks Antipodes likes, HDFC Bank in India is considered a good option, but that market is worth assessing more from a stock or sector level than the macro view, because India remains a somewhat dysfunctional democracy with a lot of vested interests distorting markets.

Taiwan's semi-conductor giant TSMC was also favourably mentioned, as was the Chinese insurance giant Ping An.

The Chinese dairy market is viewed as an oligopopy, with the two biggest players having a 66% share, but it was Yili which the panellists preferred, rather than Mengniu, which was recently blocked from buying Lion's Australian dairy assets for $600 million.

ATTRACTING THE NEXT GENERATION TO STOCKBROKING

Moderated by **Judith Fox**, CEO, SAFAA, this session featured:

- **George Deva**, Head of Private Wealth, Ord Minnett Limited
- **William Hickson**, Private Client Adviser, Morgans Financial Ltd

This was an important discussion for Australia's 22,000 financial advisers, given the predicted industry exodus resulting from FASEA's roll-out of the exam and qualification requirements.

Judith Fox set the scene around the revenue challenge for the industry in educating and re-educating advisers through the FASEA Graduate Diploma, which is tailored to financial planning.

Will Hickson from Morgans emphasised the importance of mentoring, something he benefited from on entering the industry at age 24 and is now assisting others with 10 years later. He encouraged more older advisers to embrace mentoring.

George Deva from Ord Minnett agreed with the idea, noting that 140 clients is around the maximum a successful adviser should service, and using a revenue-share model to introduce younger advisers to share in the tail of the bigger books is a good model for developing talent.

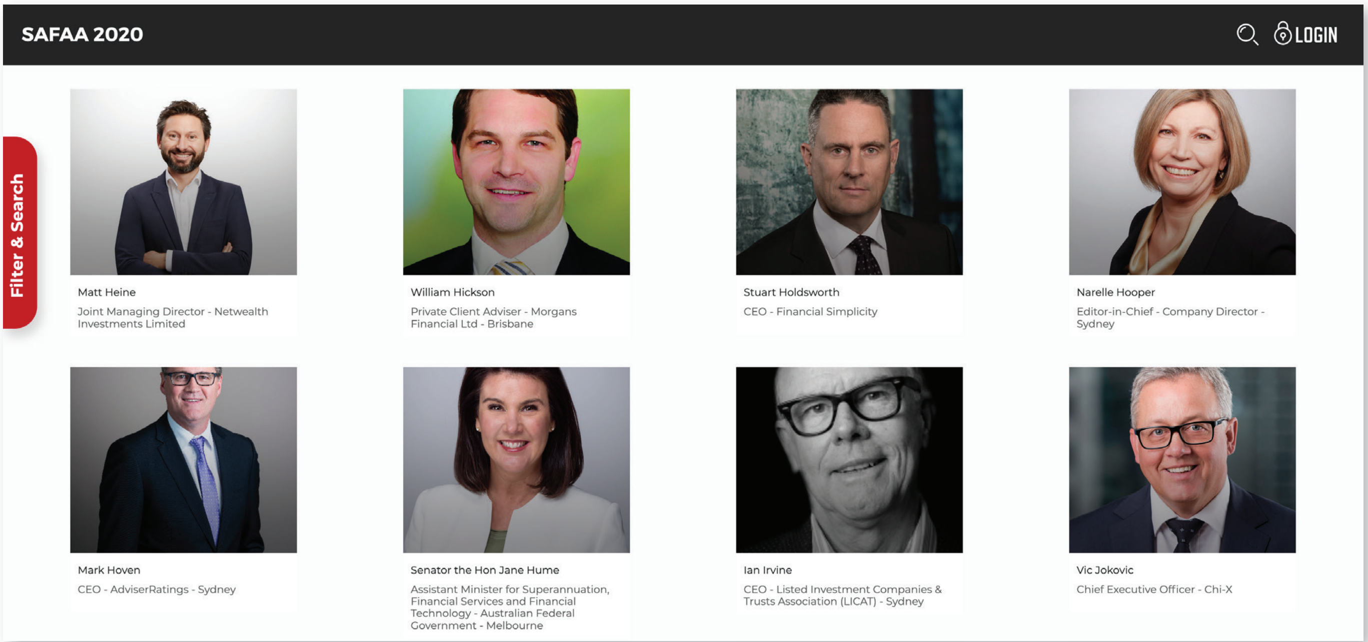
The panellists were from two of Australia's biggest private client firms, which have benefited from having a large back office where talent can learn from proximity and graduate through to being a full service adviser.

Delegates heard predictions that smaller firms won't be able to afford the investment in the talent and this could lead to more cherry picking of those who have graduated through the new FASEA requirements.

As was evident throughout the conference, there is an advocacy challenge for SAFAA to have prior learning recognised to reduce the risk of an industry exodus. A key message was that the industry needs to be united in this advocacy, as well as in its response to the training programs introduced at the larger firms.

In conclusion, Judith Fox pointed to the recent ASX investor survey showing that 23% of millennials are interested in having a full-service broker or wealth manager. The panellists agreed that specific investment advice is most valued by clients.

> As was evident throughout the conference, there is an advocacy challenge for SAFAA to have prior learning recognised to reduce the risk of an industry exodus. A key message was that the industry needs to be united in this advocacy, as well as in its response to the training programs introduced at the larger firms.



