

SIAA monthly

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REPLACING BANK HYBRIDS:

The time to act is
approaching

Specialist platforms:
Enhancing productivity
and HNW client
engagement

One
conversation
can inspire a
career

The Future
of Australia's
Financial Markets:
A Perspective

Easing at the
summit: How to
steer portfolios
after Fed rate cuts

How to get
the best out of
international
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Serving the interests of investors



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MESSAGE FROM THE CEO



Judith Fox, CEO

We recently surveyed our Principal members and I am very pleased to report the aggregated findings to you. One objective of the survey is to support members in the ways that are of most value to them. The results tell us what our Principal members see as the top three challenges they are facing in 2026.

The other objective of the survey is to ensure that our advocacy can provide evidence of the value our members provide to the economy. When engaging with the government and regulators we are frequently asked for data on our members. We also use the data we collect to communicate to stakeholders the commercial importance and value provided by our members and the profession of stockbroking and investment advice.

Survey results

The 2025 SIAA Principal Member Survey captured responses from 23 of 29 principal member firms (≈79% response rate), providing a clear view of the scale, activities and priorities of our membership.

The key findings are:

- Members' business models are highly diverse, spanning stockbroking, investment advice, wealth management, and capital markets.
- There are a small number of very large players alongside many mid-sized and boutique firms.
- For members the top three challenges for 2026 are the impact of AI and technology change; excess regulatory costs; and attracting advisers (including female talent).
- The activities our members value most from SIAA are advocacy and regulatory engagement with ASIC, ASX, Treasury, and government.

Impact on the economy

Our members make an incredible contribution to the economy. The findings highlight the unique role that our members play in being the pipeline into the market for the individual investor.

How can SIAA assist?

When asked what SIAA should focus on to assist our members, the response was as follows.

Advocacy focus

- Continue lobbying on CSLR, AFCA rules, and adviser education standards.
- Support industry with CHES replacement transition.

Adviser pipeline

- Expand SIAA's role in Professional Year guidance, training, and pathways.

STOCKBROKERS AND INVESTMENT ADVISERS'

IMPACT ON THE AUSTRALIAN ECONOMY

In 2025, SIAA's members made the following impact on the Australian economy

Number of retail clients 5.2 million	Value of funds under personal financial advice \$508 billion	Number of wholesale clients 130,000
Full-service advisory 708,000	Number of SMSFs under \$10m for which wholesale investment advice is provided 27,000	Number of institutional clients 27,000
Online broker 4.5 million		
Impact on capital formation (last 12 months)		
Value of capital raised for IPOs \$17 billion	Value of other new issuances \$13 billion	Number of transactions IPOs: 72 Other new issuances: 964

- Targeted initiatives to attract female talent.

Technology & AI

Provide forums, guidance, and benchmarking for members navigating AI adoption, tech costs and cybersecurity.

Member engagement

- Maintain high-value deliverables (advocacy, committees, CPD).
- Enhance reporting of outcomes achieved through advocacy.

SIAA is actively involved in advocacy efforts to improve the CSLR and seek changes to the AFCA operating rules. We continue to advocate strongly to the government to implement its policy of reforming the education stan-

dard for financial advisers by enacting it as legislation.

We are expanding our role in supporting members with the Professional Year by developing a portal for Professional Year candidates. I will have more to report on this before the end of the year. We are also working with the CEOs of member firms on initiatives to attract female talent to the profession.

AI is an area of rapid change and brings both opportunities and risks. To date, we have not provided guidance on navigating AI's complexities. Providing that guidance and forums for member discussion of managing the challenges is definitely an area we can bring focus to in 2026.

In terms of member engagement, our committees continue to function as

the brains trust for SIAA, as we ensure the knowledge and expertise of our members informs all of our policy and advocacy work. We will also continue to support our members with a range of CPD activities, ranging from our free-to-members webinars to workshops and the national conference. Our annual report sets out a comprehensive view of our advocacy work and outcomes, and at membership renewal time each year we provide a summary of advocacy outcomes. Based on member feedback, we could do more to ensure our members have a clear view of what we achieve on their behalf.

COMMITTEE NEWS – NOVEMBER 2025

Upcoming meetings of the Stockbrokers and Investment Advisers Association – Committees, Working Groups and Advisory Panels:

Profession Committee, Monday 3 November 2025

Chair: Andrew Fleming MSIAA, Morgans Tynan Partners

Audit Committee, Thursday 6 November 2025

Chair: Benjamin Harrington-Lowe, MeSIAA, FNZ Securities

Compliance Committee, Thursday 6 November 2025

Chair: Melissa Nolan MSIAA, Ord Minnett

DTR Working Group, Tuesday 11 November 2025

Chair: Claire Keetley, Ord Minnett

Investment Advisers Committee, Thursday 13 November 2025

Chair: Frank Hegerty OLY MeSIAA, Ord Minnett

SIAA AGM, Thursday 20 November 2025

Chair: Hamish Dee, MeSIAA, Morgans Financial

Board Meeting, Thursday 20 November 2025

Chair: Hamish Dee, MeSIAA, Morgans Financial

Diversity, Equity & Inclusion Committee, Monday 1 December 2025

Chair: Michelle Inns MSIAA, LGT Wealth Management

Derivatives Committee, Tuesday 2 December 2025

Chair: Te Okeroa MSIAA, AUSIEX

Investment Committee, Tuesday 2 December 2025

Chair: Justan Kitchener MeSIAA, Morgan Stanley Wealth Management

New Young Professional Members YPSIAA

Matthew King, JBWere



Regulatory simplification – will it work?

SIAA has provided feedback to ASIC's report on regulatory simplification in which ASIC outlined its attempts to ease the regulatory burden on industry.

While SIAA welcomes this work, we consider that reduction of regulatory complexity will not be achieved without changing the legislative framework of the financial services laws. Changing these laws is the government's responsibility but it doesn't have to start from scratch. Important work has already been undertaken by the Australian Law Reform Commission's (ALRC) review of the Corporations and Financial Services Legislation. Unfortunately, the government has not acted on these recommendations and Australia remains stuck in the confusing maze of this legislative framework.

SIAA strongly supports the implementation of the many recommendations made by the ALRC to achieve legislation that is easier to find, navigate and understand. We urge ASIC to continue advocating to government the importance of continuing this important work of reform.

Concerns about ASIC's Regulatory Guides

Without reform, it will be challenging for ASIC to make its Regulatory Guides simpler or more practical. A key reason stakeholders prefer prescriptive guidance is the complexity of the underlying law that the guidance is seeking to explain as well as the severe penalties imposed for non-compliance. Without reform of the underlying law, we don't think that there will be appetite amongst ASIC's regulated population for less specificity in its guidance.

SIAA has long raised its concerns about ASIC's guidance outlining its expectations of compliance with the law that exceeds what the law requires and we consider that in certain cases ASIC has not struck the right balance between providing sufficient clarity to support compliance and allowing

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flexibility for entities to apply the law in a way that is proportionate to their business model and circumstances. ASIC should not be using regulatory guidance to make law and impose more onerous obligations on its regulated population than those legislated by Parliament. ASIC Information Sheet 283 *Supervising your representative's business communications* is an example of this.

Suggestions for change

SIAA pointed out that the primary law is the best place for general principles while detail and prescription is best placed in legislative instruments. We cited the Ongoing Fee Arrangement provisions as a recent example of regulatory complexity resulting from detailed and prescriptive requirements being included in primary legislation.

There are many examples where a 'kitchen sink' approach to legislation has resulted in unnecessary complexity as Parliament or ASIC are later forced to carve out exceptions. An example of this is the critical business services provisions of the Market Integrity Rules.

