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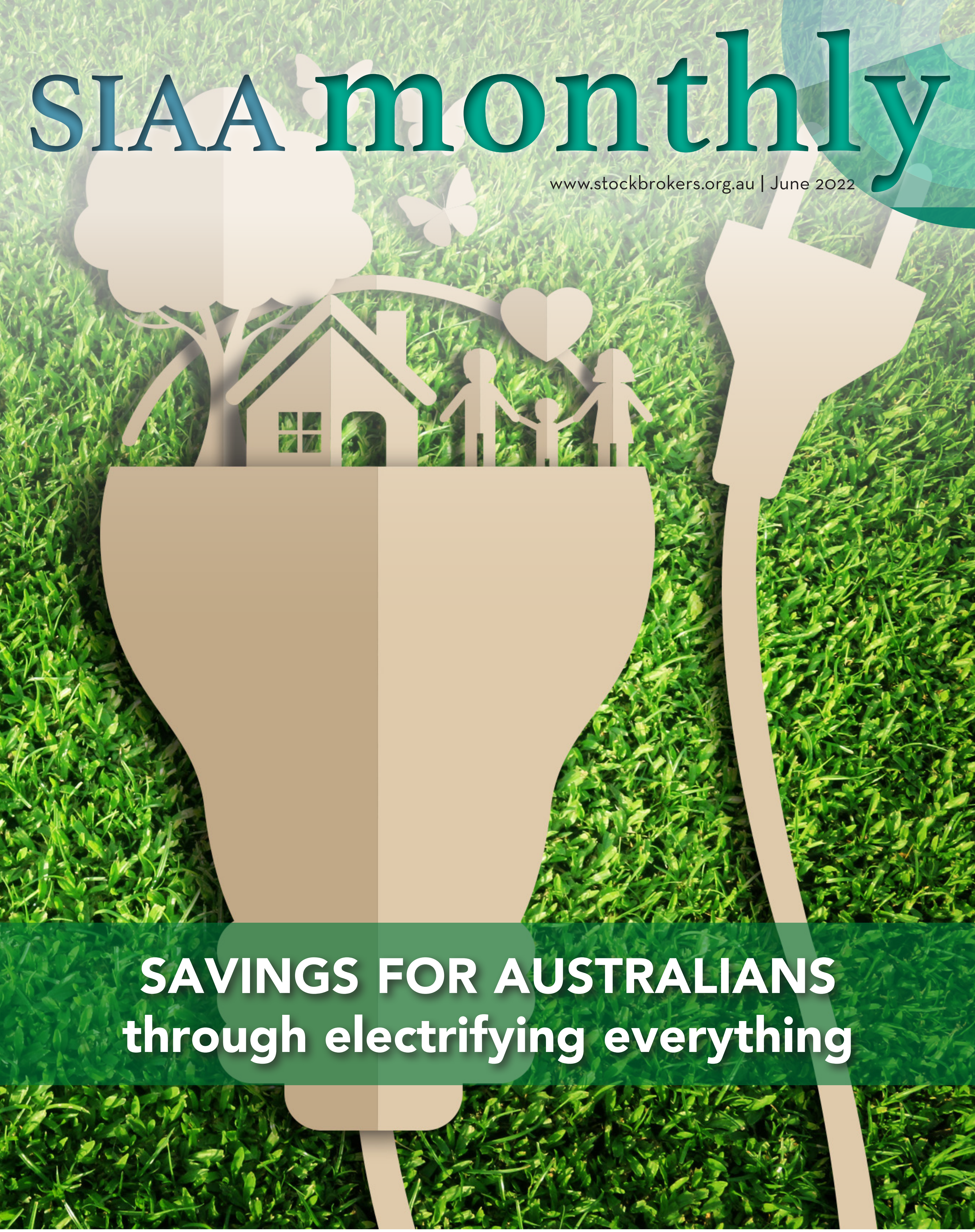

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Level 5, 56 Pitt Street, Sydney NSW 2000