HIGH GROWTH DOWN UNDER

Max Cunningham – Executive General Manager — Listings & Issuer Services, ASX

It was an upbeat presentation from ASX listings supremo Max Cunningham who ran through the numbers of the ASX All Technology index that was launched in February and now has 50 constituent members.

Given Australia's traditional sector concentration with mining and financials comprising more than 50% of the ASX market, attracting 107 technology listings over the past four years has been very important to offer investors diversity.

And the performance has been tremendous with the ASX200's TSR of 10% being comfortably out-performed by the more than 20% generated by the All Technology index.

During the Q&A session with Ian Irvine, CEO, Listed Investments Companies & Trusts Association, Max explained that some US technology companies such as Sezzle are listing in Australia because of additional compliance and litigation risks in the US, plus the desire for US venture capital firms to keep emerging US tech stocks private for longer.

Given Australia's traditional sector concentration with mining and financials comprising more than 50% of the ASX market, attracting 107 technology listings over the past four years has been very important to offer investors diversity.

There have been 260 foreign company listings on the ASX, with the leading three nations being New Zealand (57), the US (49) and Israel (21).

Max would love to see Atlassian join the ranks of ASX listed companies as its market cap is $US46 billion. Afterpay is the biggest constituent member of the All Tech index with a market cap of $25 billion, but the other big names include the likes of Seek, Altium and Wisetech.

It is definitely worth going back and watching this session online, particularly to look at Max's detailed and informative slide pack.

SESSION OUTLINES DAY 1 cont...

HARNESSING THE POWER OF DATA AND ANALYTICS TO DRIVE INSIGHT AND CLIENT OUTCOMES

Jamie Wickham, Managing Director, Morningstar Australasia

Ever since it was established by founder Joe Mansueto in his Chicago apartment back in 1984, Morningstar has been focused on providing investors and their advisers with reliable data. The company's Australian chief Jamie Wickham provided an excellent summary of why big data is increasingly important for advisers and investors.

Jamie stressed that anyone building data bases should be super clear about the problem they are trying to solve and that the quality of the data is paramount. It must be timely, accurate and complete.

The real magic comes when you connect a variety of data bases and then have good visualisation devices that also allows drilling down to find the proverbial needle in the haystack.

Jamie demonstrated some examples developed by Morningstar, including a portfolio mismatch tool incorporating a variety of data sets which can easily identify where an investor's portfolio has departed from its stated goals.

He also displayed a slide explaining the data services available involving increasingly personalised information that captures both user experience and what the adviser knows about their client. The investors also now expect seamless, frictionless and real-time access to this sort of data about their investing experience.

Morningstar has recently moved to 100% ownership of ESG business Sustainalytics and Jamie said this would augment a big push into more data about ESG issues, which is a highly subjective area. Client interest is far broader than just excluding the likes of tobacco, so Morningstar is serving up lots of ESG data such as how fund managers and companies monitor and manage their ESG risk.

Jamie predicted ESG would be an increasing focus for clients and advisers will need to have access to the right reliable data to satisfy their needs.

SUPERVISING THE FINANCIAL SERVICES SECTOR

Moderated by **Judith Fox**, CEO, SAFAA, this session featured:

- **Cathie Armour**, Commissioner, Australian Securities and Investments Commission
- **Helen Rowell**, Deputy Chair, Australian Prudential Regulation Authority
- **David Locke**, Chief Ombudsman and CEO, Australian Financial Complaints Authority

This was a lively session with ASIC commissioner Cathie Armour and APRA deputy chair Helen Rowell joining her in the Sydney studio and AFCA CEO David Locke beaming in from locked-down Melbourne.

Judith opened with a pointed question to ASIC about retail shareholders and the private investment sector being

L–R: Judith Fox, SAFAA; Cathie Armour, ASIC; Helen Rowell, APRA diluted out of vast sums in the recent $40 billion deluge of secondary capital raisings, which have been largely aimed at institutional investors.

The ASIC defence was that speed and efficiency of raisings was pivotal during the pandemic, some SPPs were expanded (NAB's $500m SPP was up-sized to $1.25b when $2.9 billion came through the door) and other issuers such as Qantas demonstrated that retail interest was limited when its $500 million SPP only attracted $71 million. However, Commissioner Armour did acknowledge that Sydney Airport's $2 billion PAITREO had gone well and this might be the future in terms of fairer treatment of retail shareholders.

APRA's deputy chair Helen Rowell outlined the challenges faced by the super industry coping with the estimated $42 billion in early withdrawals and said more super fund mergers were needed to deliver the sector scale and credibility and APRA "makes no apology for raising the bar". Speaking on sustainability, Ms Rowell told delegates that the industry is still "extremely diverse" and it has a "way to go" before the players are of sufficient size, scale and capability.

David Locke predicted an upcoming deluge of AFCA complaints about financial hardship flowing from the cost of credit products as support from the likes of JobKeeper and JobSeeker tapers off.

SAFAA members would be relieved to hear that David Locke said AFCA has only received 32 complaints related to stockbrokers and financial advisers over its first 21 months of operation. Of these, only seven reached a final determination with the majority of findings being in favour of the financial institution.