The Market Integrity Rules in their current form were largely adopted by ASIC from ASX Market Rules during the transfer of supervision in 2010. There are many rules that require reform, including the provisions regarding buybacks.

We also pointed out that constant changes to ASIC Connect over the past few years have imposed a significant administrative burden on licensees.

Updating advisers' details via ASIC Connect is cumbersome, costly and time-consuming. The modernisation work on ASIC Connect should be prioritised due to the large amounts of information that licensees are required to provide and the costs involved in doing so.

SIAA recommended that ASIC strongly urge the government to undertake a fundamental review of the reportable situations regime that takes into account the impact of the legislation on licensees. We consider that the reportable situations regime should be limited to those breaches that impact consumers in a meaningful way, rather than those that simply generate regulatory noise.

AFCA and SMSFs

We also raised the spate of recent decisions by AFCA that it will treat self-managed superfunds as retail clients unless they hold at least \$10 million in net assets as a worrying and significant issue for the financial advice industry. We pointed out that ASIC urgently needs to act on this issue as AFCA's current approach is in direct conflict with ASIC's no action position and clarity is needed for the financial services industry.

Feedback to ASIC's consultation was due by mid-October 2025. ASIC will shortly begin considering its future work plan in response to industry feedback.

The link to SIAA's submission is [here](#).

Proposed changes to Market Integrity Rules – the importance of DTRs

As reported in the September newsletter, ASIC is consulting on proposed changes to modernise Market Integrity Rules governing market participants' trading systems and automated trading to keep pace with continued developments in technology, including artificial intelligence.

The consequence of ASIC's proposed changes is to extend trading system obligations to both manually submitted trading messages and automated trading and to remove the term 'Designated Trading Representative' from the Market Integrity Rules.

In our comprehensive submission, SIAA pointed out that because introducing new obligations to the Market Integrity Rules will result in our members being subject to the risk of significant penalties for non-compliance, it was important that the rules are clear and provide our members with regulatory certainty.

The role of DTRs

The role of DTR's has changed as trading systems have become more automated. However, DTR's continue to play an important role for our members.

While a low percentage of orders may be entered manually, our member firms rely on DTRs to deal with the 'edge cases' such as riskier orders (for example those in an illiquid stock) and are adamant that DTRs are critical to maintaining a Fair, Orderly and Transparent market. DTRs are the 'last line of defence' for our members because the orders that require the attention of DTRs are where the risks lie for their firms.

We argued that changes to the Market Integrity Rules should not be

based on the interests of institutional brokers alone. While they may account for the greatest value of trades, they do not account for the greatest number of investors. Given the size of retail participation in Australia's capital market, it is essential that the views and practices of retail brokers are considered.

The future of DTRs

Our members will still use DTRs in their business after these changes are implemented and their DTRs will continue to play an important role in ensuring a Fair, Orderly and Transparent market. DTRs will continue to enter the majority of options orders. Specific training for DTRs will still be required to ensure they have a thorough understanding of the Market Integrity Rules and the Operating rules of ASX and Cboe.

We asked ASIC to provide guidance on the important role that DTRs will continue to play, the importance of DTR training and accreditation and how a participant can evidence that it has appropriate processes that monitor and control their DTRs. Further, we recommended that the term 'Designated Trading Representative' continue to be included in the Market Integrity Rules to reflect the fact that firms will continue to use them.

We provided other important member feedback on the use of algorithms and the requirements to test filters, filter parameters and trading controls and systems. We also raised the concerns we have with ASIC's proposal to amend the Market Integrity Rules to include a requirement for participants to have in place monitoring systems that enable them to monitor trading messages in real-time. We have asked for

clarity on what exactly ASIC considers to be real-time monitoring. Depending on what ASIC considers to constitute real-time monitoring, imposing this requirement may be unrealistic and very costly to implement across the industry.

ASIC has proposed a 12-month transition period to allow participants to implement any changes required to comply with its proposed changes.

The link to SIAA's submission is [here](#).

MEMBERS CAN VIEW SUBMISSIONS [HERE](#)

ACTING FOR YOU

SIAA exists to represent our members and work in their interests. Below are the key issues we are currently working on:

- ✓ Financial Adviser education standard
- ✓ Delivering Better Financial Outcomes reforms
- ✓ Impact of the Compensation Scheme of Last Resort
- ✓ Australia's evolving capital markets
- ✓ Regulatory simplification
- ✓ ASIC Industry Funding Model
- ✓ ASIC inquiry into ASX
- ✓ ASIC regulatory simplification
- ✓ Market Integrity Rules
- ✓ ASX CHES Replacement Project
- ✓ Wholesale investor tests
- ✓ Share sale fraud
- ✓ AFCA rules, operational guidelines and determinations
- ✓ TPB matters.

“ DTRs are the 'last line of defence' for our members because the orders that require the attention of DTRs are where the risks lie for their firms.





ACTION

NOW



REPLACING BANK HYBRIDS: The time to act is approaching

By Helen Mason, Fund Manager – Fixed Income, Schroders Australia

EXECUTIVE SUMMARY

Bank hybrids nearing exit: Most Australian bank hybrids will be redeemed within five years, prompting investors to plan for suitable replacements soon.

The high price of bank hybrids means waiting to replace could result in a large capital loss: As these securities approach their call date, their price will be pulled towards the par value (\$100).

Public Australian credit offers a great replacement: High quality issuers, stable and transparent cash flows delivering higher yields than equity dividends, with lower risk and high levels of liquidity.

Schroder Australian High Yielding Credit Fund as replacement: The Fund (and its active ETF equivalent Cboe: HIGH) offers daily liquidity, transparency, broad diversification in high quality public-only Australian credit, and historically lower volatility, making it a strong alternative as hybrids are phased out.

Introduction

Bank hybrids are approaching their final call dates, with the \$1.6 billion Westpac Capital Notes 5 due for call next month. For investors, the question is no longer if these instruments will disappear from portfolios, but when and how to replace them.

Hybrids have long been a popular retail holding, thanks to their relatively

high yields and franking credits, often serving as a perceived alternative to term deposits. Yet these securities were never truly fit for purpose in the retail market. This paper outlines why, highlights the risks and misconceptions, and explains why we believe a diversified credit portfolio such as the Schroders Australian High Yielding Credit Fund (Cboe: HIGH) may provide a more suitable replacement – preserving

income while reducing concentration and complexity.

The widespread adoption of bank hybrids in 'mum and dad' portfolios has created risks of its own. Instead of serving as a genuine loss-absorbing instrument, as intended, hybrids risked becoming a source of contagion in the event of stress. In fact, the removal of hybrids from the capital structure applies only in Australia, as this was

the only jurisdiction to allow them into the retail market. Elsewhere, hybrids have remained confined to wholesale investors. The complexity of these securities made them unsuitable for retail investors from the outset.

With retail investors significantly exposed to bank hybrids directly and more through superannuation portfolios, ETFs and unit trusts. APRA concluded that hybrids should be removed altogether and replaced with additional Tier 2 capital (subordinated debt, or T2) alongside increased common equity.

The calls are coming sooner than you think

The final outstanding retail hybrid, NAB Capital Notes 8, is scheduled to be called in March 2032. Some investors believe hybrids will remain on issue until then, but that is not the case. Each security will be redeemed at its first call date, ranging from less than a year from now through to 2032.

