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Navigating the path to growth

Elevate your risk analysis – How to use RoMaD to compare stocks

Navigating policy unpredictability in global equities

From data overload to strategic goldmine: Harnessing the power of data

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Advising on philanthropy can be a strategic advantage for financial advisers

By Jodi Kennedy, General Manager, Philanthropy and Community Trustee Services, Equity Trustees

Australia is experiencing an unprecedented transfer of wealth between generations. As this wealth transfer wave amplifies over the coming years, financial advisers will increasingly need to demonstrate the value of their services and differentiate themselves to attract and retain quality clients. We believe competition will only intensify.

In this environment, a strong understanding of how to support clients' philanthropic goals, in addition to their broader personal ambitions, can act as a powerful differentiator that allows advisers to better engage with existing clients and retain family funds under advice as wealth passes from one generation to the next.

Each year, around three in five Australians make a financial donation to charity, according to 'The Charities Aid Foundation's World Giving Index 2022', which ranked Australia as the fourth most generous country out of 113 countries surveyed. It's highly likely that many clients are already giving to charity, but most charitable giving in Australia is still through one-off donations.

This presents advisers with an opportunity to make their services more valuable to clients by helping them to get more out of their philanthropic efforts through a structured and strategic approach to giving.

Why consider philanthropy in a financial strategy?

Including a structured approach to charitable giving as part of a client's broader financial plan or strategy gives advisers opportunities to:

- Consider the potential tax efficiencies of their client's charitable giving,
- Extend the scale of impact that the

client's donations can achieve for the recipient charity, and

- Demonstrate a better understanding of their client's values and aspirations, helping to build deeper relationships – which often span generations.

Initiating the conversation

A range of events may lead clients to think about philanthropy. Trigger events may involve a change in financial circumstances, such as the sale of a business or receiving an inheritance, or end of year tax planning. Personal events such as the death of a loved one, or 'new starts' like the birth of a child or a marriage, may also prompt clients to consider charitable giving.

These trigger events may present a logical time for advisers to introduce the concept of structured giving through a philanthropic fund, as an alternative to making one-off donations.

Options for a structured approach

There are various vehicles that advisers can use to support clients with charitable giving. Different types of structures will suit different situations. For example, Testamentary Charitable Trusts are established in a person's Will and begin upon their death to benefit nominated charities.

The two main structures that support structured giving during a client's lifetime are Private Ancillary Funds, and Public Ancillary Funds such as the Equity Trustees Charitable Foundation.

Private Ancillary Funds

A Private Ancillary Fund (PAF) allows a client to establish their own Charitable Foundation within their lifetime. These funds are designed to continue in perpetuity, potentially involving multiple generations in supporting charitable causes and allowing donations to make an impact for the nominated charities year after year.

All donations into the PAF are tax deductible, although only the client's immediate family members and advisers may contribute to their PAF. The funds may also receive a bequest from the client's Will on their death.

All income generated within the PAF is tax-free and franking credits are refunded, making it a tax effective way for clients to hold assets set aside for charitable giving.

Clients and their advisers may choose how hands-on they wish to be in the fund's operation, investment, and the direction of its charitable giving. Depending on preference, time, resources and knowledge, this may range from deep involvement across all aspects of investment management, governance and administration to comprehensive outsourcing to a specialist trustee.

The minimum donation to initiate a PAF is typically around $1 million. This can be in the form of property, equities, cash or investments.

Public Ancillary Funds

For clients with a smaller amount of capital to contribute and those who would prefer to outsource the trustee's responsibilities, a Public Ancillary Fund may be a suitable option.

Like PAFs, donations to Public Ancillary Funds are tax deductible and investment earnings are tax exempt, but Public Ancillary Funds are accessible to clients starting from an initial investment or donation of around $5,000.

Public Ancillary Funds are initiated during a client's lifetime and may be established as a sub-fund of a larger pooled vehicle managed by a professional trustee company. The professional trustee handles all investments, compliance and administration, removing the burden of fulfilling these obligations from the client and their adviser. The client, as a donor, simply notifies the trustee of which charitable organisations or projects they wish to support each year (or indeed, every year until they decide to change it), and the trustee distributes the funds as recommended.

Investment considerations

Both Private and Public Ancillary Funds are designed to endure for the long term and portfolio construction needs to consider that investment horizon. This may mean including allocations to higher growth assets that better enable real capital growth over time, while providing a steady income stream to support annual distributions to deductible gift recipients.

Income streams should ideally be tax-effective and stable to meet mandated distribution requirements. Private Ancillary Funds must distribute at least 5% of their net market value each year, while Public Ancillary Funds must distribute at least 4%.

Many clients appreciate an investment philosophy that considers responsible investment principles for investments supporting their charitable

giving – for example, excluding sectors such as alcohol, tobacco, gambling, weapons and adult entertainment.