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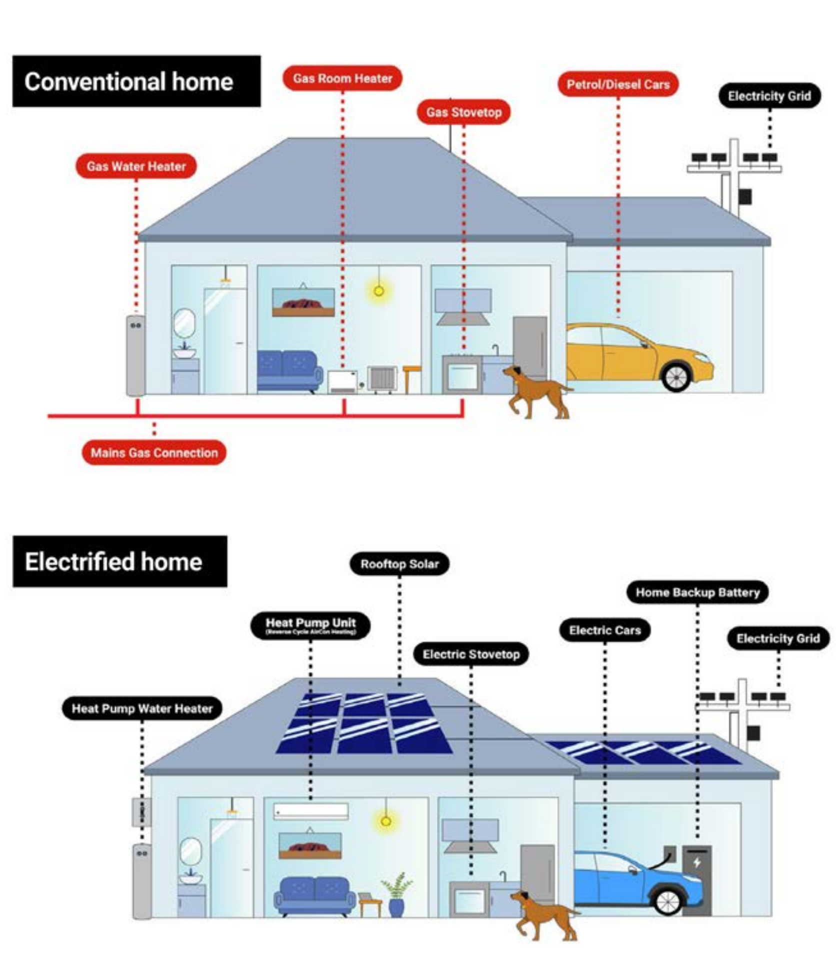
SAVINGS FOR AUSTRALIANS through electrifying everything

The planet is heating. Fires and floods are hitting our communities.
Beautiful natural places such as the Great Barrier Reef are at risk.
Rewiring Australia's plan addresses climate change and cost-of-living at the same time.

By Saul Griffith, Rewiring Australia

The image below shows what eletrification looks like for a household



Our research shows that Australia can lead the world by electrifying our homes and vehicles and powering them with renewable energy. It will help Australians save money on energy and fuel and eliminate emissions.

In this article we show that when entire communities and cities upgrade and electrify, the benefits will be amplified and shared. Less money will be sent out of the community and offshore from Australia. Billions of dollars can be retained in local communities and thousands of additional local jobs generated.

Full electrification of households, for example, would reduce the country's domestic emissions by 42.4%. The technologies are almost entirely off-the-shelf, available today.

How home electrification works

The technology to decarbonise and electrify households exists today. The more that consumers buy electric vehicles, solar, batteries and electric appliances, the cheaper and better they get. Electrifying a home and vehicle will save the average household around $5,000 a year in the long run.

The images above show what electrification looks like for the average household. The first step is to install solar (or supersize the existing system). It is vital to have a smart inverter and upgrade the switchboard to manage how the house exports and imports to the grid. The biggest purchase financially is to replace petrol/diesel cars with electric vehicles and use the batteries as part of the household energy system. Gas room heaters are replaced with heat pump units (reverse cycle or 'split system') air conditioning which provides heating and cooling. The gas water heater is replaced with a heat pump water heater and electric induction stovetops replace the gas stovetop. Then the gas supply is turned off, saving hundreds of dollars in connection fees!

How electrification saves money

An electric car costs about 8 cents per km to drive if charged from the grid, compared to a petrol car which costs about 12 cents per km (when petrol is at $1.43/L). Charging an electric car with rooftop solar reduces this even further, to about 1 cent a km, over 10 times less than a petrol car.

Heating the water for a shower with a gas water heater costs about 66 cents with standard gas prices (2019). An electric heat pump water heater costs just 31 cents to provide the same hot shower using grid electricity. Using rooftop solar, that shower is costs just 5 cents, over 10 times less than a gas shower.

Heat pumps for room heating provide the same cost benefits compared with gas heaters. An electric induction stovetop is cheaper than a gas stove and also provides health benefits inside the home, as the invisible pollutants from gas stoves cause significant negative health impacts.

Balancing out the upfront capital costs of electrification

Electrifying households is a capital investment in the future, like buying a mortgage or an education. In the past governments and big energy companies borrowed billions on our behalf to build coal and gas power stations and built the grid. We paid these assets off over time, including the cost of the debt used to build this infrastructure.