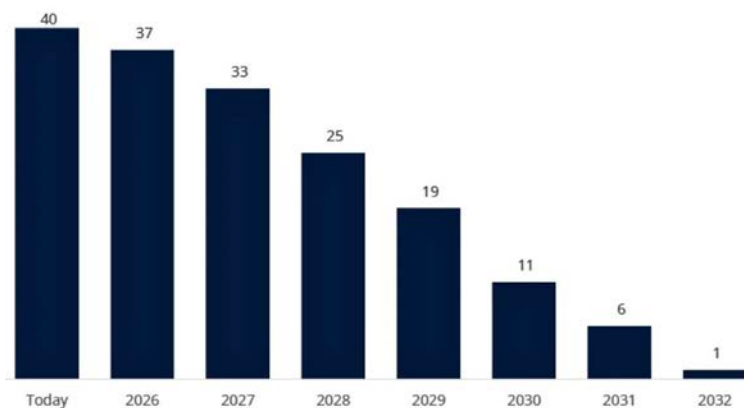
Figure 1 shows the schedule of calls across the major bank hybrids. Notably, more than three-quarters (76 per cent) are expected to be called by 2030. Around 40 per cent will be redeemed in less than four years, meaning the bulk of this market will disappear relatively quickly. For investors, this means it is important to start planning replacements now rather than waiting until the market has largely wound down.

The yield outlook reinforces the point. As shown in Figure 2, hybrids maturing in less than four years are now offering yields below 5.6 per cent, which is significantly less attractive than many alternatives in the credit market.

Understanding the pricing risk investors are exposed to today

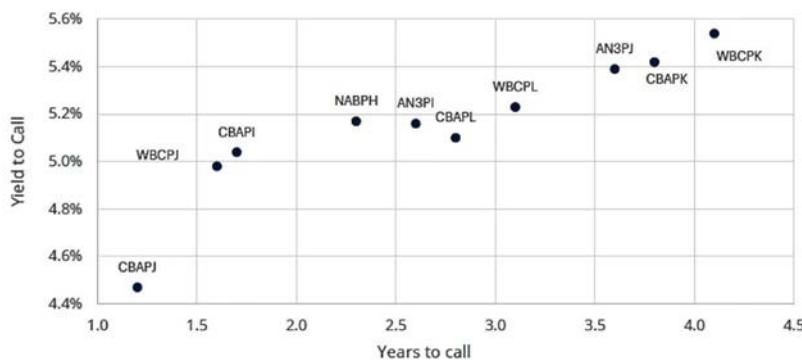
Hybrids are typically issued at a face value of \$100. If demand pushes the trading price up to, say, \$103, investors face a problem: at the call date, the issuer will repay only \$100. This means a \$3 capital loss for those holding to

Figure 1: Bank hybrid volume outstanding by call date (\$Bn)



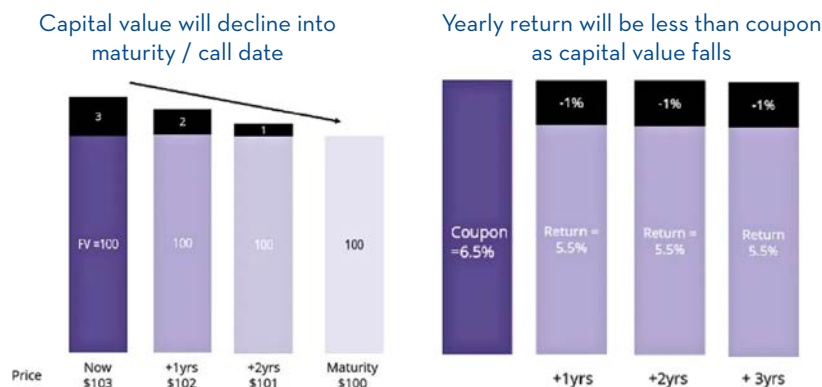
Source: MST financial

Figure 2: Bank hybrid yields to call (%)



Source: Bloomberg

Figure 3:



Source: Schroders

the call date, even though they collected coupon payments along the way.

In the example of a 6.5% franked coupon, the rising market price reduces

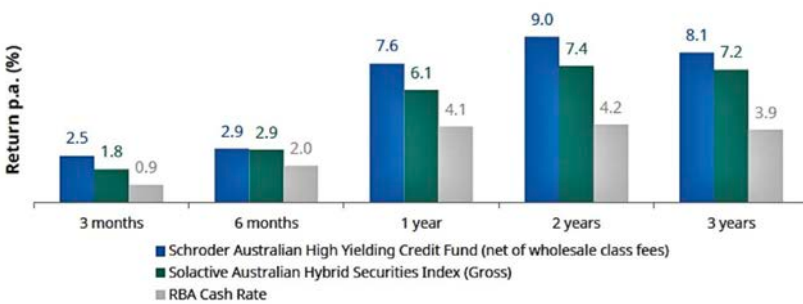
the effective yield. As the call date approaches and the price converges back towards \$100, investors' realised returns fall short of the headline coupon.

Figure 4: Trading price of Major Bank hybrids versus par value



Source: MST Financial

Figure 5: Schroder Australian High Yielding Credit Fund performance (net of fees) versus franked bank hybrids (gross)



Source: Schroders, RBA, Solactive, as at 31 August 2025. The Schroder Australian High Yielding Credit Fund (Wholesale Class) was inception on 21st January 2025. Returns for the underlying strategy since inception, less management fee for the Wholesale Class and Active ETF (0.50% p.a.) are provided in the above chart for reference. The underlying strategy has been managed since 18 October 2001. The Solactive Australian Hybrid Securities Index (Gross) assumes the maximum possible amount of distributions is reinvested in the index, and both cash and tax credits are considered. Past performance is not a guide to future performance and may not be repeated.



A common misconception is that bank hybrids are low-risk instruments. This view stems from confidence in Australia’s highly regulated and well-capitalised banking system. While the probability of a major Australian bank failure may be low, it cannot be ruled out.

This is not just theoretical. Figure 4 illustrates the point: all outstanding hybrids from the major banks (the big 4 banks and Macquarie) are currently trading at a premium (or above par).

Unless sold before maturity, investors risk capital losses when securities are repaid at face value. Importantly, no hybrid will ever return more than \$100 at the call date.

A good example is the Westpac Capital Notes 5 (WBCPH – far right of Figure 4), which has been called and due to be repaid in September, and is therefore trading at par. As shown in the chart, all other hybrids remain priced well above \$100. As their call dates draw closer, their market prices will fall back towards face value.

The time to replace is now

One practical alternative is Schroder Australian High Yielding Credit Fund (SAHYCF), which also trades as an ETF on the Cboe under the ticker code HIGH. The fund is a pure-play Australian diversified corporate credit fund, that invests across the capital structure – senior and subordinated bonds – within both the financial and corporate sectors. The fund actively targets the most attractive opportunities in the credit universe, with yields typically ranging from 5 to 7.5 percent depending on the risk profile.

Unlike many peers, the fund does not rely on illiquid and opaque private debt or structured credit to bolster returns. Instead, it offers daily liquidity, supported by a portfolio of transparent, public credit securities. The Schroder Australian High Yielding Credit Fund has the longest track record amongst Australian credit funds, with performance proven across multiple cycles. Importantly, the fund takes no duration or currency risk.

Figure 5 compares returns from the Australian Schroder High Yielding Credit Fund with the Solactive Australian Hybrid Securities Index (including franking). While the outcomes have been broadly in line, moving individual bank hybrids to a diversified credit fund has additional benefits, including greater diversification, lower volatility and reduced concentration risk.

Dispelling the ‘low-risk’ myth

A common misconception is that bank hybrids are low-risk instruments. This view stems from confidence in

Australia’s highly regulated and well-capitalised banking system. While the probability of a major Australian bank failure may be low, it cannot be ruled out. By design, hybrids are loss-absorbing, meaning their risk profile is materially higher than term deposits, which are government guaranteed up to \$250,000, and rank even higher than senior bank debt.

