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Five consumer trends impacting advice and your selection of technology

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Stockbrokers and Investment Advisers Association Limited ABN 91 089 767 706

Level 2, 74 Pitt Street, Sydney NSW 2000

Email: info@stockbrokers.org.au

Tel: +61 2 8080 3200

www.stockbrokers.org.au

Five consumer trends impacting advice and your selection of technology

By Matt Heine, Managing Director, Netwealth

Technology is increasingly seamless as it integrates with our daily activities. Now, when we encounter a digital experience that isn't smooth, it can be a deeply jarring and disconcerting.

As a result, the digital experience we provide our clients needs to be intuitive, designed to meet their habits and it must work.

If it doesn't they may just choose to use someone else whose technology works better for them. This is especially true for younger generations.

Many advice firms recognise this according to Netwealth's 2022 AdviceTech Report with three in five likely to increase their investment in client engagement technologies from the previous financial year.

But where should advice firms invest to improve their client experience? Netwealth's 2022 AdviceTech Report reveals seven "human trends" that warrant attention and can provide direction for this.

TREND 1: Hybrid communications are here to stay

The shift to online meetings over the past few years has certainly changed our ability to meet with clients, which works extremely well for both clients and advisers alike. According to Netwealth's 2022 AdviceTech Report, 80% of advice firms hold online client meetings, compared to 46% two years ago.

However, even with this shift - we have found that type of communication method desired by clients is very dependent on where they are in the lifecycle of the engagement.

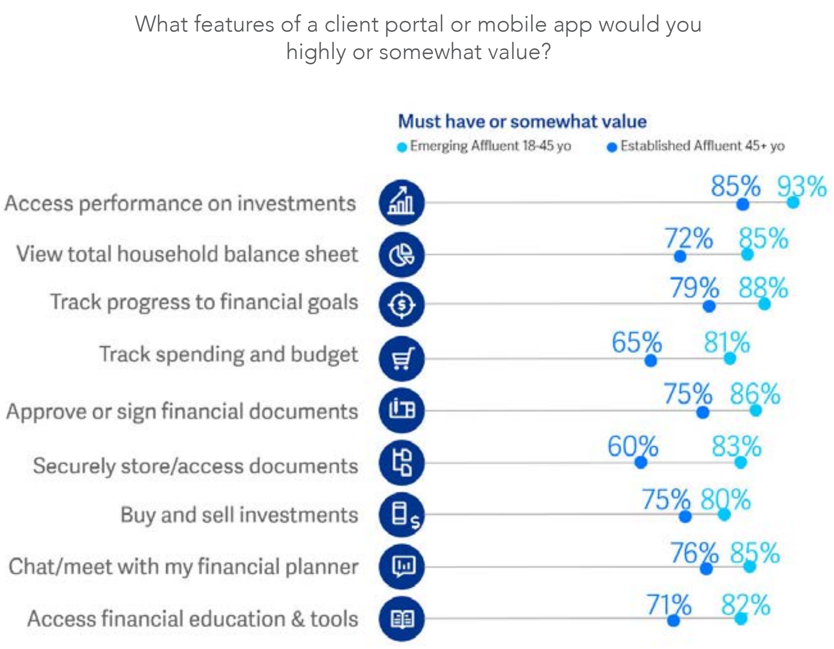
For example, according to Netwealth's 2022 Advisable Australian research, face-to-face is still preferred by almost three-quarters of clients for their initial meeting with an adviser.

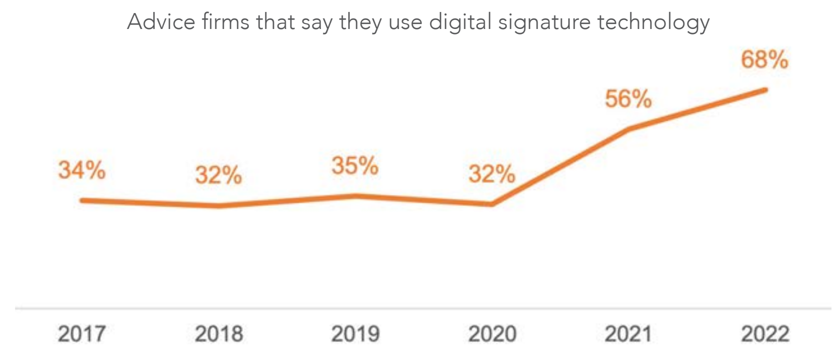
For follow-up meetings where important advice-related matters are discussed, almost six in ten clients prefer some type of in-person contact – whether that be face-to face, phone or virtual meeting.

However, email becomes the channel of choice for over half of clients when they are receiving important documents for their records, information about new products and service or news and insights.

What AdviceTech is relevant?

The technology you will need to support this multi-mode hybrid client relationship include full featured CRMs, email marketing tools, online meeting and chat tools – that are ideally all tightly integrated together, relying on the same client data set – here a tool like Xeppo could be relevant.