Household electrification involves a similar investment but in millions of small machines, not a dozen big ones. Rewiring Australia models the economics of electrification on the basis that, like other nation-building infrastructure, nobody will have to pay up-front to rewire their house.

The savings modelled for electrification take into account the upfront costs of purchase and assume that they are financed over the lifetime of the asset. In a few years, commercial lenders will be able to finance electrification for most households. In the early years of the transition, governments will have to step in and provide co-finance like they already do for large-scale clean energy. Government support is essential in helping all homes, including low-income households electrify and save money on the cost of heating, cooling, cooking and driving.

Electrification at the community level

The benefits are amplified when entire suburbs, communities and regions electrify their homes. Changing the way energy is created and used will reinvigorate local communities and economies by keeping savings in local areas and injecting millions of dollars into well-paid, skilled jobs.

Generating more electricity at the community level

The communities of tomorrow will stay connected to the grid, while generating far more energy locally using the cheapest home energy in the world - Australian rooftop solar. Staying on the grid will continue to balance community electricity needs, while producing most of our energy from community rooftop solar. This will mean the lowest possible energy prices for households.

Keeping more money in the community

The bulk of current household fossil fuel spending is on petrol and diesel products imported from overseas. This is money that is not being reinvested into Australian jobs, businesses or community infrastructure. Electrification of our homes will keep this money in the local community, both in its new clean infrastructure, and in the economic savings made by homes.

Investing in local jobs

The electrification of homes will save money for communities, and also require the upgrading and renovation of thousands of homes, generating local jobs. This will generate local jobs for the installation of solar panels, batteries, electric vehicle chargers, heating systems, and cooktops. These are skilled, local jobs that can't be taken offshore.

Zero-emissions communities

Australia has the climate, technology and solar track record to create the world's first zero emissions communities. Modelling demonstrates this is achievable and will see broad benefits for communities. The Rewiring Australia study Castles and Cars modelled the energy and economic impacts of home electrification for the average individual household. This report, as well as region specific reports are available on our website "rewiringaustralia.org"

How do we get there?

Now is the time for investment in electrification. Four policies will make Australia a world leader in the electrification revolution:

1. 2022 – 2025: Pilots to showcase the technology
2. 2022 – 2030: Subsidies to bring down costs and scale up the industry
3. Training to build the workforce
4. Deregulation to-cut the brown tape holding back solar, storage and EVs

Saul Griffith is an Australian inventor and entrepreneur. Saul is the founder and chief scientist of Rewiring Australia. He received his Ph.D. at MIT in the junction between materials science and information theory. Prior to MIT, Saul studied metallurgical engineering at UNSW in Sydney and at UC Berkeley in California. His first two industrial jobs were in a steel rolling mill in Newcastle and an aluminium smelter in Western Sydney. Saul spoke at the SIAA 2022 conference on the themes of the article in the opening session 'The decarbonisation of everything.'

This is an article adapted from the report 'Rewiring Tasmania: A report on the community benefits of electrification prepared by Rewiring Australia https://global-uploads.webflow.com/612b0b172765f9c62c1c20c9/6283316860e7fb7a5872781a_Rewiring%20Tasmania.pdf.

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Behavioural finance – what do I need to know, and how can I use it?

Anyone who wants to provide licensed advice can no longer avoid having at least a working understanding of behavioural finance. Simon Russell from Behavioural Finance Australia will tell you what you will need to know to satisfy these obligations and will also bust some common myths about behavioural finance supported by a number of practical examples.

Simon Russell

WEBINAR DETAILS

Wednesday 8 June | 1.00 to 2.00pm

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

Professional Standards CPD: 1.0 Client care and practice
RG146: 1.00 Generic knowledge

Going for broke: Reimagining the retail brokerage model in the age of digital disruption

On the back of their landmark thought leadership report, Hong Kong-headquartered financial services consultancy, Quinlan & Associates, in partnership with SIAA, is pleased to be hosting a joint webinar on the outlook for the retail brokerage industry in light of heightened competition from lost-cost online brokers, dissecting the shortcomings of traditional brokerage models and what should be done to ensure their survival in today's digital age.