Some clients may wish to plan for funds to be fully disbursed within a specified timeframe – perhaps two or three decades – while others may prefer the fund to continue indefinitely, supported by donations from multiple generations of their family.

A competitive edge

Advising clients on their options for maximising the impact of their giving, and managing their own tax and financial outcomes, through a philanthropic fund allows advisers to better serve existing clients. It also enables advisers to engage with generations who will inherit their clients' wealth.

> "Advising clients on their options for maximising the impact of their giving, and managing their own tax and financial outcomes, through a philanthropic fund allows advisers to better serve existing clients. It also enables advisers to engage with generations who will inherit their clients' wealth.

Outsourcing the day-to-day management and administration of these funds to specialists such as Equity Trustees allows the adviser to deliver a valuable service to clients, while continuing to focus on their core business of providing advice.

Equity Trustees is Australia's leading professional trustee and a leading provider of philanthropic funding to the charitable sector. Find out more and contact us at www.eqt.com.au/philanthropy.

This article is intended as a source of information only. No reader should act on any matter without first obtaining professional advice which takes into account the individual or client's specific objectives, financial situation and needs.

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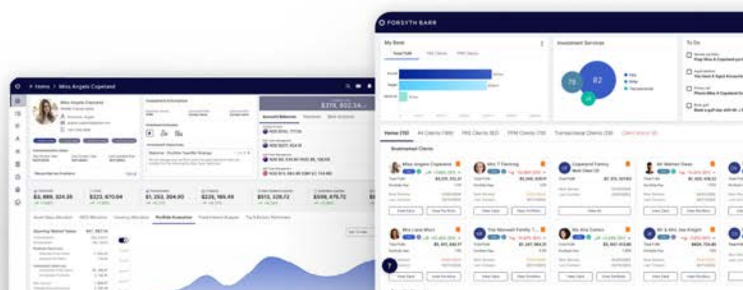

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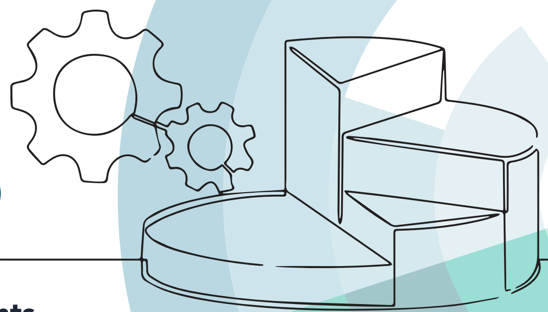

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AI and Compliance—Navigating new guidelines

Wednesday 12 February from 1.00 to 2.00pm AEDT

LEON FRANKLIN
Ashurst

SONIA HAQUE-VATCHER
Ashurst

ELIZABETH HRISTOFORIDIS
Ashurst

This webinar explores AI and regulatory compliance, focusing on ASIC Report 798 and OAIC guidance. Learn to manage AI risks, ensure ethical practices, and align policies with evolving standards for responsible integration in your organisation.

Professional Standards CPD: Professionalism and ethics 1.0
ASIC Knowledge Area: Generic knowledge 1.0

Understanding the importance of risk and returns to optimise portfolio strategy

Wednesday 26 February from 1.00 to 2.00pm AEDT

Join Doug Morris, CEO of Sharesight, to explore optimising portfolio risk and returns using Sharesight. Learn practical asset allocation strategies, assess risks, and leverage Sharesight tools to enhance client outcomes.

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

DOUG MORRIS
Sharesight

Introduction to stockbroking workshop

Tuesday 4 March from 11.00am to 1.15pm AEDT

This workshop outlines stockbrokers' vital role in retail and institutional markets, covering operations like order taking, transactions, and settlement. Gain insights into the different systems involved and allow for a discussion of the different business models in stockbroking today.

Professional Standards CPD: Regulatory compliance and consumer protection 1.0, Technical competence 0.5, Professionalism and ethics 0.5
ASIC Knowledge Area: Generic knowledge 2.0

RUSSELL MCKIMM

Market manipulation and other prohibited conduct workshop

Thursday 6 March from 10.00am to 12.30pm AEDT

Focused on prohibiting artificial price creation in financial products, this workshop benefits all seeking market understanding and obligation consequences. Tailored for financial professionals, it covers obligations, self-protection, and discerning manipulation from market forces.

Professional Standards CPD: Regulatory compliance and consumer protection 1.25, Professionalism and ethcs 1.0
ASIC Knowledge Area: Generic knowledge 2.25

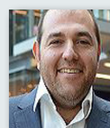
PROFESSOR MICHAEL ADAMS

A day in the life of a trade workshop

Tuesday 11 March from 11.00am to 12.30pm AEDT

Ideal for experienced and auxiliary staff in legal, IT, HR, and related roles, this workshop explores the trade lifecycle. Gain insights into client onboarding, share and derivative trade processes, settlement, sponsorship/HINS, CHESS messaging, and registries.