TREND 2: Helping clients help themselves

Technology has empowered consumers to do more for themselves, whether its buying presents online, booking flights and restaurants online or researching almost anything.

Advice firms need to recognise this do-it-myself mindset and provide tools for clients to 'self-serve' themselves.

Enter the client portal. It's the principal tool available for advice firms to empower this DIY mindset, as well as providing an alternative engagement model for advice firms.

Our report shows that 42% of AdviceTech Stars (the benchmark for advice firms as they are exceptionally good users of technology as well as being able to deliver greater outcomes and more benefits to their client and staff), say they currently offer a client portal, having grown from 29% last year, with a further 33% planning on using one in the next 24 months.

The types of features clients are looking for from their client portal include things like access to investment performance, being able to track budgets and goals, approve and sign financial documents as well as storing them.

TREND 3: The paper wars are almost over (Do we really need a printer?)

The idea of the paperless office has been around for years, but the idea of a paperless client interaction has been slower to catch on. That's changing now with the use of client portals, document sharing technology with online signature tools. This is evident by the fact that digital signature tech usage has increased, rising sharply because of COVID-19 lockdowns. In 2017 only a third of advice firms used them (32%), but now they are used by more than two-thirds of firms (68%).

This shift to paperless will be welcomed by Australians 18+, with 70% of them rating access to their financial documents (for example their will or power of attorney) via a client portal as highly or somewhat valuable and over three-quarters wanting to sign financial documents (like insurance renewals) via a client portal (2022 Netwealth Advisable Australian Report).

TREND 4: Avoiding information overload and becoming the trusted source

There are two advisable Australian segments who are wealthier than the average and are important clients for advice firms – we call them the Emerging Affluent, who are younger, and the Established Affluent.

Both are financially literate and large consumers of business, investment or financial news, and over half use a website or app at least weekly to access this news, and almost one in three consume it daily online.

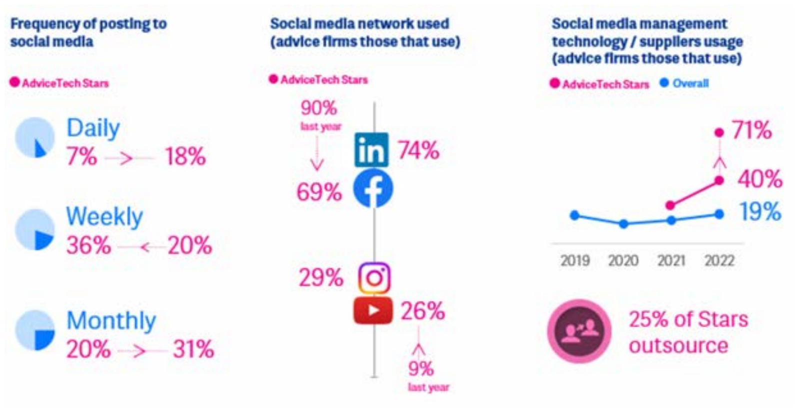
Both these client groups utilise many different online sources, such online newspapers, social media, online forums or company reports for this news.

This information overload represents an opportunity for advice firms, where they can remove the 'noise' and become the trusted source of investment information, ideas and market news for these lucrative segments.

AdviceTech Stars, our benchmark, recognise this, with more than seven in ten producing content – much of it in the form of online articles, plus we are seeing a trend to produce video content as well.

Trend 5: Taking advantage of the social media phenomena

Social media is perhaps the phenomenon of our age. It has become a cornerstone of media consumption, social interactions and communication, especially amongst younger generations, although it's not just limited to the young anymore.



For advice firms, social media can provide a platform to distribute content, build and enhance our brand, to develop trust with the market and give you enormous reach to new prospects.

AdviceTech Stars have embraced social media, and since last year, daily posting to social media has more than doubled by these firms from 7% to 18%, and monthly posting has also increased to one in three.

LinkedIn remains the preferred platform for social media posting, with the proportion of AdviceTech firms using it unchanged from last year at 74%. This is likely because although not necessarily the most popular social media in terms of usage by clients, LinkedIn is a platform that attracts professionals, an important key target market for advice firms. AdviceTech Stars are using Facebook less (falling from 90% of Stars to 69%) and Instagram (falling from 46% to 29%), while there has been a big jump in the use of video to get messages out with usage of YouTube growing from 9% to 26% of AdviceTech Stars.

Managing social media can be time-consuming, and an increasing number of firms are turning to technology to manage posts and social media activity. Social media management tools allow

> “Managing social media can be time-consuming, and an increasing number of firms are turning to technology to manage posts and social media activity.

the coordination of social media posts via scheduling across multiple social networks from a single online location. Among AdviceTech Stars who post to social media there’s been a big jump in its usage, from 25% to 40%. A further third of AdviceTech Stars plan to join this trend in the next two years. One quarter of Stars outsource management it to an external agency and one in five use Hootsuite.