Benjamin Quinlan

WEBINAR DETAILS

Wednesday 22 June | 1.00 to 2.00pm

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

Professional Standards CPD: 1.0 Professionalism and ethics
RG146: 1.00 Generic knowledge

Thanks for supporting SIAA's webinar program during 2022

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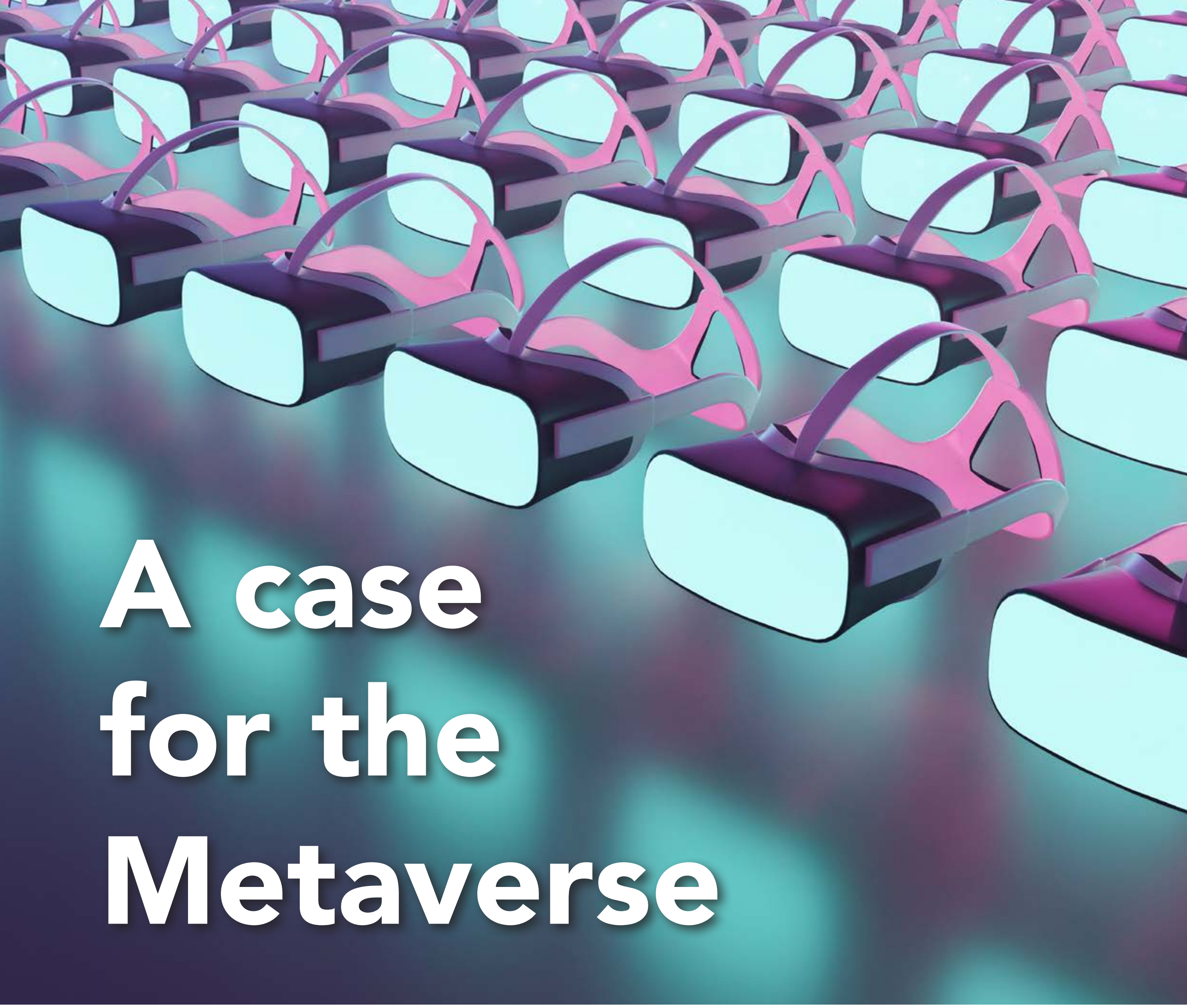


A case for the Metaverse

On Meta Platform's Q4 2021 earnings call, CEO Mark Zuckerberg and others mentioned the metaverse 11 different times.[1] Microsoft mentioned the metaverse seven times on its call and Nvidia did so five times.[2] But they're not the only ones.

By Blair Hannon, Head of Investment Strategy, Global X

In the last six months, companies around the world have mentioned the word "metaverse" more than 240 times during their earnings calls.[3] Why are so many companies enamoured with this term? It is because many expect the metaverse to emerge as the next evolution of the internet, presenting today's leading platforms and tech giants a trillion-dollar opportunity.[4]

Defining the Metaverse

In the metaverse, digital platforms facilitate largely digital-world experiences. By jumping into an immersive experience using a VR headset, we will be able to work, play video games, buy digital items, socialize with friends, and consume media. The metaverse is not a technology per se, but a vision of a new way of engaging with our world.

