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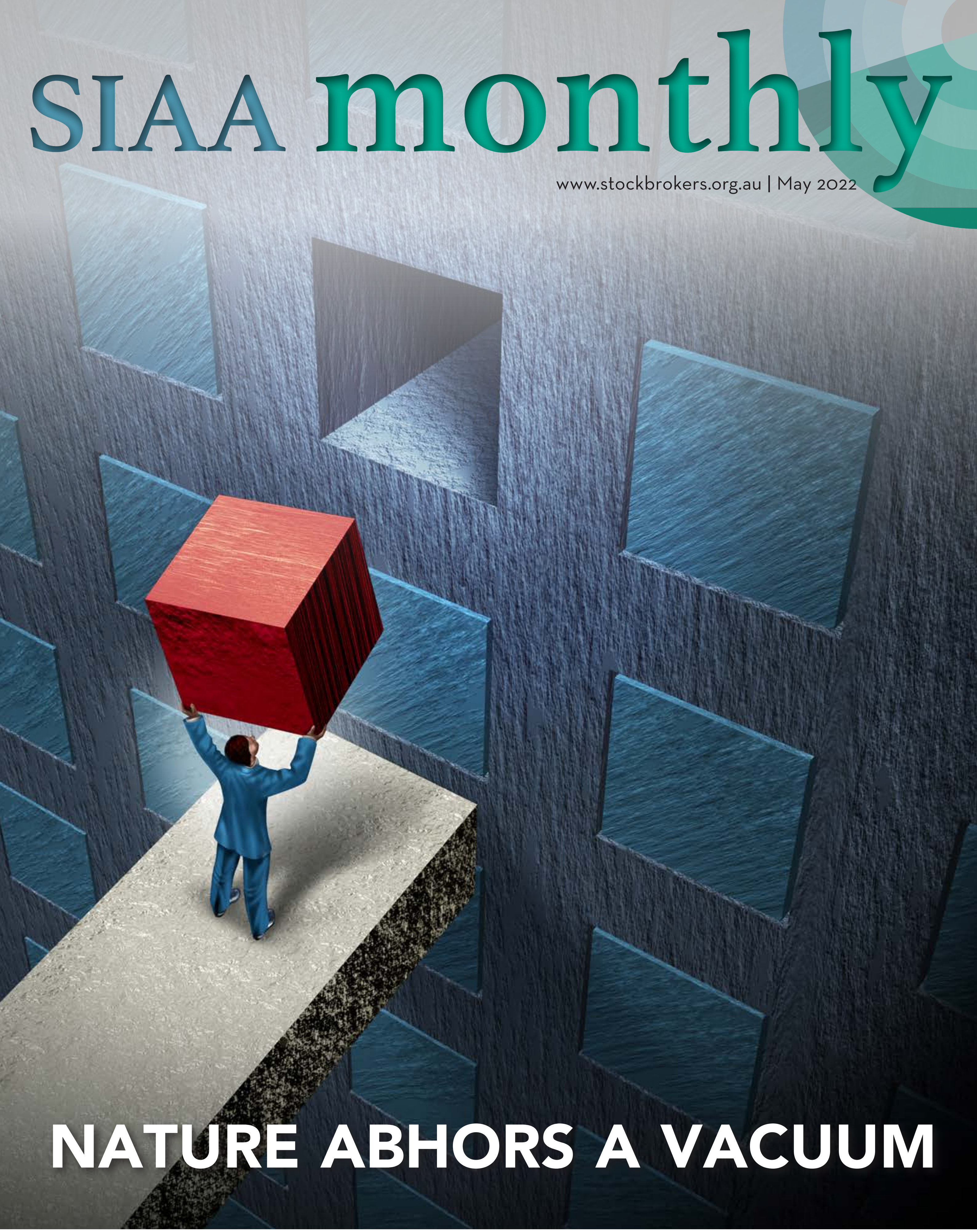

NATURE ABHORS A VACUUM

Four factors driving the next commodities supercycle

The rise of alternative assets

The five biggest headaches for brokers today and the surprising solution many are turning to