Volatility provides further evidence. Bank hybrids have exhibited far greater price swings than the broader Australian credit market, undermining their reputation as ‘safe income’. Figure 6 illustrates this point, showing how the actively managed Schroder Australian High Yielding Credit Fund has delivered returns comparable to individual hybrids across varying call dates, but with significantly lower volatility.

Figure 7 compares drawdowns over the last three years. Once again, the actively managed Schroders strategy outperforms individual bank hybrids meaningfully through periods of market stress.

Positioning portfolios for the post-hybrid era

With the bulk of retail bank hybrids set to be called over the next few years, investors face both diminishing yield opportunities and the risk of capital losses from the current price as these securities revert to par. The perception of hybrids as ‘low risk’ has never reflected their true role as loss-absorbing instruments – nor their volatility.

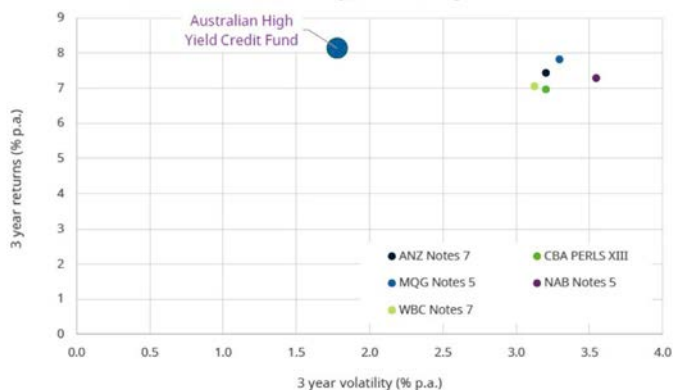
A diversified approach, such as the Schroder Australian High Yielding Credit Fund (Cboe: HIGH), can provide a more resilient source of income. By offering comparable returns, greater transparency, and lower volatility, it presents a compelling alternative as hybrids are progressively retired from the market.

Learn more about investing in the Schroder Australian High Yielding Credit Fund or the Schroder Australian High Yielding Credit Fund – Active ETF.

Learn more about investing in the [Schroder Australian High Yielding Credit Fund](#) or the [Schroder Australian High Yielding Credit Fund – Active ETF](#).

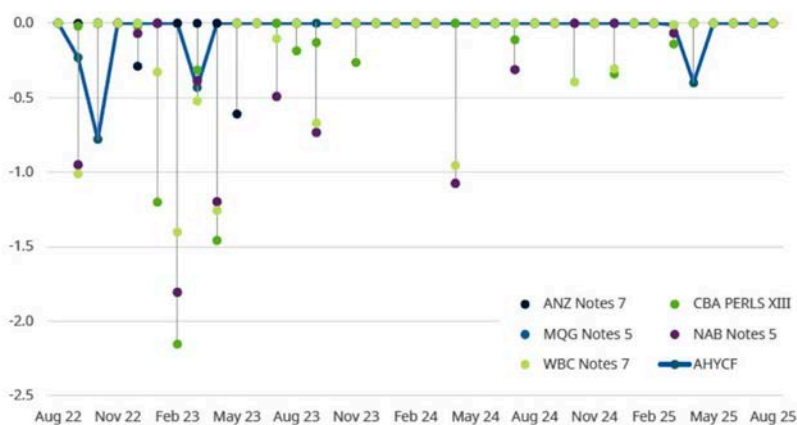


Figure 6: 3-year returns to 3-year risk for bank Hybrids versus Schroder Australian High Yielding Credit Fund



Source: Refinitiv, Schroders. As at 31 August 2025. The Schroder Australian High Yielding Credit Fund (Wholesale Class) was inception on 21st January 2025. Returns for the underlying strategy since inception, less management fee for the Wholesale Class (0.50% p.a.) are provided above for reference. The underlying strategy has been managed since 18 October 2001. Past performance is not a guide to future performance and may not be repeated.

Figure 7: Schroder Australian High Yielding Credit Fund drawdown is lower than bank hybrids



Source: Refinitiv, Schroders. As at 31 August 2025. The Schroder Australian High Yielding Credit Fund (Wholesale Class) was inception on 21st January 2025. Returns for the underlying strategy since inception, less management fee for the Wholesale Class (0.50% p.a.) are provided above for reference. The underlying strategy has been managed since 18 October 2001. Past performance is not a guide to future performance and may not be repeated.

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SPECIALIST PLATFORMS: Enhancing productivity and HNW client engagement



By Anne Hamieh, HUB24

QUICK INSIGHTS

- Rising demand for advice and increasing complexity are driving the need for efficient, technology-enabled advice delivery, especially as the number of unadvised High-Net-Worth (HNW) investors grows and intergenerational wealth transfer accelerates.
- Private wealth advisers are looking for innovative solutions such as data integration, interactive reporting tools, and streamlined investment options that improve adviser productivity and client engagement across both custody and non-custody assets.
- Cyber security and digital collaboration tools are becoming critical, with platforms enabling secure document sharing, personalised advice delivery, and the use of emerging technologies like AI to meet evolving client expectations and manage risks.

As demand for private wealth advice increases, productivity and efficiency gains have become critical drivers for sustainable business growth.

Over the past 12 months, the number of High-Net-Worth (HNW) investors with unmet advice needs has risen from 370,000 in 2023 to 390,000.¹

This trend is likely to continue as generational wealth shifts and changing demographics increase demand for private wealth advice.

Good service is the primary reason clients choose an adviser, with streamlined and automated processes enhancing efficiency and freeing up capacity for advisers to better serve their needs.¹

But as demand for intergenerational advice grows and advisers are increasingly leveraging digital solutions, the need for data security to protect against cyber incidents, has become increasingly critical. Private wealth

advisers are increasingly balancing the need for efficiency and ensuring their clients' data is protected.

Speaking at the Stockbrokers and Investment Advisers Association conference in May 2025 on the topic of platform evolution, HUB24 Director of Strategic Development Jason Entwistle was clear on the role of platforms and productivity.

"Productivity is at the core of what we do. There is a natural and economic

limit on this, but platforms can absolutely help with client data security.”

He added: “We are not trying to replicate what broking businesses do. Our platform complements the offer of broking businesses. For private wealth firms, we can be an outsourced platform administrator and a tech provider.”

Leveraging data to drive productivity gains

To support private wealth advisers’ desire to work more efficiently and deliver a more engaging client experience, innovative platform solutions can provide a wholistic view of clients’ wealth, bringing together custody and non-custody assets, making reporting easier and reducing admin by facilitating tasks such as corporate actions.

Specialist platforms such as HUB24 are leveraging data, technology and innovation to drive productivity, delivering solutions that enhance efficiencies and facilitate better client experiences.

Through open architecture, HUB24 is democratising access to data, enabling advice businesses to develop their own solutions and facilitate the delivery of tailored service offerings.

Together, these productivity solutions have filled a gap in the industry at a time when investment has not been a priority.

“Our industry hasn’t created an Airbnb or Uber-like experience in financial advice because we simply haven’t invested in the technology to make it possible,” said Entwistle.

“The underinvestment in advice is an ongoing challenge for the industry. In Australia, 8% of advice revenue is invested in tech – in the US it is 15-20% and they have more scale and efficiencies because of this investment.”

Helping clients navigate wealth shifts

As the intergenerational wealth transfer and aging population contribute to a demographic shift, clients are seeking solutions that support the whole client lifecycle. This includes access to alter-



“As the intergenerational wealth transfer and aging population contribute to a demographic shift, clients are seeking solutions that support the whole client lifecycle. This includes access to alternatives as well as low-cost investment options.”

natives as well as low-cost investment options.