Professional Standards CPD: Regulatory compliance and consumer protection 0.75 hour, Generic knowledge 0.75
ASIC Knowledge Area: Generic knowledge 1.5



ROB TALEVSKI
Webull

Revolutionising managed accounts: Insights from industry leaders

Wednesday 12 March from 1.00pm to 2.00pm AEDT

TOBY POTTER
Philo Capital Advisers

ANDY ROBERTSON
Chelmer

LEANNE BRADLEY,
Suite2Go

With the growing managed account market, technology is playing a pivotal role in enabling advisers to expand offerings efficiently. Expert panellists will explore the advantages of managed accounts for investors and wealth advisers.

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

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NAVIGATING the path to growth

By Matt Walsh, General Manager Distribution, Praemium

Demographic shifts, technological advancements, and changing client expectations are rapidly reshaping the wealth management sector. For advisers serving high-net-worth (HNW) clients, adapting to these shifts isn't just important, it's essential for staying competitive. In our latest research, 'The Future of Private Wealth', we delved into what HNW-focused advisers were prioritising for their business and what they deemed would have the biggest impact on their business success over the next five years.

Technology: Enabler of precision and scale

Advances in technology are transforming the way financial advice is delivered, offering tools that enhance efficiency, enable personalisation, and improve client experiences. High-performing advice firms increasingly use technology not merely as an operational aid but as a strategic advantage.

Artificial intelligence (AI) is making its mark by automating time-consuming administrative tasks, identifying patterns in client data, and enabling advisers to deliver tailored investment strategies at scale. Our research' highlights that 42% of advisers in the HNW space see AI as a key driver of client engagement and portfolio management. Beyond AI, integrated platforms and robust CRMs provide seamless access to client data, fostering informed decision-making and deeper relationships.

To thrive, advisers need to embrace technology that aligns with their specific goals. Choosing systems that can integrate compliance, analytics, and

portfolio management capabilities ensures operational cohesion and frees up time for high-value client engagement. Leveraging AI tools in existing systems will also help to enhance efficiency and deliver more tailored interactions. Advisers who adopt this approach position themselves as forward-thinking partners in wealth creation and preservation.

Generational wealth transition: A defining opportunity

The intergenerational transfer of wealth is one of the most significant forces reshaping private wealth. With trillions of dollars expected to change hands over the next decade, advisers have an unparalleled opportunity to build lasting client relationships across generations.

Contrary to assumptions, heirs inheriting wealth are often in their 50s, a group more likely to reinvest their inheritance than spend it. This underscores the importance of creating formalised strategies to engage and retain these beneficiaries. Research indicates that only a minority of firms have comprehensive plans in place for navigating wealth transitions, despite 74% of advisers identifying this as a critical focus area.

To capitalise on this shift, advisers should facilitate early discussions about legacy planning with existing clients and their families. Hosting family workshops, offering visual tools to outline wealth scenarios, and delivering clear, actionable advice can set firms apart. Advisers who succeed in fostering trust across generations will not only retain assets but also solidify their reputations as essential partners.

Diversification and alternatives: The new wealth frontier

HNW clients are increasingly diversifying their portfolios, with alternatives such as private equity, and infrastructure gaining prominence. These asset classes not only offer uncorrelated returns but also align with client demands for resilience and growth amid market volatility.

Data reveals that HNW investors allocate an average of 9% to alternatives, double the proportion held by other investor segments. Interestingly, this trend also deepens the adviser-client relationship: 56% of alternative investors maintain ongoing connections with their advisers, compared to 36% of those without such exposure.

However, access to alternative investments is uneven. While some advisers find it straightforward, others cite barriers such as platform limitations and liquidity challenges. By partnering with providers offering streamlined access and robust reporting tools, advisers can bridge these gaps, ensuring clients benefit from well-informed, diversified portfolios.

Operational excellence in an era of complexity

As regulatory demands grow, and client needs become more sophisticated, operational efficiency is emerging as a critical differentiator. Firms that embrace streamlined processes and digital-first interactions are better equipped to manage complexity without compromising service quality.

Investing in scalable solutions—from automated compliance tools to platforms that aggregate wealth in a single solution — not only reduces operational burdens but also enhances transparency. Advisers can use these tools to deliver clearer insights, empowering clients to make informed decisions about their wealth.

Importantly, operational excellence allows advisers to refocus their time on activities that drive value, such as bespoke portfolio management and proactive client communication. These actions help build trust and ensure advisers remain indispensable to their clients.

A tailored approach to brand and growth

In an increasingly competitive market, differentiation matters. Advisers who articulate their unique strengths—whether through exclusive investment opportunities, superior client service, or advanced technological capabilities—are more likely to attract and retain clients.

Building a resilient brand involves more than marketing. It requires consistent delivery on promises, transparency in communication, and alignment with client values. For example, offering access to niche opportunities such as IPOs or ESG-aligned investments can demonstrate an adviser's commitment to innovation and client-centricity.