Tools to help advice technology selection

Technology selection and implementation is challenging, particularly for more complex systems that impact many people and touch other systems. This is because advice firms have a proliferation of vendors with varying features and capabilities to choose from. Often it’s also because business leaders either don’t have the time, capabilities or resources to explore and understand their options.

As a result, Netwealth has created a series of tools to help you on your AdviceTech journey, which are free to download.

AdviceTech buyers guide – In this guide we provide you with descriptions of over 35 different advice technologies and the most used suppliers in their categories. The report also examines the factors to consider when selecting a technology partner.

AdviceTech workshop – Prioritise technology selection and develop an AdviceTech roadmap for your business with this 90-minute team workshop.

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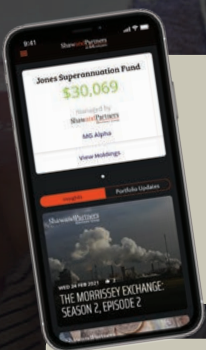

"We are thrilled with our Shaw SMArt Invest managed portfolio solution. Having a customised investor app has been a game-changer for us. Our investors literally have our brand and portfolio at their fingertips and they love the simplicity and transparency."

Ben Morrissey, Lead Investment Manager
Morrissey Group - Shaw and Partners

"Our new Wentworth Invest solution allows us to meet potential customers where they are, in a way and at a time that is convenient for them. We felt it was particularly important that we are able to build relationships with and help the next generation of clients, for which a digital solution is crucial."

Thomas Schoenmaker, Founder
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Improving returns through smarter trading

By Brett Grant, Head of Product, Trading, Marketing and Customer Experience, AUSIEX

Stockbrokers, smaller institutions, financial advice groups, family offices and other wholesale investors can improve efficiency, and even returns, by the way they trade their stock market investments.

Today's volatile markets are creating challenges for a range of investors – and not just in terms of falling, and rising and falling again, markets.

Since the start of the pandemic there have been changes in the way markets trade and it is affecting the prices of stocks in ways apart from typically price sensitive information. Technology changes, the rise in popularity of ETFs, trading flows and some investor behaviours are all changing.

Some brokers, for example, suggest that if they bid for a specific stock during the day, this will send a signal to high-frequency trading (HFT) algorithms which will then front-run their orders.

There are not as many trades at the opening bell as there were before COVID. Similarly, there are fewer trades during the day, with many more trades left to the end of the day when people rush to the closing match. As a consequence, prices at the open and through the day can be more volatile, widening a gap in share prices between the open and the close of the market.

For an increasing number of investors, leaving their trades to the end of the day is making them more difficult and expensive.

According to Macquarie Research, there can be large differences between share prices at the beginning and during the trading day and those at the close or what is called 'the match'. Prior to COVID (March 2020), the difference between the price during continuous trading and 'the match' was about 15 basis points. Recently, the difference has widened to be consistently between 100 to 250 basis points.

About 25% of each day's trading now occurs at the increasingly hectic 'match', compared to around 13% a decade ago. Some of this can be attributed to the rise in the number and size of ETFs, which want to trade shares as close to the market closing price to ensure that they perform in line with the index.

There are ways for retail traders and advisers to get around some of these issues, including making the most of their relationship or account manager to get a "better fill" on an order.

Institutions and professional dealing desks are aware of this phenomenon and its impact on how they trade and are more disciplined. Larger investors focus on how they buy and sell shares to maximise their returns.

A share can be traded in 0.8 of a second from the time the order is placed to market, thanks to 'Straight Through Processing' (STP). STP is an automated process done purely through electronic transfers with no manual intervention involved. Nearly all secondary market securities trading involves electronic processing. There can be some human intervention at the front end in placing trades, but for the most part electronic systems do all the work. Today, there are millions of STP transactions per day for stocks, bonds, investment funds, exchange-traded funds and more and STP has grown to account for 97 per cent of trade in the market in terms of volume.

High frequency traders are generally activated by larger orders. So, if a client has a larger order, we generally advise breaking it down into a larger number of smaller trades in line with the general trading of the stock. A relationship manager can, for instance, break up a line of stock using 'iceberg orders' that disguise the size of the total trade and prevent the price moving away from the client.

Another technique used by professional traders is to split orders across exchanges; in Australia's case, the ASX and Cboe (formerly Chi-X).

In the case of trading ETFs, clients who are worried about a low number of orders on the trading screen or that their order might disturb the price can lean on an account or relationship manager. They, in turn, have relationships with market makers and issuers of ETFs that can help to add more depth to the order screen.

Changes to the way markets behave can pose challenges for investors, but the techniques for dealing with them are available to all investors, not just big institutions and big banks.