However, Mr Locke did not resile from AFCA accepting complaints from wholesale clients and the AFCA CEO said this would continue. This is a real issue for SAFAA members, as AFCA was never intended for high net worth clients.

TECHNOLOGY: FRIEND OR FOE?

Moderated by **Kelly-Ann McHugh**, Director, Asia Pacific, MyComplianceOffice, this session featured:

- **Calissa Aldridge**, Senior Executive Leader, Market Supervision, ASIC
- **James Astley**, Federal Agent, Crime Operations, Australian Federal Police
- **Paul Black**, Partner, KPMG

Moderator Kelly-Ann McHugh opened with the observation that you need technology to be your friend to cope with cyber security compliance and it was then time to get worried.

The AFP's Jim Astley revealed that compromised business email had seen $142 million stolen from Australian companies so far in 2020, including $16m from one WA resources company. He also said theft from compromised super fund share portfolios was another area where crime was "taking off" and there had been 700 attempted compromises on the early access super scheme.

> The AFP's Jim Astley revealed that compromised business email had seen $142 million stolen from Australian companies so far in 2020, including $16m from one WA resources company.

KPMG partner Paul Black said ransomware attacks – often through email links which lock files and steal encrypted data — was no longer just a nuisance and was having a big impact on clients. KPMG is now working with 5-10 clients on these challenges at any point in time. He said the best way to avoid business email compromise was "two factor authentication" (usually using a registered mobile device) and Jim said any business not doing this was "absolutely nuts" because it was both cheap and effective.

SESSION OUTLINES DAY 1 cont...

Calissa Aldridge said ASIC has seen a 20% jump in scams this year and ASIC recently took action against an advice firm for failing to protect client data. She stressed cyber security is a big reputation issue and ASIC has been disappointed with the level of engagement from corporates. There is still a lack of understanding at board level with too many directors regarding cyber security as just an IT issue.

Paul Black said human breakdown is the cause of 99 out of 100 breaches, rather than inherently insecure systems which are largely a thing of the past, particularly with the emergence of security-conscious cloud computing.

Kelly-Ann McHugh, Director, Asia Pacific, MyComplianceOffice

The big message to firms is: don't underspend. The retailer which suffered the worse cyber security breach in the US thus far had implemented a state-of-the art security system but then axed its entire cyber security team when cost cutting, shortly before getting badly compromised for a second time.

It was recommended that delegates always turn on the enhanced security in a piece of software and keep backing up data and testing their backups. And far too many firms don't have proper business continuity plans covering cyber security threats, as opposed to keeping up with their fire drills.

MANAGED ACCOUNTS AND PLATFORMS: SHAPE OF THE FUTURE

Moderated by **Stuart Holdsworth**, CEO, Financial Simplicity, this session featured:

- **Martin Morris**, Head of Distribution and Director, Praemium Australia
- **Matt Heine**, Joint Managing Director, Netwealth Investments Limited
- **Eylem Kamerakkas**, Head of Managed Accounts Product, Wealth Product & Technology, Macquarie Group

This session was an opportunity for three heavy hitters in the managed accounts space to strut their stuff. Each of the speakers provided assurance to advisers that embracing a managed account model does not jeopardise the relationship with their clients.

> Macquarie's Eylem Kamerakkas said managed accounts are still in their relative infancy in Australia, but their system provides a client-centric approach that allows advisers to remain very focused on the increasing "best interest" requirements for clients, while increasing interaction and building more meaningful relationships.

Martin Morris from Praemium, which has been around since 2001 and now reports on $140 billion in assets, said managed accounts mean advisers spend less time on individual portfolio construction and more time focusing on a client's broader investment goals across different asset classes. It also brings more transparency and deepens the client relationship if used well.

Matt Heine from Netwealth provided some interesting data on how their clients, using the efficiency of their managed accounts systems, were able to rapidly respond to the COVID crisis with transactions spiking at 42,000 on the peak day in March compared with 2000 usually. He said Netwealth is very focused on educating advisers and there is a big program of mass customisation of portfolios to come through matching data.

Macquarie's Eylem Kamerakkas said managed accounts are still in their relative infancy in Australia, but their system provides a client-centric approach that allows advisers to remain very focused on the increasing "best interest" requirements for clients, while increasing interaction and building more meaningful relationships. She said the system removes friction, is scaleable across large numbers of clients and those that worked with Macquarie have found the transition seamless and efficient.

Another strong theme from this session was that adviser time needs to be better managed. Managed accounts allow them to embrace technology, provide more holistic advice focused on client goals and move on from the traditional focus on Australian stock selection and portfolio construction.

Judith Fox, SAFAA opening day 2

SESSION OUTLINES DAY 2

AUSTRALIA IN TRANSITION — THE PATH OF ECONOMIC RECOVERY

Chris Nicol, Head of Australian Strategy & Economics and Emerging Company Research, Managing Director, Morgan Stanley in conversation with **Matt Nicholls**, Head of Investment Solution, Morgan Stanley

Chris Nicol provided a comprehensive wrap of Morgan Stanley's economic and markets outlook, opening up with the house view that there will be a V-shaped recovery with Australia back to pre-COVID levels by the 4th quarter of 2021.