Practical growth strategies include expanding service offerings, refining client acquisition efforts, and leveraging data-driven insights to personalise engagement. Firms that adopt a holistic approach to branding and growth set themselves apart as trusted custodians of wealth.

Charting the future

The private wealth sector's future will be defined by adaptability and innovation. Advisers who harness technology, prioritise generational relationships, and diversify offerings are best placed to navigate this shifting terrain. By aligning their strategies with emerging trends and client expectations, they can turn challenges into opportunities and set new benchmarks in the industry.

As the landscape evolves, the role of the adviser will remain pivotal. Those who invest in their capabilities and focus on delivering exceptional value will not only meet the demands of today's clients but also inspire confidence in the next generation of wealth holders.

Download the full copy of 'The Future of Private Wealth 'research eBook at https://www.praemium.com/future-of-private-wealth

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Elevate your risk analysis – How to use RoMaD to compare stocks

By Doug Morris, CEO, Sharesight

As an investment adviser, having strong risk analysis skills is essential in delivering exceptional results for your clients. Risk isn't just a box to tick — it's the key to navigating market volatility and positioning your clients for long-term success. By understanding their unique goals, time horizon and risk preferences, you can build portfolios designed not only to weather volatility but to capitalise on it.

Proactively managing risk sets you apart as a forward-thinking adviser with the ability to identify potential weaknesses before they manifest, and uncover opportunities that others might miss. Incorporating robust risk analysis into your approach shows clients that you're doing more than managing their investments — you're safeguarding their future and maximising the potential of their portfolios.

In this article, we explore the concept of investment risk, how to measure it with a metric called RoMaD, and how you can use it to help you deliver stronger, more tailored outcomes for your clients.

Understanding risk

In an investing context, risk can be defined as the potential for an investment's actual returns to differ from its expected returns. This includes the possibility of losing some or all of the initial investment due to factors such as market volatility, broader economic conditions or company-specific events. While we can never eliminate risk in investing, it can be assessed using metrics such as volatility and maximum drawdown, in tandem with investing strategies that keep your clients' portfolios aligned with their specific risk tolerance and financial goals.

Using maximum drawdown to measure downside risk

There are many different ways to measure risk, such as alpha, beta, R-squared, standard deviation and the Sharpe ratio just to name a few. In this article however, we will be focusing on a lesser-known metric referred to as return over maximum drawdown (or RoMaD).

Maximum drawdown (MDD) refers to the maximum loss of an asset, from peak to trough. More specifically, it measures the drawdown of a share price from its peak to its trough, and the length of that period.

The formula is as follows:

MDD =
(Trough Value – Peak Value) / (Peak value)

For example, let's say you held a stock with a peak (share price) value of $120 and a trough value of $80 during your chosen measurement period. With the aim of finding the MDD and converting it to a percentage value, you would use the following formula:

(80-120) / 120 x 100 = 33%

Where RoMaD comes in is that by comparing an investment's return to its maximum drawdown over the same period, you get clear, actionable insight into an asset's relative standing on a risk-adjusted basis.

In the example above, imagining your stock had a return of 7% over your chosen measurement period, you would calculate RoMaD using the following method:

0.07 / 0.33 = 0.212

While RoMaD is not a direct measure of volatility (such as standard deviation), it can act as an indicator. As mentioned above, MDD measures the most significant peak-to-trough decline in an asset's value, with significant drawdowns tending to occur in highly volatile environments. In this case, the asset will have a lower RoMaD score, signalling higher risk relative to return.

The first question most advisers ask is: what's a good RoMaD score? And the answer to that question depends entirely on your client's risk tolerance, financial goals and preferred investing strategy.

It's important to note that RoMaD should always be used in conjunction with other metrics to ensure a comprehensive risk assessment of a client's portfolio. When using RoMaD, it is generally recommended that you measure the results over a three-year period. This approach offers a balanced perspective on both performance and

What's a good RoMaD score?

RoMaD score	Interpretation	Characteristics of the investment	Potential insights or actions	Client communication example
< 1.0	Poor risk-adjusted performnce or underperformance investment	High risk, low return	Consider divesting or rebalancing	"This investment needs careful review"
1.0 – 1.5	Moderate performance	Moderate volatility	Monitor closely	"Performance is acceptable but could improve"
1.5 – 2.0	Strong performance	Balanced risk and return	Maintain current asset allocation strategy	"This investment is delivering solid returns with balanced risk"

risk, highlighting medium-term trends while avoiding the pitfalls of overly short or excessively long measurement periods.

A RoMaD score of 2 is typically seen as the golden standard, signifying that for every dollar of maximum drawdown (aka. risk of loss), the investment generates two dollars of return. Essentially, this shows that the returns are double the magnitude of the investment's worst potential loss. The true strength of RoMaD however, lies in its ability to help you compare stocks against each other, which we will discuss further below.