This article was first published on 11 November on the Ausiex website https://axis.ausiex.com.au

Season's Greetings

We extend our best wishes for the festive season and a peaceful and prosperous new year.

Regards
The team at SIAA

Stockbrokers and Investment Advisers Association
Serving the interests of investors

PLEASE NOTE: The SIAA office will close at midday on Friday 23 December 2022 and re-open on Tuesday 3 January 2023.

SIAA WORKSHOPS

Introduction to stockbroking

Wednesday 1 March 11.00-1.15pm

Australia's financial markets are among the most sophisticated and well-regulated markets in the world. Central to the operation of efficient markets is the role of stockbrokers. This workshop provides an overview of Australia's financial markets and the critical role that stockbrokers play both in retail and institutional markets. A high-level view of stockbroking and financial advisory operations including order taking, transaction and settlement will provide insight into the different systems involved and allow for a discussion of the different business models in stockbroking today.

RUSSELL McKIMM During his 40+ year career in stockbroking Russell has held a number of senior management positions in leading broking firms as well as providing advice to a wide range of clients. He has also been involved in numerous industry bodies, lectured in many industry courses and featured regularly on his talkback radio program.

Professional Standards CPD Area

Regulatory compliance and consumer protection 1.0 hour

Professionalism and ethics 0.5 hour

Technical competence 0.5 hour

Market Manipulation & Other Prohibited Conduct

Thursday 2 March 11.00-1.15pm

This workshop on the prohibition on creating or maintaining an artificial price for trading in various financial products, including shares and futures, will benefit all who wish to gain an understanding of markets and the consequences of breaching obligations. Designed to suit the needs of financial market professionals from the front and back office, this is a great opportunity to brush up on your obligations, learn how to protect yourself and understand the difference between manipulation and ordinary market forces.

PROFESSOR MICHAEL ADAMS is a specialist in Australian corporate law and international corporate governance. Michael has expertise in financial services regulation, information governance, consumer protection and the broader area of legal technology and education. Professor Adams was Dean of Law at Western Sydney Law School from 2007 to 2017 and from 2019 the Head of the University of New England Law School.

Professional Standards CPD Area

Regulatory compliance and consumer protection 1.0 hour

Professionalism and ethics 1.0 hour

A day in the life of a trade

Thursday 9 March 11.00-1.15pm

An excellent refresher for experienced staff and perfect for those in auxiliary roles (eg legal, IT, HR and other supporting roles associated with stockbroking), this workshop delves deep into the day of a life of a trade. You will walk away with a solid understanding of client onboarding processes, the process of share and derivative trades from order placement through to execution to settlement, sponsorship/HINS, CHESS messaging, registries and more.

ROB TALEVSKI joined Webull Securities, a Fintech empowering individuals to become life-long investors, as its CEO in November 2021. Prior to this he was the Responsible Manager who led the trade execution business of Australian Investment Exchange (AUSIEX). With over 18 years' experience across retail, wholesale and institutional channels Rob will provide great insight into a day in the life of a trade.

Professional Standards CPD Area

Regulatory compliance and consumer protection 1.0 hour

Technical competence 1.0 hour

ASIC Knowledge Area

Generic knowledge 2.0 hours

Cost

Practitioner Members $100 | Organisation Members $150 | Non-members $200

Register four or more *(Organisation Member or Non-member)* **more than a week prior to the workshop to receive a $50pp discount.**

Registration includes handouts and a quiz to consolidate learning outcomes.

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www.stockbrokers.org.au/cpd-workshops