Morgan Stanley is feeling "increasingly comfortable to have a vaccine embedded into assumptions for emergency used by the first quarter of 2021 and wider use by September 2021." This is critical for future re-opening.

Chris Nicol, Head of Australian Strategy & Economics and Emerging Company Research, Managing Director, Morgan Stanley

In light of Fed Chairman Powell's presentation the night before with the focus on inflation being downgraded, Chris said the outlook for official interest rates is that they will be lower for longer.

He observed that government responses to COVID-19 have been more coordinated than we saw during the GFC,

SESSION OUTLINES DAY 2 cont...

but in the Australian context there are some key fiscal stimulus decisions to be taken in the coming weeks. Fiscal policy is at a critical juncture with the October budget warranting some sweeping reforms to stimulate growth, hopefully guided by Nev Power's committee, the Thodey review, the seven industrial relations working parties and the prospect of tax cuts.

> As for predictions, unemployment is forecast to peak at 10% in December quarter and stay above 7% next year and the RBA will keep interest rates on hold for the foreseeable future, with no prospect of negative interest rates. Earnings are falling, outlooks are clouded and the capex animal spirits are too constrained, but Morgan Stanley has a 12-month target of 6200 for the ASX200, so we got there more quickly than expected.

Offshore, the recent commitment to a European recovery fund from a fiscal perspective has been an important move to offset the so-called "southern slump" and reduce the risk of members leaving, but the size of the coming US fiscal stimulus is the next key move.

In terms of China, Chris observed that its stimulus had started in January and was infrastructure focused – hence the iron ore boom which no-one expected but which is likely to "fade over time".

In terms of our diplomatic disputes with China, Chris said it should be "overcome with great diplomacy" but the true test of success will be future tourism and education flows.

As for predictions, unemployment is forecast to peak at 10% in December quarter and stay above 7% next year and the RBA will keep interest rates on hold for the foreseeable future, with no prospect of negative interest rates. Earnings are falling, outlooks are clouded and the capex animal spirits are too constrained, but Morgan Stanley has a 12-month target of 6200 for the ASX200, so we got there more quickly than expected.

As for long-term structural shifts, Chris pointed to a recent survey showing 60% of US workers want to work from home to a degree with 35% wanting this exclusively and 65% a hybrid model.

This will certainly have implications for the office market where Australia has close to two years' worth of supply currently on the market. However, residential is headed for stormier weather too, with housing rents forecast to decline by 10-20%.

As for MMT, Chris believes the RBA will be comfortable doing $10-$15 billion a quarter to keep the curve flat and it is unlikely to retreat from this "money printing" policy until unemployment has fallen materially.

FINANCIAL SERVICES AFTER COVID-19: VIEW FROM THE GOVERNMENT

Senator the Hon Jane Hume, Assistant Minister for Superannuation, Financial Services and Financial Technology, Australian Federal Government

Beamed in from Parliament House, the Minister opened with a sincere thanks to the financial advice industry for helping to stave off the worse impacts of COVID-19, but stressed we will need all hands on deck for the recovery.

She said "reliable and quality advice has never been more critical" and the government aspires to see a "vibrant and well-respected industry", populated with professionals.

The Minister detailed some delays to the reforms coming out of the Hayne Royal Commission while explaining that 24 recommendations had already been implemented and

35 were progressing through consultation, albeit slowed by the pandemic.

She also said that legislation now passed will give advisers an extra year to pass the exam and two more years to satisfy the new education requirements.

The Minister stressed just how much engagement she has had with industry practitioners on these issues: "I am listening and taking on board what you are saying."

In terms of the proposed single disciplinary body, the Minister announced its introduction would be deferred to the end of 2021, and that Treasury was consulting widely on design features. In the meantime, the Minister said it is the responsibility of the AFSL or licence holder to ensure its authorised representatives are abiding to internal standards and the industry's code of ethics.

She also supported the concept of consumers having a single adviser to satisfy a range of requirements while also promoting a greater reliance on technology, obviating the need for a Statement of Advice running to hundreds of pages.

Senator the Hon Jane Hume, Assistant Minister for Superannuation, Financial Services and Financial Technology, Australia Federal Government

The Minister seemed quite enthusiastic about the possibilities for technology-embedded robo-advice, saying that she liked the idea of future regulators spending "more time auditing algorithms rather than auditing advisers".

She predicted regulators would take a more forward-leaning approach to get technology embedded as this was a "potent multiplier right across the industry" that would have "enormous potential for productivity gains".

> "I'd love to be able to say I can direct FASEA, but I can't," said the Minister." No one can direct FASEA, FASEA is an independent statutory body. And it was set up that way intentionally. They don't take direction from government, so they're responsible for those standards."

During Q&A, and challenged about the FASEA board and its one-size-fits-all focus on financial planners, the Minister claimed that the stockbroking industry is currently represented on the board.

She also drew a clear line between government and FASEA responsibility, commenting that FASEA is not answerable to the government.

"I'd love to be able to say I can direct FASEA, but I can't," said the Minister." No one can direct FASEA, FASEA is an independent statutory body. And it was set up that way intentionally. They don't take direction from government, so they're responsible for those standards. I think it's really important that the industry voice their opinion on those standards and how workable they might be directly to FASEA in any way that it possibly can."