Broadly, we identify six main characteristics that define a metaverse:

- Identity: While digitally present in the metaverse, users can express themselves as whoever or whatever they want to be with their own avatar.
- Multi-device: The ability to access the metaverse from anywhere is a key feature, whether it's your phone, PC, tablet, or other devices with one of the biggest leaps forward

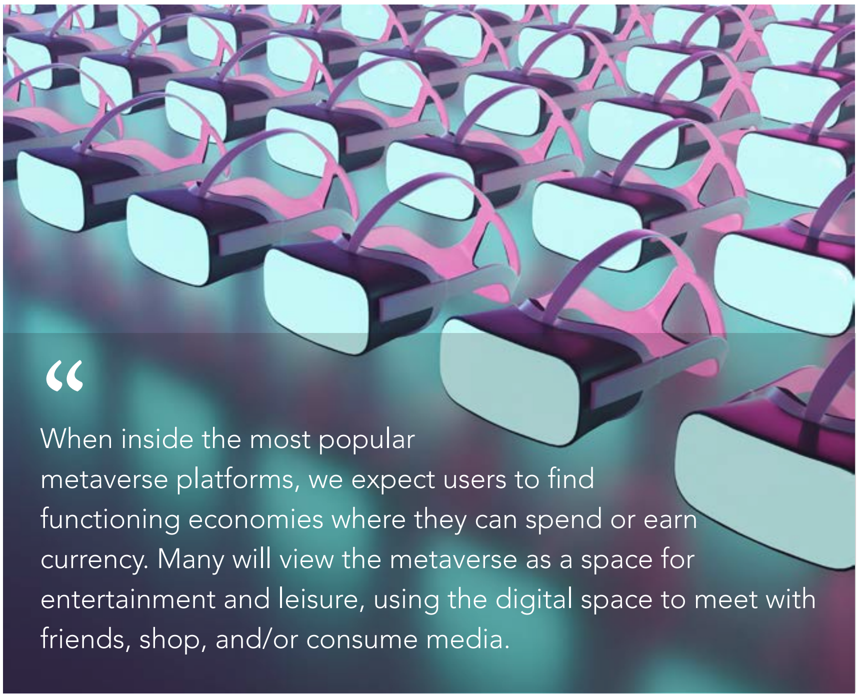
will likely be the immersive VR experience.

- Immersive: A truly immersive experience engages all of a person's senses: sight, hearing, touch, smell, and taste. Today, VR mostly involves surround sound and images.
- Economy: A fully developed metaverse has a functioning economy where users can earn and spend in digital or fiat currencies. An early example of a metaverse with an online economy is the gaming platform Roblox and its currency, the Robux.
- Community: Users are not alone in the metaverse. They interact and share experiences with others. In looking at video games as an early form of the metaverse, enabling social experiences seems to be a core trait of successful titles.
- Real-time persistent: The metaverse is expected to be real-time persistent, with no ability to pause the experience, meaning that it will continue to exist and function even after users leave.

As companies invest further in building metaverse-related initiatives, it's important to remember that what we call "the metaverse" isn't necessarily a centralised monopoly. Metaverse development may yield more centralised and distinct experiences currently, but it's working towards an end-state that is fully decentralised.

The Metaverse of the future expected to move from closed to ppen architecture

Today, companies offer their metaverse experiences primarily through closed architecture systems, which means that their software and/or hardware is not compatible with other platforms. Different platforms are often designed for different primary use cases, such as gaming, working, shopping, or socializing. Eventually, we expect the most successful metaverse platforms to evolve toward a more open architecture that allows many, if not all, users, developers, and companies to participate on equal terms.



When inside the most popular metaverse platforms, we expect users to find functioning economies where they can spend or earn currency. Many will view the metaverse as a space for entertainment and leisure, using the digital space to meet with friends, shop, and/or consume media. These types of platforms will likely benefit from network effects: the more users start to participate in the metaverse, the richer the digital experiences become, and the more these users start to attract their family, friends, and acquaintances to the platforms.

The Metaverse could be a trillion-dollar opportunity

Evidence suggests that the metaverse could create wide-ranging revenue opportunities across multiple verticals, particularly for those companies involved in building virtual reality, augmented reality, and mixed reality hardware and software, semiconductors, as well as creator platforms and economies. The opportunity could potentially exceed $1 trillion, when including advertising, social commerce, digital events, hardware, creating and developing content, and more.[5]

Unity Technologies and Epic Unreal Engine (40% owned by Tencent) offer a case study of how creator platforms bring content to the market. The two companies control approximately two-thirds of the game and virtual world engine market for mobile devices.[6] The out-of-the-box solutions that they provide serve as building blocks for the virtual world's development. Among their main attributes, their solutions help lower the total cost and time it takes to bring a video game to the market.

Conclusion

Like the internet once was, the metaverse is in its early days. But the metaverse's foundational infrastructure is in place and companies are increasingly vocal about their participation in its advancement, both in word and capital commitment. As each piece is built and accessibility increases, we expect consumer appetite for this next iteration of the internet to increase. It will take several years for fully formed, immersive metaverse experiences to become ubiquitous, but we believe that earlier stage investment opportunities are emerging already.