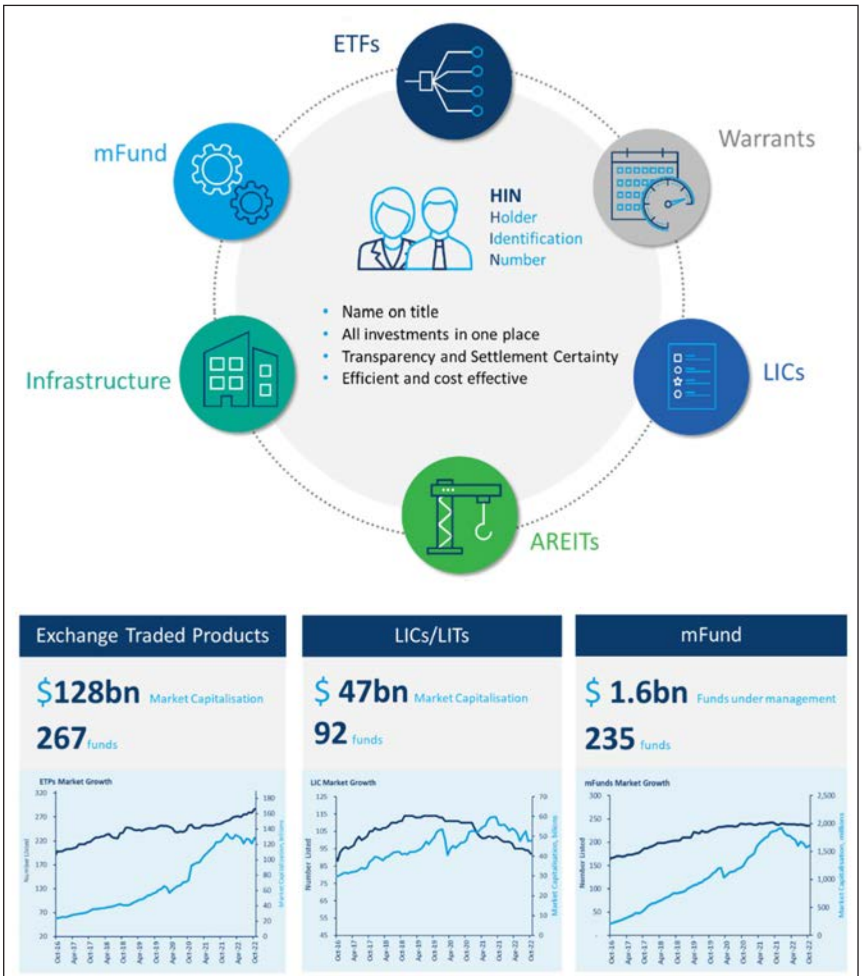
ASX investment product trends

By Jacinta King, Business Development Manager, ASX

Total assets under management of all ASX investment products stands at $378b as at the end of October 2022. There are now more than 600 investment products available on the ASX to enable investors and their advisers to build quality portfolios that help achieve:

- diversification across asset classes, sectors, and geographies,
- high levels of liquidity and transparency, and
- the option of income, capital growth or both.

While there are many trends across the various ASX investment products, this article focuses on the following three structures – Exchange Traded Products (ETPs), Listed Investment Companies and Trusts (LICs and LITs), and mFund.



Source: ASX Investment Products Report – October 2022

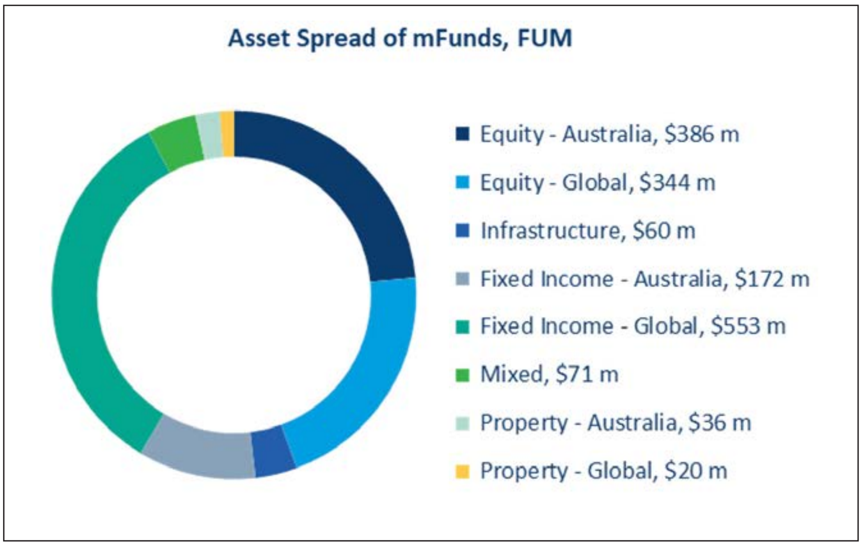
Exchange Traded Funds (ETFs)

Exchange Traded Funds, have seen a slowdown in 2022 compared the record inflows they achieved in 2021. As at the end of September there has been inflows of more than $11bn, compared to $22bn of inflows in calendar year 2021.

Over the past five years, the size of the ETF market on ASX has transformed from a market capitalisation of $33bn to $128bn[1] and there has been strong growth in the number and kinds of products available across the ETF suite with 267 products now admitted to ASX.

While the percentage of assets and inflows have largely remained in index tracking strategies over time, in the last few years we have seen some exciting trends emerge that are giving the ETF market in Australia a lot of variety, providing investors with more choice.