How RoMaD helps you compare stocks

Imagine you have a client with two high-performing stocks in their portfolio, both of which have delivered similar returns over the past three years. However, one stock has experienced significantly larger drawdowns than the other. When calculating the RoMaD ratio for each stock, you find that the stock with the higher RoMaD score has maintained its performance while exposing the portfolio to less downside risk. This makes it a more appealing option, from a risk-adjusted perspective.

This analysis can serve as a starting point for a discussion on portfolio rebalancing with your client. You may suggest reducing exposure to the stock with the lower RoMaD ratio and reallocating those funds toward the higher-scoring asset or other similarly attractive investments.

RoMaD in practice: Rebalancing an SMSF portfolio

Client profile
Type: SMSF investor
Risk profile: Conservative, pre-retirement

Portfolio metrics
Target RoMaD ratio: >2.0
Current RoMaD ratio: 1.8

In this example, the portfolio's overall RoMaD score of 1.8 indicates that the portfolio's risk-adjusted returns are falling below the client's target threshold. This suggests that some investments may be exposing the portfolio to higher-than-acceptable drawdown risks relative to their returns, which could be misaligned with the client's conservative, pre-retirement risk tolerance.

In this case, you could recommend conducting a review of the portfolio to identify underperforming or overly volatile assets contributing to the lower RoMaD ratio. Rebalancing strategies may include reducing exposure to high-risk stocks with low RoMaD scores and reallocating funds to more stable investments with better risk-adjusted performance, ensuring alignment with the client's conservative investment goals. Depending on the economic conditions at the time, this may mean increasing the client's exposure to government bonds, dividend-paying blue chip stocks, index-tracking ETFs or even term deposits and high-yield savings accounts.

The takeaway

Incorporating RoMaD into your risk analysis toolkit enables you to elevate your approach to portfolio management, positioning yourself as a proactive, forward-thinking adviser. By understanding the risk-return profiles of individual investments, you can make more informed rebalancing decisions and align investments with your clients' unique risk tolerance and financial goals.

That said, calculating maximum drawdown and RoMaD across an entire portfolio can be a tedious and time-consuming process. Sharesight's drawdown risk report simplifies this by automatically generating these metrics for every asset in a portfolio and plotting them on an easy-to-read chart, allowing you to compare the risk profile of different assets at a glance. With Sharesight, you can quickly identify high-risk low-return assets, rebalance with confidence, and demonstrate to your clients that you're managing their investments with precision and foresight.

Sharesight's portfolio tracker allows you to automatically calculate portfolio risk with the drawdown risk report. Try it today with a 30-day free trial. Doug Morris will present a webinar on this topic on Wednesday 26 February at 1.00pm. Visit the SIAA website to register https://www.stockbrokers.org.au/education/upcoming-events.

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Navigating policy unpredictability in global equities

Helge Skibeli, Portfolio Manager, International Equity Group, J.P. Morgan Asset Management

As we look to 2025, the outlook for global equities is shaped by a complex interplay of economic conditions, market dynamics, and geopolitical factors. A soft-landing scenario, falling inflation, easing monetary policy, and positive earnings growth are emerging as positive drivers for the global economy, and could benefit the equities market in 2025.

Nevertheless, the economic activity outside of the US has been mixed. While real wages are rising in Japan, manufacturing sector weakness has been a drag in Europe and domestic demand in China remains sluggish. Investors also face the challenge of high valuations in sectors that have surged in 2024 and divergent trends are emerging within industries.

Meanwhile, uncertainty has shifted from electoral results to policy directions, largely due to the unpredictability of a second Donald Trump administration, as there is often a gap between campaign promises and actual outcomes, underscoring the importance of economic fundamentals.

Managing the impact of political & policy uncertainty

To effectively manage potential volatility stemming from elevated political and policy uncertainty, such as actions from the US Republican administration, it is crucial to diversify across geographies, sectors and investment themes.

Trade and industrial policies, including tariffs, could have significant impact on the economic outlook, leading to various outcomes that could potentially trigger periodic bouts of volatility. Investors could consider core-style equity strategies that emphasises selecting high-quality companies with strong fundamentals and resilient business models to navigate uncertain environments.

This is where active management can play an important role.

Distinguishing signal from noise

In investing, distinguishing between meaningful signals and market noise is crucial. Investors should focus on avoiding overreacting to market swings and maintain a steady approach to drive performance.

Historically, the stock market tends to perform well regardless of the administration in power, often achieving solid gains. As illustrated below, equities have generally posted robust returns over the last decade even as the White House changed hands across three different administrations.