VR: The Global X Metaverse ETF seeks to invest in companies that are positioned to benefit from the development and commercialization of the Metaverse.

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ETF flows reveal year of diversification

Short-term market events tend to grab headlines. But for investors it's the long-term story that really counts.

By Minh Tieu, Head of ETF Capital Markets Asia-Pacific and Investment Strategy Group, Vanguard Australia

Recent events—whether the conflict in Ukraine, supply chain disruption, or the COVID pandemic—have reinforced a timeless lesson: diversification matters.

When it comes to confronting global challenges, no country is an island (not even Australia). Globalisation may be on the back foot, but for investors this only underscores the importance of international diversification and the need to overcome home bias.

Thanks to the rise of exchange traded funds (ETFs), diversification has never been easier to achieve. Your clients can enjoy the benefits of international share and bond exposure with the ease of access and liquidity that ETFs provide.

And if the past year is a guide, it appears the diversification message has been well heeded by ETF investors.

ETF flows reveal a preference for international diversification

If you follow the money, it's clear investors are looking to further diversify their portfolios, including through an allocation to international shares.

International shares ETFs were the most popular among Australian ETF investors in 2021. Cash flows to Australian shares ETFs were $5.7 billion, compared with $14 billion to international share ETFs—well over double the cash flow.

This trend continued through the March quarter of 2022, with investors favouring international shares (23.5% of total cash flow) over Australian shares (15.6%).

But the gradual shift towards greater international diversification is not new. The growing demand among investors for international exposure is reflected in flows to Vanguard's own stable of ETFs.

Considering both shares and bonds, flows to Vanguard's international ETFs were $4 billion in 2021, outstripping flows of $3.2 billion to Australian ETFs.

To put these figures in perspective, back in 2017, Vanguard's total funds under management were $4.1 billion for international ETFs and $5.9 billion for Australian ETFs. In 2021, this had grown to $16.5 billion and $18.6 billion respectively.

Overcoming your clients' home country bias

Ease of access to the Australian market and the avoidance of currency risk make Australian shares an attractive option. And let's not forget the franking credits, which offer a nice tax advantage.

Seeing some familiar names in their portfolio may bring your clients a sense of comfort. But by focusing too heavily on the Australian market, your clients limit their opportunity set and forgo the benefits of greater diversification.

This isn't just an issue for Australian investors. Even in the United States, investors are well advised to diversify. Not all the opportunities are to be found in one country, and not every country is free of economic or market risk.

A high allocation to a single country creates concentration risk. It means investors are likely to do well when the domestic economy is strong but are more vulnerable to domestic events—whether bushfires and floods, or inflation and interest rate rises.

As the 2022 Vanguard Economic and Market Outlook points out, the recent divergence in global economic momentum reinforces the benefit of diversification. While some events like a global pandemic or supply chain shocks affect the whole globe, there will always be variability across countries and regions.

Differences in sector composition, the state of economic recovery, monetary and fiscal policy, and currency effects all contribute towards variety in the drivers of return for your clients.

How ETFs can help your clients diversify

While diversification doesn't protect your portfolio against the possibility of negative returns, it can reduce your potential losses if the market does head south.

Diversification starts by investing across different asset classes, but it also includes diversifying broadly within each asset class by investing in a range of different companies and industries.

Both developed and emerging markets are potential sources of diversification for Australian investors. While the COVID pandemic hit emerging markets especially hard, lower relative valuations and the anticipation of increased global demand have made them attractive to many investors.

And it's not just international share markets that can help your clients diversify. Exposure to hedged international bonds can also help offset some risk specific to the Australian fixed income market.

This need to gain broad exposure across asset classes is also driving demand for diversified funds, which are becoming a popular way to gain instant, broad market exposure within portfolios.

Since their debut in November 2017, we've seen significant growth in our diversified ETFs, which now have a combined $3 billion in assets. Our diversified range include four funds covering conservative, balanced, growth and high growth risk profiles. They offer a sophisticated all-in-one investment with a simple structure and low cost.

A single trade gives your clients exposure to local and international securities, including thousands of individual bonds and equities.

Giving your clients access to world markets expands their opportunity set by investing in companies large and small across developed and emerging markets.

We can't control how markets behave. But by setting a clear plan, diversifying across multiple asset classes, and minimising costs, we can stay in control of what matters: our long-term investment strategy.

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Data is key to delivering clients a holistic view of their wealth

Harnessing data to solve challenges in the wealth management industry is set to take centre stage over the next few years and beyond as we collaborate to make wealth management more efficient, more accessible and more cost-effective.