SAFAA CEO Judith Fox noted that the industry would not have supported an education model where experienced stockbrokers were required to complete a Graduate Diploma in Financial Planning without receiving recognition for earlier degrees in commerce and economics.

On a personal note, the Minister said she had personally relied on her adviser during the pandemic, as had her recently widowed mother. "On behalf of my family I can't thank the industry enough."

The industry in 3D

SESSION OUTLINES DAY 2 cont...

TRANSFORMATION IN WEALTH MANAGEMENT AND BROKING SERVICES

Moderated by **Michael Blomfield**, CEO, Investment Trends, this session featured:

- **George Lucas**, the Founder Managing Director/CEO, Raiz
- **Laszlo Peter**, Head of Blockchain Services Asia Pacific, KPMG
- **Ronan Leonard**, Head of Wealth Market Development, Refinitiv

This session provided a fascinating insight into the future, with technology opening doors to new generations of clients and a variety of different asset classes.

Moderator Michael Blomfield identified robo-advice as a great pathway to transform millennial savers into investors with human advice being added later.

KPMG's blockchain chief Peter Laszlo highlighted the benefit of fractionalisation in bringing both liquidity and new asset classes, spanning everything from loyalty schemes, data assets and even potentially stakes in football clubs. He said the replacement of CHESS will open the door to a new range of trusted assets classes using the distributed ledger model.

Tokenisation was mentioned as being important to open up new asset classes which could be everything from data to art, partial ownership of a football club and even loyalty schemes, but the challenge remains trust and legal enforceability.

Delegates were told that platforms play a pivotal role, because if an asset class is not on a platform it gets left behind and that is certainly the experience of the art market.

However, the Australian regulatory framework, as ever, hangs over the industry resulting in robo-advice being far more advanced in the UK and US. Specifically, the US has a different settlement system which is more accommodative of fractionalisation.

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George Lucas from Raiz, whose firm now has 300,000 clients who can sign up in five minutes to invest a fractionalised $5, pointed out that Vanguard is effectively the world's largest robo-adviser and the US is not constrained by regulatory concepts such as "best interest". He said there is insufficient regulatory clarity in Australia on exactly how algorithms could be used in the advice space.

Ronan Leonard from Refinitiv recommended firms aggregate various data sets as a tool to empower advisers to be able to better advise clients and focus their time on building a trusting relationship.

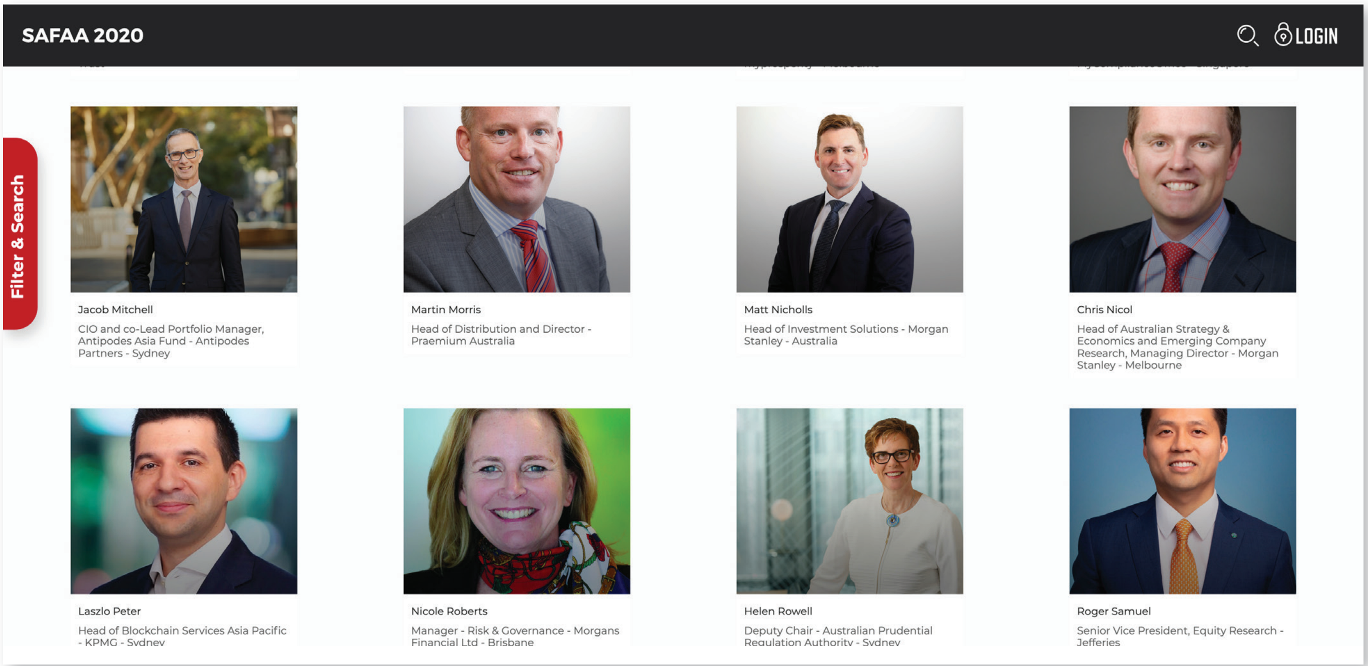
CODES, CONFLICTS AND CLIENTS

Moderated by **Judith Fox**, CEO, SAFAA, this session featured:

- **Stephen Glenfield**, CEO, FASEA
- **Jonathon Gordon**, Partner, Ashurst

Given all the confusion and concern about FASEA and its impact on the provision of financial advice, this was an important session with FASEA CEO Stephen Glenfield and Ashurst partner Jonathan Gordon.