Investment Trends 2024 HNW Investor Report notes the pool of wealth to be transferred by HNW investors continues to grow, with 97% of HNW investors expected to leave an inheritance and transfer 81% or \$1.9 trillion of assets to family as beneficiaries.

Recently, HUB24 launched Discover to provide a streamlined managed portfolios offering and SMSF Access, a cost-effective option for clients wanting a Self-Managed Super Fund (SMSF) without the costs and administrative complexity of traditional SMSF solutions.

These solutions support advisers to service clients at different life stages, facilitating stronger engagement and the effective implementation of estate planning and wealth transfer strategies.

Custody and non-custody an ongoing challenge for HNW

HNW clients often have a variety of assets held both on and off platform, making it challenging for advisers to manage and report on them in an efficient manner.

According to the *2025 Investment Trends Adviser Technology Needs*

Report, many advisers managing non-custody assets still rely on manual processes, and 56% of HNW clients use their own spreadsheets to track their investments. This is despite strong demand for better digital solutions – 18% of advisers who currently advise and/or administer non-custody assets are interested in using investment platforms for administration and reporting.

As platforms have become more efficient and expanded access to solutions for different client segments, advisers have begun to use fewer platforms. According to *Investment Trends*, the number of platforms used by advisers has fallen from an average of 2.2 in 2024 to 2.0 in 2025.² Private wealth advisers are increasingly seeing the efficiency benefits these platforms can deliver, such as online account opening with straight-through processing, enhanced processing times and self-service capabilities and efficiencies with preparing for client presentations.

For example, HUB24 has developed Engage to streamline adviser workflows by consolidating investment data across HUB24 and off-platform holdings. This reduces manual processing, supports more efficient portfolio reviews, and enables deeper, more strategic investment conversations, addressing the growing demand for integrated advice solutions.

Cybersecurity a concern for advisers and their clients

Emerging technologies offer new solutions but can also introduce risks like cybercrime, a growing threat to the advice industry due to its reliance on extensive personal data for tailored financial guidance.

As at 31 December 2024, technology solutions and research consultancy, Finura Group reported that 69% of advisers were still sending sensitive documents by email.

Client portals are emerging as the solution to this challenge, enabling secure digital interactions and improving the client experience by supporting collaboration with family members and other professionals. Client portals such as myprosperity, effectively mitigate a business's exposure to cyber threats.

“

Emerging technologies offer new solutions but can also introduce risks like cybercrime, a growing threat to the advice industry due to its reliance on extensive personal data for tailored financial guidance.

Through its Innovation Lab and in collaboration with practitioners, HUB24 is exploring how emerging technologies like AI and robotics can support the delivery of advice through automating information for client reviews, booking client review meetings and recording and transcribing client files.

¹ Investment Trends 2024 High Net Worth Investor Report

² Investment Trends 2025 Adviser Technology Needs Report

SIAA2026

Tuesday 19–Wednesday 20 May

Grand Hyatt Melbourne

Networking drinks: Tuesday 19 May | Spice Market
(located below the hotel)

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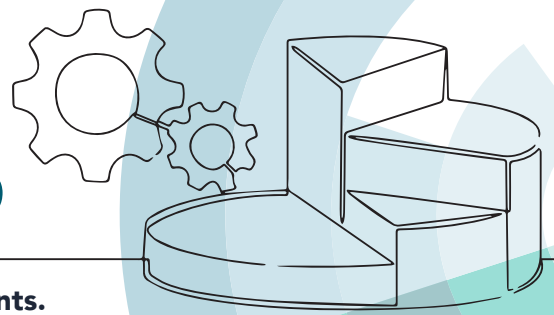
Bronze **betashares**

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CPD EVENTS



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Unlocking managed accounts for scalable holistic advice

Wednesday 12 November 1.00 to 2.00pm AEDT

Praemium's Mark Hannan will discuss the latest research data from CoreData on how HNW advisers are leveraging managed accounts to transition to holistic advice. Mark will unpack the changing role of advisers, the technology enablers, and the importance of scaling personalised advice in a changing wealth landscape.



MARK HANNAN
Praemium

Professional Standards CPD: Technical competence 1.0
ASIC Knowledge Area: Generic knowledge 1.0

Beyond Bank Hybrids: Income opportunities in Australia Public Credit

Wednesday 19 November 1.00 to 2.00pm AEDT

Bank hybrids are being phased out, while yields on bank term deposits are falling and are no longer as attractive relative to other opportunities. Schroders Portfolio Manager, Helen Mason, will take a deep dive into the structural dynamics changing Australian and global fixed income markets, emerging opportunities and more.



HELEN MASON
Schroders

Professional Standards CPD: Technical competence 1.0
ASIC Knowledge Area: Generic knowledge 1.0

Tax deductibility of financial advice fees – more than you might think

Wednesday 26 November 1.00 to 2.00pm AEDT

The ATO's Tax Determination TD 2024/7, released in September 2024, may mean a greater tax deduction relating to advice fees for many of your clients. Hear from the FAAA's David Barrett about the mechanics of the tax deductibility of financial advice fees, including case studies and discussion of the practical tools that are emerging in the market to help you apportion your fees accordingly.



DAVID BARRETT
FAAA

Professional Standards CPD: Tax (financial) advice 1.0
ASIC Knowledge Area: Generic knowledge 1.0

SIAA CEO FAREWELL DRINKS

Tuesday 9 December 5.00 to 7.00pm AEDT
Verandah Bar, 55-65 Elizabeth Street, Sydney

Join us in celebrating Judith Fox's remarkable contribution to the Stockbrokers and Investment Advisers Association at a special farewell event at the Verandah Bar. After six years as CEO, Judith will retire at the end of 2025, leaving a lasting legacy of strong advocacy, sector-wide collaboration and leadership. This is a wonderful opportunity for members and colleagues to thank Judith for her dedication to the industry and wish her well for the future.



JUDITH FOX
SIAA

Members \$10 | Non-members \$10pp
(includes the first drink – with an open bar available thereafter)

BOOKINGS ESSENTIAL.

Investment characteristics of renewable energy infrastructure

Wednesday 10 December 1.00 to 2.00pm AEDT

Darren Brown will examine the investment characteristics of renewable energy infrastructure, focusing on how solar, wind and storage assets generate returns within Australia's evolving energy landscape. He will discuss valuation, risk management, and policy considerations, and outline the diversification benefits of renewables.



DARREN BROWN
Octopus Investments

Professional Standards CPD: Technical competence 1.0
ASIC Knowledge Area: Generic knowledge 1.0

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One conversation can inspire a career

By Yolanda Beattie, Founder, Future IM/Pact

Josephine, a second-year UNSW student studying Commerce (Accounting) and Economics, has been quietly questioning her career path. Most of her classmates are chasing graduate roles in investment banking or corporate finance, but she's drawn to something different. Wealth Management.

She's heard it's an industry that blends financial acumen with human connection. One where you don't just crunch numbers; you help people shape their futures.

Still, she's unsure where to start. She's never met a wealth adviser, doesn't really know what the role involves, and doesn't have anyone to ask.

She then discovers Career Connect, an online flash mentoring platform by Future IM/Pact. She registers for the Investment Advice stream and is soon matched with Christy Kwong, Senior Associate at E&P Financial, who has volunteered as a mentor.

They schedule a one-off, 45-minute virtual chat. In that short conversation, Josephine gets a real look inside the profession – what advisers actually do, what skills matter, how the work evolves over time, and why the industry is so rewarding. Christy shares her story, offers advice, and answers the questions Josephine didn't even know she had.

And something shifts.

Josephine logs off feeling inspired – she can actually see herself in this career. And the effect is mutual: Christy feels energised, reflecting on her own path and thrilled to open doors for someone who could one day be a colleague.