By Darren Stevens, Chief Product Officer, HUB24

As with many industries, the wealth management industry is seeking to up the ante on the use of data to help licensees, advisers and brokers understand their businesses and clients, improve operational efficiency and risk management and to provide highly engaging personalised experiences for their clients.

Unlike other industries such as online retailers, streaming services, ridesharing companies and social media platforms, the wealth management industry has been slow to the party due to reliance on disparate legacy systems and complex regulatory frameworks.

With the introduction of the Consumer Data Right legislation and the rollout of open banking that is moving towards open everything, access to data is being streamlined. There are still many challenges that face the industry in terms of aggregating and understanding data including the need to cleanse and structure it to ensure it is fit for purpose, and to ensure its safety through strong privacy and cyber security controls. Technology has been racing ahead and there are now many tools available from the likes of Google, AWS, Microsoft, IBM and many others – facilitating the handling of huge data sets and computing power to apply artificial intelligence, machine learning and robotic process automation to the task.

In 2018, HUB24 established a Think Tank of leading advice licensees to work together using technology and data to identify and solve major issues facing their businesses. Currently, the increasing cost of compliance is regarded as the number one challenge for wealth management industry professionals, reducing their time with clients, increasing their stress levels and adding to the cost of providing broking services and advice. This is closely followed by the difficulty in seeing a single view of their clients' wealth and their preferences and behaviours.

These challenges erode a licensee or practice owner's capacity to focus on other areas such as helping their business grow and become more profitable, while continuing to deliver client service.

An evolving client base

Demographic trends are changing the shape of wealth management businesses and forcing a review of client value propositions. These trends include the wave of baby boomers heading into retirement, the intergenerational transfer of wealth, and the rise of the Millennial generation, who seek far more tailored solutions and value propositions that meet their needs and preferences.

Millennials (and younger groups) have considerably different habits to any previous generation because they've grown up in a digital world and are often referred to as digital natives. They are social media savvy, cause motivated, change adaptive, and value experiences.[1] The COVID-19 environment may have further influenced their behaviours with Canstar reporting 44% of Millennial Australians and 42% of Gen Z investing in the sharemarket for the first time during 2020.[2]

While this is positive for the broking and advice industries, the way Millennials interact with service providers and their needs are different to older generations, who have traditionally accounted for most clients of a typical advice practice.

Data and technology can be used to not only understand the existing habits of Millennials and younger generations, but to embrace the ways they want to interact and engage, and at a pace they expect. An example of this includes a super fund that is enriching structured data with psychographic, attitudinal and behavioural data from research specialists, and viewing it alongside transactional data. By doing this, they can create predictive models and 'next best' actions that can be automated through sophisticated marketing tools, providing potential to engage with clients in new and relevant ways.

Data driving innovation

For us, it all comes down to data. HUBconnect Broker (formerly known as Agility Applications) was founded back in 2007, servicing a wide range of broking clients with data services, and became part of the HUB24 Group in 2016. Today, in addition to serving brokers, HUBconnect's data and technology solutions are designed to enhance efficiency and deliver value to licensees, advisers and their clients. At the centre of HUBconnect is the Innovation Lab and by leveraging technology like machine learning, HUBconnect is harnessing data to help solve key challenges in the delivery of advice.

Based on learnings from Think Tank participants, it has become clear that collecting, cleansing and storing data (provided by brokers, licensees and advisers) in a useful format is worthwhile, but moreover, collaboration is key in leveraging new technology to build solutions that reduce the cost of advice delivery.

HUB24 estimates approximately 20% of data from brokers and licensees is in a structured format which means the majority is held in documents such PDFs, Word files, emails and in CRM systems in unstructured and inaccessible formats (for example, Statements of Advice). A key focus of HUBconnect is gaining access to this information, cleansing it and combining it with the structured data and since July 2021, HUBconnect has processed and categorised more than 500,000 documents. Once this process is done, machine learning and artificial intelligence can then use this data to provide insights and create predictive actions.

In practice, HUBconnect's data innovations include the development of data driven dashboards and reports for advice practices around compliance to monitor and manage their business via key risk indicators. By extracting key data points, a wealth management business can monitor client risk profiles, develop automated alert system checks, and retrieve funds under advice reporting and other dashboards. This technology can reduce costs for businesses by saving them from manually measuring, monitoring and addressing issues, and driving business efficiencies while enabling a better client experience.

Developing a single view of wealth

As mentioned above, there is demand for a more personalised experience through a single view of wealth, where a client can interact and engage with their adviser who remains at the centre of the relationship. While at the same time, having the ability to view their clients' assets in one place, regardless of where the assets are held.