World equity market returns

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD	QTD	10-years '15 - '25 Ann. Ret	10-years '15 - '25 Ann. Vol
AUD Local	25.6% Japan 12.1%	13.2% Small Cap 13.2%	31.5% Asia ex JP 35.9%	6.2% U.S. -4.4%	31.7% U.S. 31.5%	14.2% Asia ex JP 22.7%	36.6% U.S. 28.7%	-1.1% Australia -1.1%	25.5% U.S. 26.3%	37.8% U.S. 25.0%	1.7% Australia 1.7%	1.7% Australia 1.7%	16.3% U.S. 13.1%	Small Cap 17.0%
	14.0% U.S. 1.4%	12.5% U.S. 12.0%	27.5% EM 31.0%	-2.3% Portfolio -7.3%	24.8% Europe 24.6%	9.2% Small Cap 9.2%	24.1% Europe 23.3%	-8.4% Europe -8.0%	19.9% Europe 15.0%	24.0% Asia ex JP 16.8%	0.8% Small Cap 0.8%	0.8% Small Cap 0.8%	10.0% Portfolio 9.1%	U.S. 15.3%
	10.2% Small Cap 10.2%	12.1% EM 10.1%	20.0% Small Cap 20.0%	-2.8% Australia -2.8%	24.0% Portfolio 23.7%	8.1% EM 19.5%	19.0% Portfolio 17.2%	-8.7% Japan -2.5%	19.3% Japan 28.3%	19.1% Japan 20.5%	0.5% Europe 1.3%	0.5% Europe 1.3%	9.6% Japan 9.5%	Asia ex JP 14.8%
	9.8% Europe 5.4%	11.8% Australia 11.8%	17.2% Japan 22.2%	-4.2% Japan -16.0%	23.4% Australia 23.4%	7.9% U.S. 18.4%	17.2% Australia 17.2%	-8.8% Portfolio -9.5%	15.8% Portfolio 16.2%	19.1% EM 13.7%	0.2% Portfolio 0.1%	0.2% Portfolio 0.1%	8.6% Europe 7.3%	Japan 14.6%
	8.4% Portfolio 3.3%	9.4% Portfolio 9.8%	16.9% Europe 13.7%	-4.6% Asia ex JP -12.0%	21.4% Small Cap 21.4%	4.2% Portfolio 8.6%	16.9% Small Cap 16.9%	-12.2% U.S. -18.1%	12.4% Australia 12.4%	18.8% Portfolio 14.8%	-0.3% U.S. -0.9%	-0.3% U.S. -0.9%	8.5% Australia 8.5%	Portfolio 14.4%
	2.6% Australia 2.6%	6.3% Asia ex JP 6.4%	16.7% Portfolio 19.1%	-4.7% EM -9.7%	19.4% Japan 18.1%	3.0% Japan 7.4%	7.3% Japan 12.7%	-13.5% Asia ex JP -15.1%	9.6% EM 10.3%	12.9% Europe 8.4%	-1.0% EM -1.3%	-1.0% EM -1.3%	7.8% Asia ex JP 6.1%	Australia 13.8%
	2.5% Asia ex JP -5.3%	4.0% Japan 0.3%	12.8% U.S. 21.8%	-4.8% Europe -10.0%	19.1% EM 18.5%	1.4% Australia 1.4%	3.8% EM 0.1%	-13.9% EM -15.2%	7.8% Small Cap 7.8%	11.4% Australia 11.4%	-1.6% Asia ex JP -1.8%	-1.6% Asia ex JP -1.8%	7.3% Small Cap 7.3%	EM 13.6%
	-3.9% EM -5.4%	0.7% Europe 7.9%	11.8% Australia 11.8%	-8.7% Small Cap -8.7%	18.7% Asia ex JP 18.2%	-3.5% Europe -1.7%	1.4% Asia ex JP -2.8%	-18.4% Small Cap -18.4%	5.7% Asia ex JP 6.8%	8.4% Small Cap 8.4%	-2.2% Japan -2.5%	-2.2% Japan -2.5%	7.0% EM 6.4%	Europe 13.0%

Source: FactSet, MSCI, Standard & Poor's, TOPIX, J.P. Morgan Asset Management. Annualised return (Ann.) and volatility (Vol.) covers the period 31.12.2015 to 10.01.2025. Volatility is based on local currency returns. Small Cap: S&P ASX Small Ordinaries; Asia ex JP: MSCI AC Asia ex Japan; EM: MSCI EM Index; Europe: MSCI Europe Index; Japan: TOPIX first section; Australia: ASX 200 Index; U.S.: S&P 500 Index. Hypothetical portfolio (for illustrative purposes only and should not be taken as a recommendation): 20% U.S.; 30% Australia; 15% EM; 15% Europe; 10% Japan; 10% small cap. All indices are total returns. Past performance is not a reliable indicator of current and future results. Data as of 10.01.2025. The markets above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

This reinforces the idea that market fundamentals, rather than political agendas, drive performance.

2025 continues to look strong from corporate earnings perspective where the gap in earnings growth between the mega-cap technology companies and the rest of the market is expected to narrow. This shift could herald a broadening of market returns, as the dominance of a few large tech companies begins to wane, allowing other sectors to share in the growth.