That's the power of Career Connect: one conversation can change everything.

Why this matters now more than ever

Australia is on the brink of the largest intergenerational wealth transfer in history. Over the next two decades, trillions of dollars will pass down the line and around 65% of that wealth will go to women.

This shift is already reshaping the private wealth landscape. According to JBWere's Growth of Women and Wealth report, female high-net-worth clients increasingly prefer their advice team to include a woman. They want an adviser who reflects them and understands their unique goals and priorities.

Yet, women remain significantly underrepresented in investment advice roles.

If we want to meet the needs of tomorrow's clients, we need to start building the talent pipeline today. That

means showing women and diverse talent that advice is a career where they can thrive. And that process can start with something as simple as a single, one-on-one conversation.

Career Connect: Mentoring made easy

Future IM/Pact partners with 20 leading fund and wealth management firms – including Morgan Stanley, LGT Crestone, Morgans Financial, E&P Financial, and Canaccord Genuity – working together to attract and retain diverse talent across the industry.

Career Connect is their latest innovation: a flash mentoring platform that connects university students and early-career professionals with experienced investors and advisers for a one-off, 45-minute virtual conversation.

The concept is simple but powerful.

- Low barrier. High impact.
- No long-term commitment or structured mentoring program.
- Just one conversation that could shift a perspective – or spark a career.

The platform features two streams – *Investment Management* and *Investment Advice* – to highlight the distinct paths and opportunities in each profession.

Real conversations. Real impact.

Since launching last month, Career Connect has already facilitated over 30 conversations, with more than 100 mentees registered and a growing pool of mentors from across the industry.

As word spreads, more students and early-career professionals are joining every day, eager to connect with people working in the fields they aspire to enter. It's a far more personal and effective way to explore the industry than a cold LinkedIn message ever could be.

Now, the call is out for more mentors to join us and help inspire and guide the next generation of talent.

Why become a Career Connect mentor?

Creating your mentor profile takes just 5-10 minutes. Here's why it's worth your while:

- **Inspire the next generation:** Share your story and help someone see themselves in a career they hadn't considered.
- **Meet emerging talent:** Connect with bright, motivated students and early-career professionals who could be your future colleagues – or your next hire.
- **Build a more diverse pipeline:** Career Connect is open to all aspiring investors, with a focus on diverse talent. You can actively choose to mentor women, or people from lower socio-economic backgrounds, to support talent currently underrepresented in the industry.
- **Give back, without the time burden:** It's just one conversation, not a long-term program. A simple way to raise your profile while elevating the industry.
- **On your terms:** You're in control. Accept, decline, or extend a connection and schedule meetings at times that work for you.
- **Reflect and reconnect:** Mentoring is a two-way street. You'll gain fresh perspectives, hone your communication skills, and be reminded of what drew you to this career in the first place.
If you're passionate about investment advice and want to help more people discover the rewards of this career, **join Career Connect today.** You could be the person that opens that door. Visit <https://future-impact.com.au/career-connect/>.

About Future IM/Pact: Future IM/Pact delivers career and leadership programs, mentoring pathways, and industry connections that strengthen the investment management and advice sector. We're passionate about helping women and diverse talent launch rewarding investment careers, and empowering all industry professionals to elevate their leadership impact and build a career and life they love. <https://future-impact.com.au/>

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The future of Australia's financial markets: A perspective

By Iain Gentle, Chief Legal Office and Head of Compliance and Benjamin Phillips, Chief Operating Officer, Cboe Australia

Australia's financial markets stand at a crossroads. Considered and active regulatory oversight has done much to drive transparency and informed decision-making by all investors. Complementing this, competition, introduced with the 2011 arrival of Chi-X Australia, has brought meaningful improvements and innovation to the markets in which these investors make their decisions. Both in terms of choice, pricing, functionality and resilience, the Australian market of today is fundamentally better than it was 20 years ago.

Yet, as global capital becomes increasingly mobile, Australia faces a critical question: how can its public markets evolve to attract and retain investment for the next 20 years? From experience, we believe the answer lies in better capturing the opportunities presented by a multi-exchange cash equity market and the continued cooperation of all market participants who stand to benefit from these opportunities.

Why multi-exchange matters

In our view, Australia's public market continues to set the gold standard for transparent capital raising, secondary market price formation and liquidity. The increased prevalence of opportunities to invest in private and unlisted products reinforces this importance as the rigorous disclosure requirements and transparent pricing makes public market products an invaluable yardstick against which unlisted products may be compared.

Further, we believe that the best iteration of a public market is one conducted across multiple competing exchanges, seeking to attract new list-



ings and compete for trade execution volumes through innovations offering more efficient means by which market participants can bring public market products to their investor clients. Critically, this market structure also offers operational resilience, facilitating market activity at times of market stress or technical failure.

However, to sustain and capitalise on the strengths of a multi-exchange market into the future, several structural elements must be addressed.

Key building blocks for the future

1. Exchange-neutral clearing and settlement

Central clearing is the critical plumbing that provides the confidence for strangers to trade with each other, mindful of only product and price. Performed well, this service is agnostic to the listing venues it serves, providing stability and predictability, thereby facilitating competition in both listing and trading services provided by its client exchanges.

Having regard to the modest size of the Australian market, we believe that the structural separation of the ASX clearing and settlement entities must be considered seriously, ideally under a mutualised governance

structure similar to DTCC in the US. Independent publicly listed ownership could work, and would certainly be preferable to the status quo, but may require more guard-rails to ensure the right outcomes for stakeholders and ultimately investors.

2. Exchange-neutral index formation

Indexes like the S&P/ASX200 dominate benchmarks and passive investment strategies, representing over A\$39 billion in assets. However, the pre-requisite of for an ASX listing for inclusion presents a challenge to effective competition in the provision of corporate listings services, given the value that prospective listees understandably place on the possibility of inclusion.

3. Market-neutral regulation

Legacy rules that reference ASX create friction for competitors. Future regulatory frameworks must be exchange-neutral, reducing the costs of competitive friction, and continuing support for fair and effective competition.

4. Cross-exchange interoperability

Australia has the benefit, in CXA and ASX, of hosting two well-resourced

cash equity exchange platforms, each capable of matching any reasonably foreseeable volume of trading activity in the Australian market. One market, CXA, already quotes all cash equity products listed on the two exchanges.

To better capture the opportunity this presents, we believe the listing market for each cash equity should be required to facilitate the incoming transfer of orders for that product from any other Tier 1 exchange that quotes it. This would produce a unified closing price auction, while continuing to support competition and innovation across the multi-exchange market.

5. Calibrating private liquidity

Transparency underpins price discovery. While off-market liquidity has a role, particularly for large trades, thresholds must be regularly reviewed to prevent erosion of lit market integrity. Europe's experience with RFQ platforms offers a cautionary tale Australia should heed.

6. A vibrant derivatives market

Healthy equity markets need robust derivatives markets to support confident and informed investment decision making by investors. Competition among multiple platforms, supported by exchange-neutral clearing arrangements, will foster innovation and risk management tools for investors.

7. Full market access for investors

ASIC and market operators have clear roles to play in creating a strong market for cash equities in Australia. Critically important also is the role of market participants in fulfilling the opportunity the market structure presents to support confident and informed decision making by investors.

Market participants must provide clients access to all listed products across Tier 1 exchanges. This ensures visibility of low-cost, transparent options – consistent with ASIC's mandate for fair and efficient services.


8. Right-sized financial advice

Informed investors make better markets. We support regulatory efforts to deliver accessible, appropriate advice, enabling confident decision-making and efficient capital allocation.