Jonathan set the scene on the coming legal implications, pointing out that the move from prescription to principles-based regulation hasn't really happened, because there is a lot of prescription in the new Code targeted at financial



planners which has dragged stockbrokers and investment advisers into the fray. He described the new Code as "a very challenging position for any provider" and said it "will take some time to play out".

Glenfield pointed out that the standards are non-prescriptive by necessity, but Gordon said the challenge for providers would be "developing the interplay between the specific provisions", stating that while the non-prescriptive guidance is understandable, it is open to legal interpretation.

"It's easy to say 'if you've done nothing wrong, you'll be fine', but unfortunately that tends to be not how lawyers look at things," Gordon stated. "And lawyers will be involved… lawyers will look at it with benefit of hindsight and pick apart those standards."

Stephen Glenfield clarified that the payment of brokerage would be an allowable form of fee and not deemed conflicted advice. He doesn't want FASEA to jeopardise business-as-usual for stockbrokers and investment advisers.

> "Avoiding any conflict of interest is actually impossible because that test has no element of materiality or proportionality,"

Gordon pointed to the complications arising from the different definitions involving a "disinterested person test", a "reasonable person test" and a "reasonable assessment test", all of which are all mentioned in the new FASEA code.

Glenfield counselled practitioners to focus on actual conflicts and ask the question: 'Have you met the ethical standards that put client interest ahead of all other interests?' Gordon noted that when assessing Standard 3, which states that advisers "must not advise, refer or act in any other manner where you have a conflict of interest", the challenge lies in the fact that the standard is "black and white.

"There's an almost endless list of things that could be conflicts," Gordon commented.

SESSION OUTLINES DAY 2 cont...

"Avoiding any conflict of interest is actually impossible because that test has no element of materiality or proportionality," he said. "The smallest of holdings in BHP could be a conflict of interest."

Judith Fox raised the issue of the long-awaited single disciplinary body which the Minister announced earlier in the day had been delayed until late 2021, leaving brokers and financial advisers in no man's land for the time being. She also strongly made the point that SAFAA members are not represented on the FASEA board. Stephen Glenfield responded that board composition is a matter for the government, not FASEA, but claimed they have "a very robust board that does consider all sides of the argument".

In terms of the industry exodus, Judith Fox asked if Warren Buffett would qualify as an adviser under the new Australian system. Stephen Glenfield stressed that 13,000 advisers have already sat the exam and there are a further eight exam sessions being held over the next 15 months. He claimed old and young advisers were passing across the board and commented that there are now 70 approved courses across 20 universities.

All up it was an excellent session with the new industry regulator left in no doubt about the various issues which need to be addressed.

FINANCIAL SERVICES AFTER COVID-19: VIEW FROM THE OPPOSITION

The Hon Stephen Jones MP, Shadow Assistant Treasurer and Shadow Minister for Financial Services, Australian Federal Government

Coming straight off the back of the session with the latest FASEA CEO Stephen Glenfield, Labor's Shadow Minister didn't hold back, saying that the establishment of the organisation had been botched with poor implementation, lack of consistent Ministerial oversight and three CEOs in two years.

He agreed with SAFAA CEO Judith Fox's contention that the stockbroking industry should be represented on the FASEA board and the failure of the government to make this happen explained why some of the commerce and economics degrees held by long-serving stockbrokers were not being recognised by FASEA as it implements the requirement for all advisers to have new qualifications by 2026.

Minister Jane Hume had earlier been quite bullish about the adoption of technology and the switch to more robo-advice. Labor's spokesman observed there was lots of excitement about robo-advice and this will be a part of the future, but the industry will always strongly feature the intuition provided by a professional qualified adviser.

"You need to better explain the hidden value of what you do as a profession," he said, while adding that "advisers and brokers are paying a heavy price for failures" that he said should be sheeted home to the last two Treasurers: Scott Morrison and Josh Frydenberg.

On the macro front, Mr Jones claimed the $42 billion early super program had a "huge economic impact at least equivalent to the stimulus provided by Jobkeeper". However, he warned there would be no third $10,000

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tranche and the government needed to maintain solid stimulus in the period ahead to protect the economy.

He also strongly backed the legislated increase in super contributions from 9.5% to 12%, something which has been undermined recently by what he called a "licenced revolt" coming from the Coalition backbench.

"How would we have got through this crisis without the ballast of superannuation?" Mr Jones asked. "$3 trillion, patient capital, here for the long term, helping to recapitalise listed and unlisted businesses. It is absolutely critical for the future or our economy."

And he said this was increasingly important with falling immigration numbers now pushing Australia towards only having three workers for every retired Australian, whereas it was previously seven just a few decades ago.