Our positioning in the JPMorgan Global Select Equity Active ETF (JGLO)

JGLO harnesses a core, style-agnostic, and research-driven approach, actively tapping into proprietary company insights and valuation signals to guide the portfolio.

We have a conservative view on earnings, and current equity valuations are balanced – not too high or low. This means there are opportunities for active managers to find undervalued, high-quality stocks.

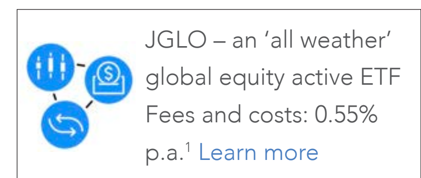
We see opportunities in defensive stocks over cyclicals, reflecting our cautious economic outlook and focus on stability on the back of a more uncertain economic backdrop. For long-term adjustments, we have reduced holdings in technology, pharmaceuticals, and industrials, and increased investments in retail and media, based on valuations, fundamental insights and a general reallocation of capital into relatively more attractive opportunities.

We are also investing in long-term trends with strong fundamentals and attractive valuations. US utilities are of interest, presenting both defensive and growth potential. This sector could benefit from population shifts and plays a pivotal role in artificial intelligence (AI) infrastructure, creating opportunities beyond traditional defensive plays. Utilities are more integrated into industrial and energy sectors, driven by demand for power, graphics processing units and AI technologies.

Looking ahead, we remain alert to potential valuation shifts that could occur as investors focus on short-term positives over stronger and longer-term fundamentals.

Conclusion

JGLO adapts to market changes using a core, style-agnostic, and bottom-up research-driven approach, along with disciplined risk management.



JGLO – an 'all weather' global equity active ETF
Fees and costs: 0.55% p.a.[1] Learn more

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FROM DATA OVERLOAD TO STRATEGIC GOLDMINE: Harnessing the power of data

By Trista Wang, Senior Product Manager, Iress

Data can be a double-edged sword. It's immensely valuable and growing exponentially in volume week by week. But in this deluge of information, there's the risk of missing hidden gems.

Firms are relying more than ever on analytics to interrogate the large volumes of data in the hunt for signals and trends, according to a report by Iress and Waters Technology, *5 Key Drivers Shaping the Future of Trading*, based on insights from 38 Australian-based capital markets firms.

More than 80 per cent of firms say their strategies are becoming increasingly data-driven, the report reveals.

Automated and algorithmic trading platforms are now vital to manage high-frequency, low-value transactions, according to more than half of the firms surveyed.

The evidence of a quickening pace towards transformation is underlined by the rapid uptake of real-time data, enabling actions and decisions that were previously inefficient or impossible.

Real-time data is enhancing trading strategies by identifying trends and anomalies as they unfold, bolstering algorithmic trading, providing more robust risk management and boosting data analytics.

Forbes Technology Council member Don Murray says the benefits are obvious but cautions that making real-time data an effective part of a data strategy takes time and effort. He recommends a clear plan to begin with, getting the right technology in place and starting small, perhaps with a pilot project.[1]

Most importantly, Murray recommends prioritising data quality and security to ensure the accuracy, reliability and protection of real-time data sources.

AI's role in enhancing data analytics

Using real-time data in artificial intelligence (AI) models unlocks new levels of potential.

A global survey of IT leaders across a range of sectors found the use of AI continues to accelerate, quickly spreading its tentacles throughout organisations, according to Info-Tech's Tech Trends 2025 report.[2]

For the second year running, AI or machine learning was the technology attracting the fastest growing investment. Although it remains behind other more entrenched technologies: cybersecurity solutions, cloud computing, and data management solutions, the report says.

More than two-thirds of the Australian trading firms who contributed to the *5 Key Drivers Shaping the Future of Trading* report expect AI to transform trading within five years and almost half are currently using AI for predictive analytics.

AI is already a valued and dynamic tool for trading firms. Its ability to process complex datasets, provide market volatility analysis and deliver predictive modelling has been a gamechanger.

Mixing in real-time data allows AI algorithms to analyse current condi-

tions, identify trends and find anomalies to capitalise on opportunities and mitigate risks.

AI may also offer the chance to enhance environmental, social and governance (ESG) data analysis.

Capital Group's annual Global ESG Study, a survey of more than 1100 institutional investors, found that while only 10 per cent are using AI to analyse ESG data, more than half plan to do so in the future.[3]

Among the barriers to ESG adoption, difficulties with the consistency and reliability of ESG data are most widely cited, according to the Capital Group report.

Data consistency was also the top reported challenge in a 2024 report by the Morgan Stanley Institute for Sustainable Investing, which polled 900 institutional investors across North America, Europe and Asia Pacific.[4]

More than three-quarters of asset managers and owners expect sustainable assets under management and asset allocations to rise in the next two years, driven by new mandates and a more established track record for sustainable investing.