The road ahead

Australia's financial markets have come a long way, but the next chapter demands bold thinking and action to deliver a public market that meets the needs of investors across the next 20-30 years, not the last. By embracing a multi-exchange model, neutral infrastructure, and investor-centric regulation, Australia can position itself as a global leader - attracting capital, fostering innovation, and delivering value for all stakeholders.

For brokers and advisers, this is more than a structural shift; it's an opportunity to differentiate, deepen client trust, and thrive in a market built for the future.



WHOLESALE TRADING, CLEARING AND INVESTMENT SOLUTIONS

For further guidance and tailored strategies, contact Martyn Johnston
info@tandemsecurities.com.au

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EASING AT THE SUMMIT: How to steer portfolios after Fed rate cuts

By Maroun Younes, Fidelity

KEY TAKEAWAYS

- When the Fed cuts rates near market highs, there will likely be short-term volatility followed by opportunity for those who stay invested and diversified.
- Historical outcomes diverge sharply depending on recession risk—non-recession cuts have yielded much stronger equity gains.
- Risks include disappointing earnings, macro shocks, or a failure by the Fed to keep easing.
- Diversification toward quality, growth, and moderate valuations, especially outside the mega-cap tech sphere, is likely to be key to both resilience and upside participation. Global small and mid-cap companies can offer a strategic advantage.

After a nine-month hiatus, the US Federal Reserve (Fed) has restarted its interest rate easing cycle. At September's meeting, the Fed cut the Federal Funds Rate by 25 basis points, and members of the Fed board have indicated they believe another 50 basis points are likely before year end, followed by another 25 basis points in the first half of 2026. This has naturally set investors abuzz. Does this mark the start of a new bull surge, or signal caution at the top? But the more important question, in my view, is how to position now to capture the next phase of market leadership?

Anticipating market trends for 2025

In one of my earlier musings this year, [Amid a tornado of headlines, where does the opportunity lie for global investors in 2025?](#), I examined the market outlook for 2025. I concluded that, after a very strong 2023/24, which ranked in the top 5% of outcomes for any 24-month period in nearly a century, history suggested the next 12-months would, on average, deliver roughly zero returns. With valuation multiples then trading in the top decile of their historical averages, I judged further multiple expansion

unlikely, implying that earnings growth would need to drive market returns. On that basis, following back-to-back 20%+ per annum returns in both 2023 and 2024, my view was that 2025 would likely require a reset in expectations, with investors looking to 10% as an upper limit for equity returns in 2025, with some downside risk. April's Liberation Day initially validated that caution, sending shockwaves throughout equity markets across the globe. However, this correction was short lived, and markets soon shrugged off tariff fears with ease. As at the time of writing this note (2 October), the

US equity market is up ~14% year to date, making my earlier expectation of a 10% return cap for 2025 look too conservative. So, where do we go from here?

Historical easing cycles: Lessons from the past

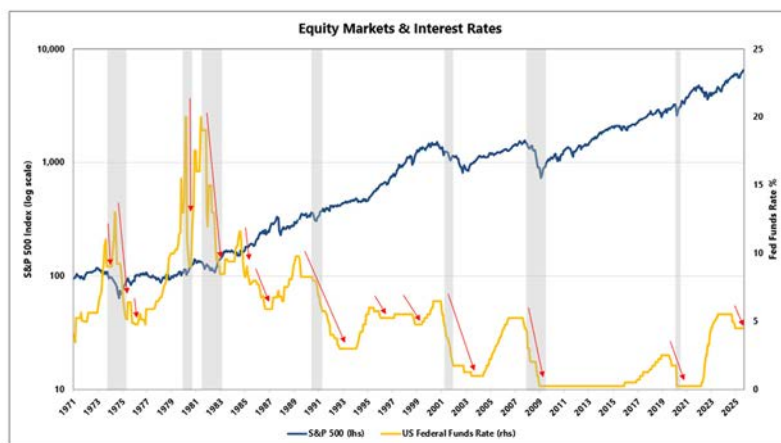
A good starting point is to use history as a guide and examine previous easing cycles. Since 1970, there have been 14 notable easing cycles with multiple rate cuts (in total, there have been more than 14 but some consisted of a single cut followed by nothing, so I've excluded those episodes as one-offs and not true easing 'cycles').

On average, equity markets rose by 6% during these easing cycles (I'm only measuring the equity market return while rates are being cut. Once they reach a bottom and plateau, I stop measuring the returns as I view the rate easing cycle has ceased). Figure 1 illustrates this point – the S&P 500 Index is in blue, represented by a logarithmic scale, the Fed Funds Rate is in yellow, and the red arrows point to the easing cycles I have used.

However, not all easing cycles are the same. Some occur after the economy has weakened significantly, and therefore take place during a recession, while others are more pre-emptive and result in a soft landing. In the chart above, I have also shaded in grey areas to highlight official recessionary periods, as defined by the National Bureau of Economic Research (NBER).

If we split easing cycles into two categories: one with a recession and one without a recession, we see two vastly different outcomes. When rate cuts arrive during a recession, equity markets fall on average around 7%. When rate cuts occurred without a recession, think 1985, 1986, 1995, 1998, and 2024, equities gained roughly 16% on average. In other words, the path of the economy matters more than the path of rates. As an investor in global markets, I've seen this pattern bleed into international markets as well: when central banks ease into a soft landing, breadth improves,

Figure 1: Rates and returns: How Fed moves meet the S&P 500



Source: FIL, FactSet

Figure 2: US equity market performance after rate cut within 1% of all-time highs



Source: FIL, FactSet

financing conditions ease, and market leadership tends to broaden.

Equity markets and interest rates

Exploring the data even further, there's another nuance worth highlighting. September's interest rate cut was the seventeenth time since 1980 the Fed cut interest rates while the equity market stood within 1% of all-time highs. Keep in mind this is measuring individual interest rate cuts, not cycles. You can get multiple cuts within a cycle that

take place while markets are rising, making new highs. For example, the 1989-1992 easing cycle had six individual rate cuts where the market was at or near all-time highs. In all 16 of these prior cases, the market was up 12 months after the cut every time, (i.e. 100% historical batting average), with an average gain of 15%. However, it wasn't a straight line.

Figure 2 shows all prior 16 occurrences and how the US equity market subsequently performed. Every individual line represents a prior episode where the Fed cut rates while the equity

market was within 1% of all-time highs, and how the market reacted over the following 12 months.

There was, on average, a 9% peak to trough pullback during those 12 months, often in the first two to five months after the cut-before new highs emerged and most gains accrued in the back half of the year. That playbook – near-term chop, longer term strength – favours investors who can allocate incrementally during drawdowns and own businesses whose cash flows can compound through volatility.

Putting this altogether, history shows that we may have to sidestep a potentially vulnerable period from now until the end of the year. If the US avoids a recession while easing proceeds, the US equity bull market might continue and extend its streak of very strong performance since the 2022 cyclical lows.



“

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The way forward

What are the risks to this scenario playing out? Below are what I believe are the main scenarios, with brief comments on why they seem manageable at this point.

- **Earnings growth disappoints:** this remains a significant risk given the elevated multiples at which the equity market is trading. For now, evidence is limited, as earnings estimates for CY25 have been revised upwards since April's tariff shocks.
- **US economy enters recession:** Recessions typically result in equity market drawdowns, irrespective of interest rate cuts. Year to date, earnings growth is consistent with CY25 earnings growth of around 11% versus CY24. The US economy is slowing but remains positive and has not yet slowed to the point of signalling an imminent recession. With tariff impacts still to flow through the broader economy, this is one to watch.
- **The Fed doesn't follow through on further interest rate cuts:** Stubborn inflation is limiting the Fed's ability to cut rates. A slowing economy might help ease some of the inflationary pressures; nevertheless, the Fed's forecast of three more rate cuts over the next 12 months was

made with them in mind. It's worth mentioning the Fed is also under increasing pressure to accommodate the administration's desire for lower interest rates, which could, at the margin, undermine its independence.