When SAFAA CEO Judith Fox quizzed Mr Jones during an extended Q&A session, he concluded by saying: "On behalf of the Labor Opposition I think you've made some good points", while also acknowledging that the issue of practitioner university qualifications "warrants further parliamentary attention". He promised to write to the Minister and SAFEA on this point and to take up the lack of representation of stockbrokers on the FASEA board.

If interested about the structure of our industry and future regulation, this is a session worth watching online if you missed it live.

CHANGING INVESTMENT STRATEGIES IN A POST-PANDEMIC WORLD

Moderated by **Scott Webster**, Managing Director, Head of Platforms and Institutional Funds Group, UBS, this session featured:

- **Julia Lee**, Founder and Chief Investment Officer, Burman Invest
- **Mary Manning**, Portfolio Manager Ellerston Capital

SAFAA director Scott Webster moderated this excellent all-female panel with Mary Manning from Ellerston opening the batting. Her fascinating slides alone are a good

L–R: Dominic Stevens, ASX and Narelle Hooper, Company Director

> Julia Lee was bullish in her outlook, particularly because of the unprecedented stimulus by governments and central banks responding to the pandemic. Her biggest risk to watch out for was contracting money supply.

reason to jump on the SAFAA website and watch this session in full.

Mary counselled that investment strategies should not change because of COVID-19 and investors should "run for the hills" if their fund manager has done that.

However, the four key focus points for her Ellerston Asia fund remain country allocations; sector allocations; risk management (particularly preparedness to crystallise profits); and the increasing focus on ESG, particular the social element which has been permanently elevated by the pandemic.

In terms of sector allocations, Ellerston has ridden the tech wave and has a 47% allocation to the sector assuming the four Asian STAT stocks (Samsung, TenCent, Alibaba and TSMC) are classified as technology. These four giants have soared and now have a combined market capitalisation exceeding $US2.1 trillion.

Julia Lee was bullish in her outlook, particularly because of the unprecedented stimulus by governments and central

SESSION OUTLINES DAY 2 cont...

banks responding to the pandemic. Her biggest risk to watch out for was contracting money supply. She offered up some interesting stock tips including Appen because of its strong focus on data and algorithms; Mineral Resources because of expanding iron ore production and exposure to lithium, which she noted will come back; and Metcash because there will be some stickiness to the COVID trend of more people shopping at their local IGA.

There was a solid 18-minute Q&A at the end of the 40-minute session where Mary Manning identified the US election as the biggest geopolitical risk for investors, with a clean Biden victory being the best outcome for markets and investors. Julia Lee predicted ongoing strength for the iron ore price and was also bullish about gold as her fund has around 7% in gold stocks which are a good hedge for a falling US dollar.

IMPACT AND RESPONSIBLE INVESTING

Moderated by **Judith Fox**, CEO, SAFAA, this session featured:

- **Daniel Madhavan**, CEO, Impact Investing Group
- **Kate Turner**, Responsible Investment Specialist, First Sentier

After the lunch break on day two, delegates who returned to this session enjoyed a fascinating explanation of responsible and impact investing as the global push for ESG gathers momentum.

Daniel Madhavan explained that for an investment to qualify as impact it must be intentionally impactful and this impact must be measured, such as the way they report carbon savings at the asset level for its solar investments. He said impact investing is not an asset class but rather a lens through which to view investments, although it is not philanthropy because investors are looking for positive returns. That said, surveys have revealed an estimated 25% of the $500 billion committed globally to impact investing are prepared to accept a lower return to achieve a good social outcome. This explains why high net worth individuals and foundations are some of the most prominent supporters of impact investing.

Kate Turner explained that the most common approach to ESG is the negative screening of investments (such as coal), although it can include positive screening. Other approaches include ESG integration into all investment decision-making, which is becoming more common and this has been shown in numerous studies to produce better risk-adjusted returns. She noted that impact investing is one of the approaches.

In terms of advisers accessing good information the panellists recommended the Impact Management Project as well as Global Impact Investing Network along with the Responsible Investment Association of Australasia which has lots of useful material on its website.