Future-proofing through data-driven innovation

Better data science approaches combined with AI tools may also provide hope for new ways of addressing changing and often complex regulatory and compliance requirements. For example, automated compliance monitoring tools, able to flag suspicious transactions or compliance concerns are a leap forward in efficiency. Enhanced reporting using AI tools to generate detailed compliance reports is also a bonus.

Iress is keeping on the front foot by embracing best-of-breed systems as part of its rebuild.

The power of interoperability is driving our new SaaS (software as a service) cloud-hosted model and will help unlock the full power of analytics. Meanwhile, our upcoming data insights product leverages advanced big data processing technologies to enhance compliance and risk workflow efficiency, empowering data-driven decision-making across the organisation.

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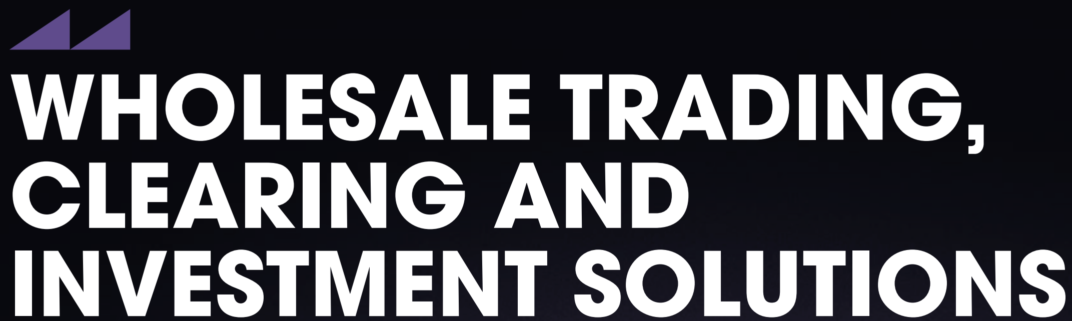
1 Instant Insights: How To Harness The Power Of Real-Time Data
2 Tech Trends 2025 | Info-Tech Research Group
3 The Rise of AI and ESG | Capital Group
4 Morgan Stanley Sustainable Signals Survey Aug 2024 Results | Morgan Stanley



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TANDEM SECURITIES
A Bell Financial Group business

Are we at the super crossroads?

By Darin Tyson-Chan, Editor, selfmanagedsuper

As we enter 2025, Australia's superannuation system would appear to be either approaching a crossroads or at one already. This position in the system revolves around the direction towards which the framework will head in both the immediate and longer terms.

This reckoning, on one level, has been coming for a while and revolves around the generational change in the Australian population with the baby boomers moving into their retirement. Since its inception, the compulsory retirement saving system has been all about the accumulation phase and rightly so. But it now must shift to provide better solutions when people stop working.

Despite this subject being discussed for the better part of the past decade, a satisfactory solution is still yet to be found. Perhaps a paper the Grattan Institute released last month reflects the conundrum policymakers face.

The think tank's report, "Simpler Super: Taking the stress out of retirement", contained several recommendations to address some of the more pressing issues contained within the current superannuation framework and in doing so probably highlighted the conflicted situation we find ourselves in.

One of these suggestions was for the government to provide a lifetime annuity and in doing so encourage retirees to allocate 80 per cent of their savings above $250,000 to it. This potential course of action was floated as a possible method of providing a reliable income stream for Australians when they end their employment years. While it might be worth consideration, it somehow flies a little in the face of what the system was designed to do – for taxpayers to fund their own retirement independent of the government with the age pension acting as a safety net for the few who may not be able to achieve this outcome.

So which road do we take here? Do we carry on down the original path or pivot and once again place the emphasis on Canberra to play a more active role in funding people's retirement?

Further, the government has resisted the temptation to dictate where superannuants direct their compulsory savings, but this notion seems to be rearing its head more and more often lately. A case in point was the suggestion last year for a portion of a person's super savings to be used to fund the nation's significant demand for aged-care services, regardless of whether the individual will use the services themselves.

Well, the above recommendation weighs into this debate too if Australians are asked to allocate 80 per cent of their superannuation benefits above $250,000 to this government provided annuity.

The Grattan Institute's analysis also recommends the government provide a definitive top 10 list of the best-performing super funds. The thought process behind this is to inform Australians of the best places to park their retirement savings and by extension encourage them to become members of those funds.

However, one of the aspects we keep being told about as being one of the strengths of our system is the ability for people to choose the super fund to which they would like to belong. Naturally, if there are fewer funds available, the amount of choice people will have will also be reduced. Also if you know which is the top-performing fund, would you bother signing up for one of its competitors – even if it is in the top 10 as well?

In addition, the recommendation made now is for a top 10 list, but in the future will there be a desire to reduce it to a top five or four?

The paper's suggestions are not necessarily right or wrong as they are designed to make politicians and all of us think about possible solutions to current issues. But in doing so, it has perhaps shone a light on some of the philosophical challenges that come with making evolutional superannuation system changes that increasingly appear to be necessary.

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