Highly customisable digital experiences can now be created through HUBconnect's data capabilities. Advisers can configure their clients' views of their wealth that are meaningful to their personal circumstances and provide secure and private views for each family member of their clients. Those providers with a broader view of their clients' wealth and online behaviours can better target their services and offerings to meet their specific needs.

The way forward

Data is powerful and with HUBconnect, we are delivering the tools and capability to empower licensees, advisers and brokers to achieve our vision to deliver cost-effective advice to more Australians.

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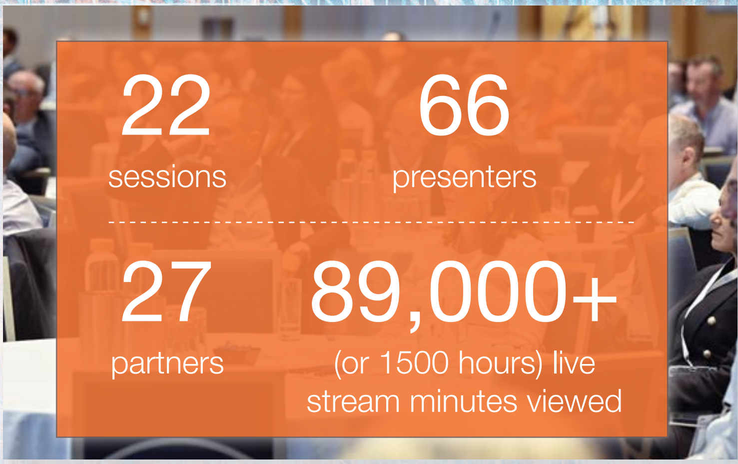

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What's in store for super now

It's official: Australians have had their say and we now have a Labor government in power for the next three years. So what will this likely mean for superannuation?

By Darin Tyson-Chan, Editor, *selfmanagedsuper*

I've reported several times this year, the ALP did say on more than one occasion its aim will be to make superannuation savings play a bigger role in the economic management of this country. To this end both Jim Chalmers, while opposition treasury spokesman, and Stephen Jones, while opposition financial services spokesman, declared a Labor government would advocate to have the $3.5 trillion in superannuation play a larger role in areas such as infrastructure in the economy.

One obvious arena we might see this happening is in the development of infrastructure. That in itself is not such a bad idea, but we probably won't know what this means until we find out how it will be implemented and executed.

Hopefully it will be introduced using incentives to channel retirement savings toward parts of the economy the government has recognised require some heavy lifting. The one thing we do not want to see is any sort of prescriptive element included in the policy dictating exactly how superannuation portfolios have to be constructed with regard to a specific asset class.

Believe it or not this approach has actually been tried in the past and did not work then so revisiting it may again prove sub-optimal.

However, incentivising people to invest their retirement savings in a particular type of asset or assets may not be all that easy either. If we think about the levers that may be used in this regard tax incentives are probably the most obvious. But as the partner of a mid-tier accounting firm pointed out to me recently this may not be workable.

Why? Because superannuation is already the most tax-effective investment vehicle in the country. As such how many more tax concessions can the government implement to the sector to encourage it operate in a particular fashion.

Regardless of how this policy is implemented the new Labor government must keep in mind what superannuation represents and quashes any repeat of the sentiment we saw during the height of the coronavirus pandemic and more recently during the election campaign just past.

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The attitude seemed to be that it is the super fund’s money and it is up to the trustee’s discretion as to what to do with it.

In reality it is the members’ money and that’s a fact that should never be lost.

I’m referring to the legal early release of super in 2020 and 2021 and the Morrison government’s announcement it would fine tune the policy that allows superannuation to be used to help Australians, particularly younger Australians, fund the purchase of their first home.

The newest initiative included a provision to ensure monies drawn upon from super in the pursuit of owning an individual’s first home were at a later date returned to the retirement savings system along with any gains generated from the portion of the initial capital used.

Yes, we needed to see more detail, but ostensibly it deserved some consideration not just in my opinion but also in the minds of some prominent stakeholders.

But there was immediate criticism of the scheme mainly from the industry funds.

To me it reinforced the train of thought we also saw when the COVID-19 financial hardship measure involving legal early access to super was announced.

The attitude seemed to be that it is the super fund’s money and it is up to the trustee’s discretion as to what to do with it.

In reality it is the members’ money and that’s a fact that should never be lost.

This means the superannuants themselves should always have the final say on where their precious retirement savings are invested.

Further, research has shown a good proportion of people who withdrew money from their superannuation during the height of the pandemic have already looked to recontribute those amounts to their super fund, showing they can be trusted to do the right thing.

It seems the evidence is there the majority of Australians treat their retirement savings in an appropriate and responsible manner and Canberra should recognise this in its attitude towards superannuation policy.

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