- **Active strategies:** When Magellan pioneered listing the first Active ETF in Australia[2], barriers for investors adding an actively managed fund via their broker and ASX to their portfolio lessened. Many fund managers have since taken the step of listing an Active ETF on ASX with more than 50 active funds now available.
- **Thematic strategies:** Inflows into thematic ETF strategies have surged around the world in recent years, and as at 31 July 2022 there was US$241bn invested in thematic ETFs and ETP across 1,273 products.[3] This compares to US$49bn across 216 products five years ago. On the ASX we have also seen an increase in the number and breadth of thematic strategies on offer. At the end of October there were approximately 30 thematic ETFs with more than $2bn in assets under management. Twenty three of those strategies were admitted to ASX in the last two years.
- **Fixed income strategies:** Fixed income ETFs were first able to be admitted to the ASX in 2012. There are now 39 funds available across a range of fixed income sub-asset classes and strategies. Flows into global fixed income strategies in 2022 look set to equal 2021, which will be quite an achievement considering every other major asset class looks set to be down materially from 2021. The depth and breadth of fixed income ETF strategies looks set to grow in coming years after ASX made changes to its rules to broaden the types of underlying securities that can be admitted in this asset class.
- **New asset classes and strategies:** A new asset class and investment strategy was brought to the ASX ETF market in 2022 – global carbon credits and Australia's first Sharia-compliant ETFs.
  - The VanEck Global Carbon Credits ETF (Synthetic) (ASX:XC02) gives investors exposure to the price of a long-only basket of ICE carbon futures contracts across a range of geographic jurisdictions.[4] An investment in carbon markets are a vital tool in the fight against climate change and are increasingly viewed as a cornerstone in global efforts to achieve net-zero targets.[5]
  - Hejaz Financial Services introduced to the Australian market the Hejaz Equities Fund (managed fund) (ASX:ISLM) and Hejaz Property Fund (managed fund) (ASX:HJZP). Hejaz provide authentic Sharia-compliant financial products and services and are recognised as Australia's leading Islamic Financial Group.[6] The listing of ISLM and HJZP broadens the availability of these funds for the Australian Muslim community and other sharia conscious investors.



Listed Investment Companies and Trusts (LICs and LITs)

IPO issuance in the LIC and LIT sector has been relatively benign since the banning of stamping fees in 2020. In that time there have been six IPOs raising $2.9bn. Despite the slowdown in IPOs in recent years, with a market size of $47bn across 92 strategies, LICs and LITs continue to offer investors and advisers opportunities to diversify into strategies and asset classes that may be hard to replicate directly. In particular, the closed-ended structure remains relevant for investment strategies or asset classes that are not suited to open-ended structures such as ETFs or managed funds. Assets classes such as fixed income, private equity and debt, and alternative investment strategies (such as hedge funds) often benefit from the closed-ended nature of the LIC and LIT structure, and it has been positive to see the growth in these asset classes and strategies over the last five years. In particular, there has been considerable growth in the fixed income asset class, growing from 2% of market cap five years ago to 11% as at the end of October 2022.

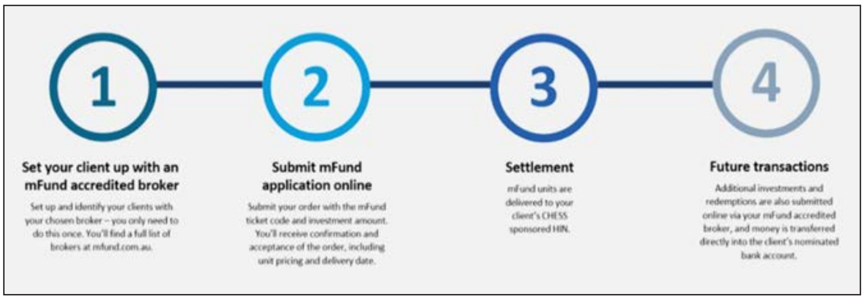
The topic of LICs and LITs trading at discounts/premiums to NTA is ever present and in recent years we've seen some funds increase their level of disclosure in order to help keep investors informed on the performance and fair value of the fund. There has also been pockets of M&A activity, helping some funds to close their discount to NTA.

We expect there is going to be a lot of focus on the LIC and LIT sector next year as it celebrates 100 years since Whitefield (ASX:WHF) first listed on ASX in 1923. In addition, ASX will be releasing the second round of its Investment Products Consultation, a big focus of which is consulting on any measures that ASX can take to help encourage more issuance from LICs and LITs.

mFund

ASX has seen strong and consistent growth in its managed fund settlement service, mFund, since inception. There are now 235 funds on mFund totalling more than $1.6bn in assets.[7]

Over 70% of inflows into mFund are from financial advisers, with the majority of account owners being self-managed super funds. There are now in excess of 1,500 advisers using mFund to help investors' access asset classes and investment strategies that are difficult to invest in directly, such as fixed income and global equity strategies. Indeed fixed income is the most popular asset class on mFund accounting for over 45% of assets spread across the 51 fixed income funds.



In addition to providing access to a range of active investment strategies across all asset classes, mFund remains a cost-effective way to offer unlisted managed funds to investors with benefits such as no application forms and transparency of holdings on the investor's HIN alongside other ASX listed shares and products.

> "ASX has seen strong and consistent growth in its managed fund settlement service, mFund, since inception. There are now 235 funds on mFund totalling more than $1.6bn in assets.

mFund application process:

ASX expects the adoption of mFund by advisers, high net worth investors, and self-managed superannuation funds to continue over the coming years, particularly as the popularity of holding investor assets directly on HIN increases among advisers.