- **Narrow leadership:** The US equity market's leadership remains narrow, with technology and AI doing most of the heavy lifting. This is neither healthy nor sustainable indefinitely, though for now, the music is still playing. Diversifying away from mega-caps and into sectors beyond technology can help mitigate this risk. Recall that in calendar year 2000, the S&P 500 fell ~8.5% whilst the NASDAQ Composite fell ~38% as the dot.com bubble burst. The S&P 500 was much less concentrated in technology then compared to today, illustrating how avoiding the epicentre of the sell off can result in material outperformance.

Building a resilient portfolio

To effectively navigate current market uncertainties, constructing a diversified portfolio is paramount. For global investors, including a portfolio of high

quality, moderately priced small and mid-cap companies with solid growth potential will help to navigate uncertainties ahead. Being invested in quality stocks at moderate valuations can help buffer any short-term corrections, while the focus on growth can also enable the portfolio to participate on the upside.

While macroeconomic context will dictate the path ahead, a diversified and quality-focused portfolio is likely to remain an investor's best tool amid policy pivots and shifting market leadership.

All information is current as at 2 October 2025 unless otherwise stated.

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How to get the best out of international share trading

Provided by AUSIEX

Trade execution can improve outcomes when buying or selling direct global shares.

Technology which enables advisers to buy direct global shares on behalf of their clients more efficiently has created new options for portfolio construction. But there are practicalities that can influence the outcomes of an offshore trading strategy.

The golden rules when buying and selling global shares include:

- **Keep an eye on the clock:** It's important to know the active trading hours of each offshore market and to plan trade execution carefully. Each market has high-liquidity windows that may generate the optimal outcome for an adviser's clients. For major global markets, these include:
 - US: 12am – 3am AEDT
 - UK/Europe: 7pm – 10pm AEDT
 - Asia (ex-Japan): 11am – 1pm AEDT.

Market opening and closing periods are typically associated with heightened volatility, which can lead to increased price slippage – particularly for manually placed orders.

The first and last 90 minutes of any trading session generally have higher volume and higher volatility. Some trading platforms support pre-loaded orders for overnight execution, helping align trades with preferred timing. These standing instructions, or automations are commonly used when trading via wrap platforms or model portfolios.

- International holidays and earnings seasons are known to influence market conditions, often leading to reduced liquidity and increased price volatility. These periods can

result in irregular trading patterns and unpredictable pricing behaviour, which may affect execution quality.

- **Plan your order placement:** It's ideal to use limit orders where possible. This allows you to set a specific price at which to trade to control execution price. It is a particularly valuable strategy for thinly traded stock names or in periods of low liquidity.

Market orders – which execute trades immediately at the best available price – potentially can be used when liquidity is very deep. For example, market orders for US mega-caps are best placed during core trading hours.

Advisers can consider asking their broker to place large trades as "icebergs", especially in European and Asian markets. This means only part of the order is disclosed at any one time and the rest remains hidden to avoid signalling the transaction to others.

It's also wise to avoid using a single exchange venue as best execution in both Europe and the US often requires Smart Order Routing across multiple lit and dark venues.

For larger scale traders, it can be worth conducting Posts-Trade venue analysis to ensure orders are routed effectively and not completed at sub-par prices.

- **Beware platform constraints:** Some Australian platforms only support batched or delayed execution for offshore equities. This may result in overnight slippage in the price at which a trade is executed.

It can also introduce "queuing effects" to a transaction. In other words, orders further down the queue may take longer to execute as other orders need to be filled ahead of them.

Trading platforms which offer direct market access help overcome this challenge by allowing advisers to place orders directly with an exchange, rather than via an intermediary. It can also be worthwhile using brokers which offer a special execution service for time sensitive trades.

It is important that your platform has a multitude of order types. Advanced order types including conditional orders, trailing Stop Loss and One Cancels the Other (OCO) may provide improved precision over execution price.

In addition, different order duration options such as Good until Date (GTD) may also be useful to achieve target prices either buying or selling.

- **Be dollar aware:** Rather than relying on retail Foreign Exchange (FX) conversions, some brokers offer mechanisms to net FX exposures across clients or trades – if permitted.

The real-time FX hedging offered by some brokers is a real advantage as it allows advisers to match trade timing with currency execution. Multi-currency Wallets offered by some brokers such as AUSIEX can help advisers manage currency risk for clients by allowing them to maintain cash holdings in chosen denominations over time.

Dividends can also accumulate in the Wallet, allowing advisers to be somewhat strategic in terms of precisely when to convert the foreign currency back into Australian dollars.

AUSIEX International Markets offers a range of trading and reporting features to help advisers access and manage their clients' overseas exposures. Learn more. This article first appeared on the AUSIEX AXIS platform.

A win for common sense



By Jason Spits, Senior Journalist, *selfmanagedsuper*

Having refrained from writing about the proposed Division 296 tax for the majority of the year as it mainly related to SMSFs, recent developments regarding this measure have come in a bit of a rush, prompting another column about the subject.

But this time it is better news about the proposed impost as to how the government has finally rectified the most egregious elements of the policy. In doing so, Canberra has cleared a path to address what the real issue is and how it will be addressed in the future.

Last month, Treasurer Jim Chalmers announced changes had been made to the Division 296 tax, with the headline items being:

- unrealised capital gains will no longer be used to calculate an 'earnings' figure for the tax,
- an indexation mechanism will be included in the measure,
- individuals with a total super balance above \$3 million will be charged with an additional 15 per cent of tax for fund income above this threshold,
- individuals with a total super balance above \$10 million will be charged with an additional 10 per cent of tax for fund income above this threshold, and
- the policy will not be implemented until 1 July 2026.

The confirmation took much of the heat out of the debate, particularly the

decision to abandon the taxing of unrealised capital gains. This commitment alone brought the policy back into line with the established principles of the Australian taxation system and made the measure fairer as actual income can now match any tax liability resulting from it.

Agreeing to index the measure is most important as well. Not adjusting the original \$3 million threshold would have seen an increasing number of superannuants being caught by the measure in future years – a scenario we were told the policy was not designed to do. Excluding indexation to me was the equivalent of introducing bracket creep to the retirement savings system and I'm sure most people would rather have not seen this happen.

Perhaps the best result from this change of heart is that a proper discussion and assessment of the country's superannuation system can now take place and sensible change from here on in can be contemplated.

One of the most frustrating things about this exercise has been the inability to be able to separate the argument as to the amount of tax people with large total super balances should pay and how to go about doing it. These are two completely different issues that unfortunately have been conflated from the start.

My hope is at least now the air can be cleared as to the attitude of

superannuation members with large balances and the tax they pay. My conversations with a lot of them have revealed a reasonable attitude of understanding the current situation is probably unsustainable and paying a bit more tax on their retirement savings would be okay.

But this fact has never emerged from the whole debate as the conversations were all dominated about unrealised capital gains and indexation. At least now a sensible approach about the framework into the future can now be considered.

The announcement was not all beer and skittles though. The government introduced the second threshold of \$10 million, which no one had anticipated or saw coming. And we will only know the effectiveness of the revised start date once the Division 296 tax legislation has been passed.

There are many other details that will need fleshing out over the coming months, including some capital gains tax implications.

However, we are in a much better position now than when the measure was originally put forward and, as I said before, with any luck this will make any discussions about superannuation policy in the future more palatable.

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