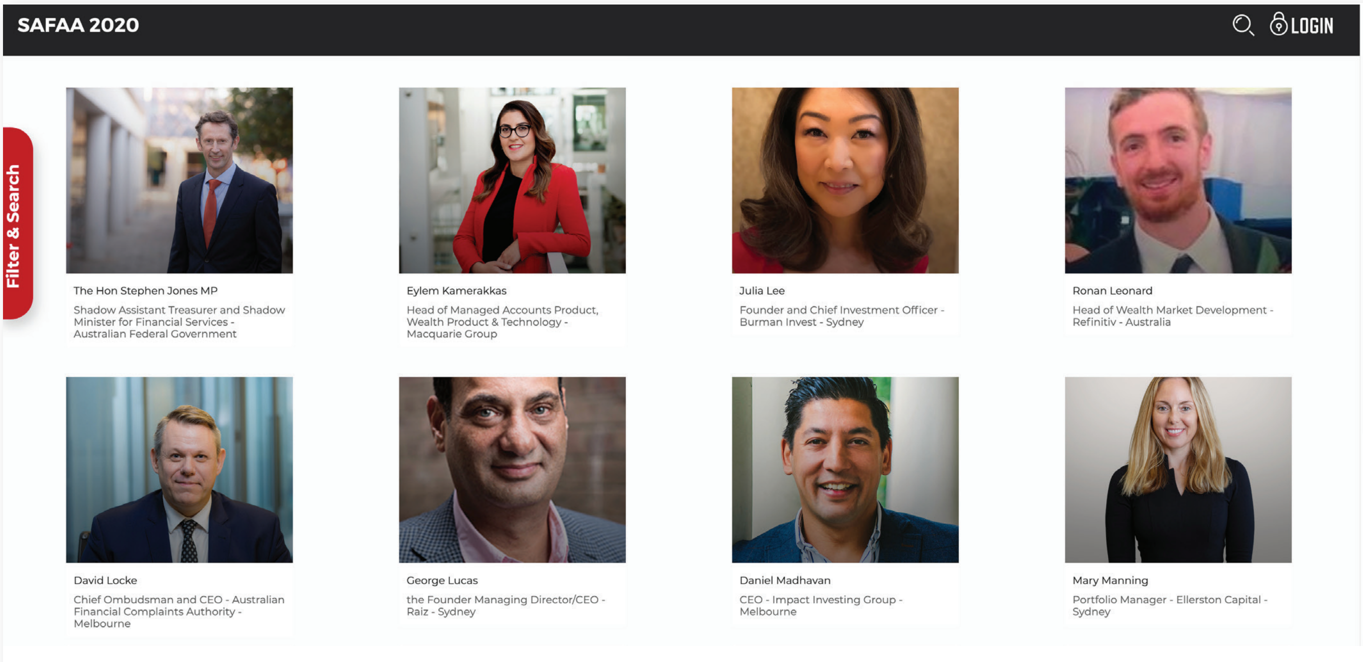
Adviser competence in this space is highly recommended, as it provides an excellent way to better connect with clients, particularly the younger generations.

THE IMPACT OF THE US ELECTION ON MARKETS

Lindsay Tanner, former Federal MP for Melbourne; special adviser to Lazard Investments and Non-Executive Director of Suncorp

What a way to finish the conference! Lindsay Tanner provided a fascinating critique of the forthcoming US election, so much so that The AFR produced an entire story out of this session.

Lindsay opined that Donald Trump is quite well placed to be re-elected on the grounds that he delivered most of his election commitments (attack China; quit wars; attack immigrants; build a wall; cut taxes; make allies pay more etc) and appeals to the less educated voters who feel threatened by technological advance and increasingly resent the educated elites.



Lindsay was not impressed by Joe Biden, saying he was the most unimpressive presidential candidate he'd seen in decades. He noted Biden would come under considerable pressure in the coming weeks. There was no firm ideological record that voters could associate with Biden, who was typical of the boring, safe, lowest-common denominator candidates (for example, Walter Mondale and John Kerry) which US oppositions often serve up trying to defeat a President seeking a second term.

Lindsay predicted that COVID-19 will hurt Trump – particularly if it gets worse before November 3 – but if the infection rate drops, and the economy re-opens, a sense of recovery could "change the political context radically".

As for the wider impact on America, beyond the chaos, Lindsay doesn't think Trump "has done very much" and much of what he has done is easily reversible, such as relations with China and Mexico.

He predicted that whoever is in power will be driven by pandemic recovery, but regardless of the politics, he encouraged delegates not to underestimate the US economy or business because "the inherent dynamism and anarchic vigour that characterises America hasn't gone away".

There was a range of questions from delegates. Lindsay said compulsory voting would help the Democrats and, unlike Australia, the US voting system is neither fair or robust, with the Republicans assisted by their relatively stronger position in smaller states.

In terms of his views on Australia, Lindsay lauded our regulatory system spanning the likes of APRA, ASIC, the ATO and the RBA, which he said were led by "an outstanding cohort of regulators: politically neutral and qualified", which is in stark contrast to the chaotic US regulatory system.

However, he launched a broadside at what he called Australia's biggest problem: our dilapidated vocational education system, which should be overhauled to maximise the ability to satisfy industry demands for good jobs, while supporting those thrown on the scrap heap.

This tied into his broader theme that the educated elites have lost touch with the working class. Indeed, he mentioned looking at the Rudd Cabinet in which he served and realising that it featured 20 university-educated Ministers and not one Minister who had left school early or pursued a TAFE qualification.

Like the Democrats in the US, Lindsay believes the ALP is failing to stay in touch with its traditional working class, and this is the cohort of voters who could very well give Donald Trump a second term.

The industry in 3D

DELEGATE TESTIMONIALS

The following comments are indicative of the feedback received from delegates.

- I found I was able to concentrate more on the speakers and had no trouble hearing the message they wanted to get across.

- Great insights from the industry especially on tech and innovation also insights from regulators, government.

- The conference exceeded my expectations with content, format and delivery.

- Technology was easy to navigate and use and the fact it ran to schedule assisted unlike many in person events of the past.

- Great way to deliver so much content. We miss out on the networking but perhaps that can be done another way or separate to the digital event.

- This was my first virtual conference and I found it very good. Subjects very topical, technology aspect of the conference very professional. Much preferred this than sitting in a theatre all day long. Well done!

- While I will enjoy the time when we can all get together for face to face conferences in Sydney & Melbourne, the virtual conference was informative and successful.

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