1 As at October 2022
2 Magellan listed MGE in 2015
3 https://etfgi.com/news/press-releases/2022/08/etfgi-reports-net-inflows-us151-billion-thematic-etfs-listed-globally-1
4 By tracking the ICE Global Carbon Futures Index
5 https://www.vaneck.com.au/etf/alternatives/xco2/snapshot
6 https://www.hejazfs.com.au/
7 As at 31 October 2022

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DDO one year on

Wednesday 14 December
1.00 to 2.00pm AEDtT

We are now one year on since the DDO regime was introduced. What has been the experience for the industry? What have been the ramifications? In addition, Corey McHattan will discuss the possible impacts of the quality of advice review on the DDO regime, including any impact on SIAA's TMD for exchange traded options. Join Corey for this final year end regulatory wrap.

Professional standards CPD:
0.5 Regulatory compliance and consumer protection
0.5 Professionalism and ethics

ASIC RG146: 1.0 Generic knowledge

Corey McHattan

Future leaders and the pursuit of diversification

Wednesday 8 February
1.00 to 2.00pm AEDT

With many experts now predicting that global equity market indices are set for an extended period of lower returns, the pursuit of diversification and alpha has never been more important or more valuable. Portfolio managers of the Fidelity Global Future Leaders Fund will discuss the growing dispersion across countries, sectors and counties, and how to identify the 'future leaders' of tomorrow.

Professional Standards CPD:
1.0 Technical competence

ASIC RG146: 1.00 Generic knowledge

James Abela

Lauren Jackson

Maroun Younes

Cyber and AML/CTF – a guide to navigating the ever-growing intersections

Wednesday 22 February
1.00 to 2.00pm AEDtT

Representatives from KordaMentha will present on the convergence of Cyber and AML risks and outline some of the scenarios currently presenting organisations with challenges. Discussion will include enforcement trends locally and how Australia is being viewed internationally; the implications from recent data loss events; why they are relevant to AML-CTF and what you should be communicating to your board.

Professional standards CPD:
1.0 Professionalism and ethics

ASIC RG146: 1.0 Generic knowledge

Guillaume (Gui) Noé

Alice Saveneh-Murray

Tony Vizza

Practitioner & Organisation Members: FREE | Non-Members: $55.00

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Are you tired of instability in the markets? Corporate bonds can help hedge against the next crash.

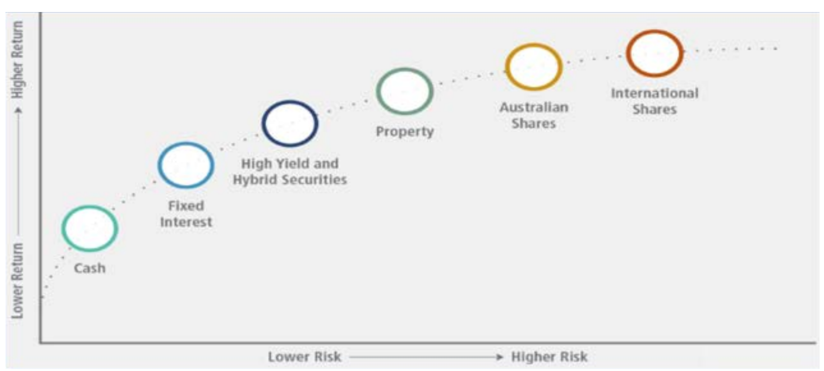
By Markus Mueller, Co-founder, Australian Bond Exchange

Get a better defensive strategy in your clients' investment portfolios

Corporate bonds can help you diversify your clients' investment portfolios and serve as a defensive strategy for capital preservation. They yield larger returns than cash and should generally keep up with inflation. Corporate bonds will create stability for your clients and help protect against the next financial crash.

With increased stock market volatility, there is now more than ever a need to balance risks in investment portfolios, such as those with large weighting to higher risk components, like shares.

The chart below shows a general overview of where bonds and other debt securities typically fall on the risk and return spectrum, relative to shares and several other asset classes, like property.



Source: PIMCO

Replace cash, get access to bonds

Usually, this has been the role of term deposits (TDs), cash or ETFs as the access to the corporate bond market has been closed due to the high initial investment that acts as a barrier to entry. It has been big banks and super funds that have been the sole recipients of the benefits of corporate bonds. Now, the corporate bond market is open and accessible.

Seamlessly enable access to corporate bonds for your clients

Corporate bonds are suitable for your clients at any stage. At the Australian Bond Exchange (ABE), parcels start at

10K AUD to enable flexible diversification. As an example, your client could start a bond investment portfolio with bonds from Rolls Royce (automotive industry), Marks and Spencer (retail) and Under Armour (apparel).

Why are bonds important in the current market?

Bonds offer stable income streams and peace of mind that your money won't evaporate before the next crash. Due to global high and rising inflation, the conflict in Ukraine and the current geopolitical situation, the current environment suggests a more conservative approach is suitable. Why take on more risk than necessary in the current economic environment?

History says markets are more volatile than you might remember

- The cyclical nature of the economy means that expansion is followed by recession time and time again. So, what we know for certain is, there will be another crash. According to the World Economic Forum, the world economy has gone through four major downturns over the past seven decades, in 1975, 1982, 1991 and 2009. Hence, it would make sense to put money into corporate bonds now if you believe the economy faces macroeconomic uncertainties.

Corporate bonds have more stability than stocks

- Corporate bonds are less volatile than stocks. Which means less monitoring and less stress. They also have a specified end date. Unlike an ETF which is a perpetual instrument and needs to be sold at some unknown future price, bonds have a specified maturity date reducing risk and allowing for proper re-investment planning.

Why invest in bonds with ABE?

ABE's rigorous selection process

With thousands of corporate bonds out there, ABE has a strict due diligence process to select the corporate bonds we have on offer, and we pick companies that have strong financials. For example, Rolls Royce and Marks and Spencer. Our corporate bonds let you tap into the global bond market, but we take the currency risk, and you pay in AUD.

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AGENDA

TUESDAY 30 MAY

Exhibition	8.00 – 5.30pm
SIAA 2023 Conference	9.00 – 5.00pm
Networking Drinks, Verandah Bar	5.15 – 7.15pm

WEDNESDAY 31 MAY

Compliance Breakfast	7.30 – 8.45am
Executive Breakfast	7.30 – 8.45am
Exhibition	8.00 – 4.30pm
SIAA 2023 Conference	9.00 – 4.30pm

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Increased complexity with more changes imminent

By Darin Tyson-Chan, Editor, selfmanagedsuper

The Labor government has handed down its first budget and from a superannuation point of view there was very little to get excited or concerned about. On the positive side, worries a total super balance limit would be introduced were allayed, the proposed three-year self-managed super fund (SMSF) audit cycle was officially thrown out and there was no move to freeze further indexation of the transfer balance cap.

From a negative perspective, there was no announcement about any review and changes to the non-arm's-length income and expenditure rules and no mention of any amnesty period to allow problems associated with legacy pensions, such as market-linked income streams, to be addressed, just to name a few things.

When looking at the positives, the decision to allow the next application of indexation to the transfer balance cap, effective 1 July 2023, is great as it will offer the opportunity for superannuants to put more money into pension phase.

And this second round of indexation will potentially be more significant than the first due to the higher levels of inflation we are experiencing. Without going into the intricacies of the indexation formula, the next application will likely see the general transfer balance cap rise by $200,000 and land at $1.9 million.

But in all reality this will only solidify how impractical and complicated the associated proportionate procedure to indexation is.

When the transfer balance cap was increased from $1.6 million to $1.7 million, every superannuant got to see how complex their record-keeping was about to become. As a reminder, the amount of indexation available to every individual was determined by how much of the $1.6 million they had used in the pension phase of their fund.

So if they had an income stream or streams to the value of $1.6 million, then they would not be eligible for any of the $100,000 in indexation. And so began the era where we all had to become accustomed to having a general transfer balance cap and a personal transfer balance cap.

However, this era is now going to another level. Consider this: individuals will now need to know how much of the original transfer balance cap they have used, how much of the original indexation amount they were entitled to and how much of that amount they actually used to then determine how much of the new $200,000 they will be able to use.

It makes my head spin just trying to explain that concept.

However, before we get too carried away celebrating the lack of superannuation change in the October budget, we may need to prepare ourselves for some unanticipated amendments to the system to be announced as early as May 2023.

Assistant Treasurer and Financial Services Minister Stephen Jones has already hinted as much during a recent speech he made at the AFR Super and Wealth Summit 2022 in Sydney when he revealed the government has a review of the tax concessions associated with the retirement savings system on its radar.

Worryingly enough, and by Jones's own admission, the trigger for this policy shift was the government's concern over 32 SMSFs that have balances over $100 million. The logic being that if individuals are able to hold that much money in a super fund, then the current tax concessions imbedded in the system must be way too generous.

A change like his would have significant ramifications for the existing superannuation framework and it must be questioned whether or not the experience of 32 funds out of a total of 605,432 SMSFs in operation as at June 2022 should be enough to evidence a need for change.

But perhaps we need not worry this amendment to the system will take place too soon in the near future. After all, the Minister did say an official objective of superannuation would have to be legislated before any review of the tax concessions could take place.

Given the industry has grappled with this notion since the Financial System Inquiry, which took place in 2014, it may actually be well beyond the 2023 budget before we actually witness any new superannuation policy initiatives.

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