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COVER STORY

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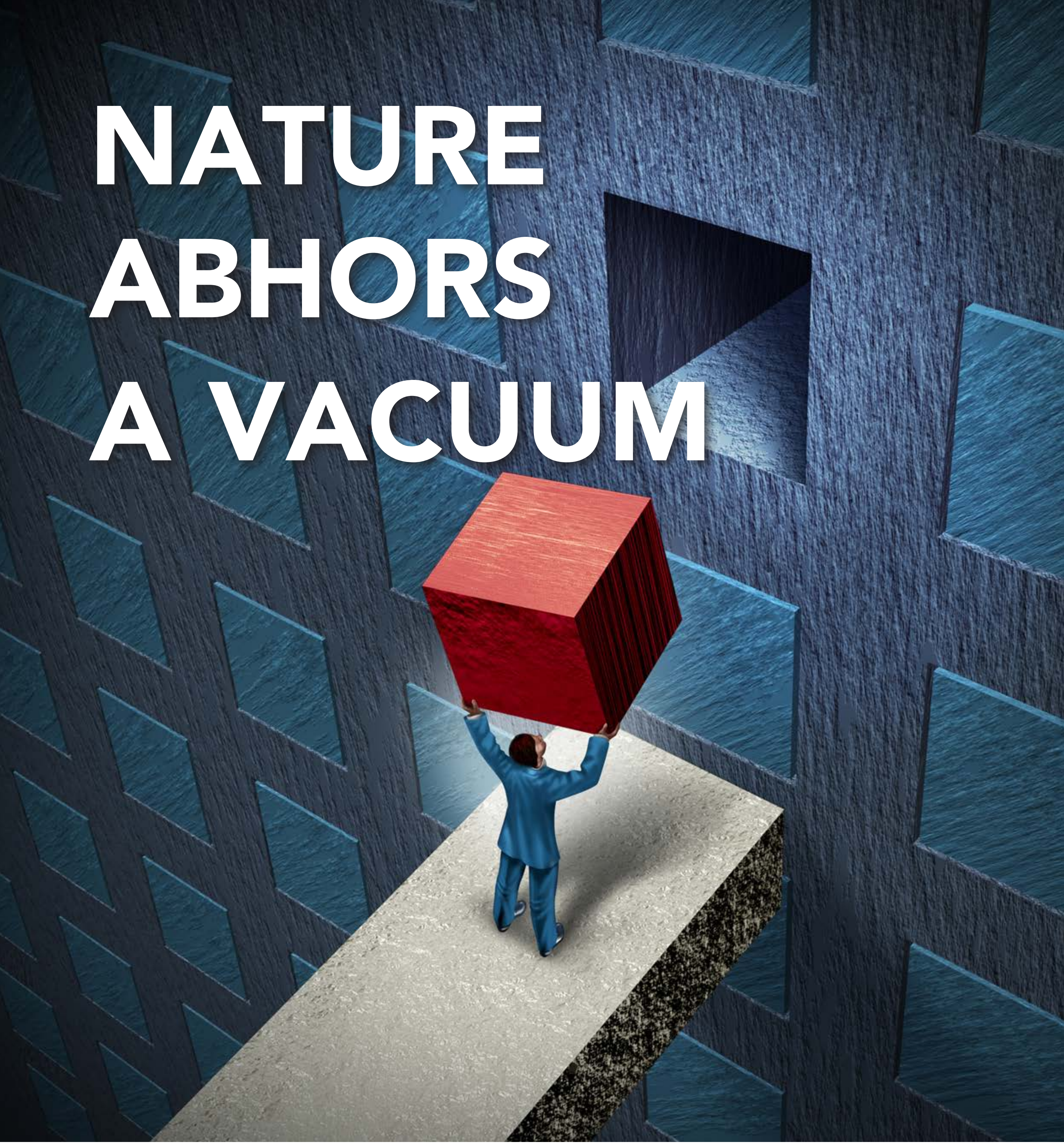

NATURE ABHORS A VACUUM

This axiom, a bedrock of the physical and social sciences, is attributed to Ancient Greek philosopher Aristotle. Neither the natural world nor human societies can be understood without taking account of its implications: life is dynamic, constantly moving, and thus where there is nothing, *something* will grow or move to fill the available space.

By Andrew Varlamos, CEO/Co-founder, OpenInvest

I think of this phrase a lot (actually, I say it a lot, too!), never more so than over recent weeks as I contemplated several separate news items, at face value unconnected yet all contributing a part to a connected (and fascinating) theme.

First: articulate, ongoing coverage in the *Australian Financial Review* (AFR) on the growing 'advice gap' in Australia. The cost of personal advice has risen 40% over three years, 100,000 Australians have dropped out of personal advice relationships over the past 12 months alone and a further 2,000+ advisers are expected to withdraw from the industry this year. Only 10% of Australians now receive financial advice —– these data all from the latest edition of Adviser Ratings' *2022 Financial Advice Landscape Report*.

Do people no longer need professional help in their financial lives? Are they more comfortable and confident about their current financial position, how they're investing and where they're heading, and thus sleeping just fine at night without that help? Ha! I think we all know the answers to those questions.

Inflation is soaring, house prices as a multiple of average earnings continue to increase, global energy supply is constrained by military and other conflicts and the dominant tech platforms encroach into more and more of consumers' everyday lives, potentially displacing even the largest incumbent service providers. Does any *professional* investor find this stuff easy? So, of course, unadvised consumers are feeling uncertain and anxious.

The Adviser Ratings report suggests 29% of Australians want, but for various reasons can't access, financial advice — the so-called 'advice gap'. It's present in every country, but post Hayne, with the exit of banks from mainstream wealth management (the banks are still helping the ultra-wealthy with their wealth needs), the introduction of new regulations, and the imposition of onerous uniform education and training standards on financial advisers of all types, no country has as large an advice gap as Australia.

Here's the second item: ASIC's crackdown on online commentators on various social media platforms, like Instagram, YouTube and TikTok, giving help and guidance that strays into financial advice — so-called *finfluencers*. Why are millions of Australians accessing these social media sites for short and snappy nuggets of information, from an array of performers (whose expertise is 'variable') to help them invest smarter and live better financial lives?

You guessed it: because Nature Abhors a Vacuum. Millions of Australians are investing their own money (that is, outside of superannuation) via online sites, whether online share trading or crypto. And they are looking for help because, well, investing is hard.

Here's a statistic that might shock you: The *Age/SMH* reports that 1.2 million Australians are investing via new entrant share trading apps alone (Stake, Superhero, Pearler) — that's not counting users of the first generation of online trading providers like CommSec and nabtrade. That's 1.2 million customers of companies *that didn't exist 10 years ago*!

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> Do people no longer need professional help in their financial lives? Are they more comfortable and confident about their current financial position, how they're investing and where they're heading, and thus sleeping just fine at night without that help? Ha! I think we all know the answers to those questions.

Ought it matter to Australia's traditional stockbroking firms that the kids are taking to investing their pocket money via these sites and learning from experts they're finding on the internet?

Well, here's a third fascinating item, again in the *AFR*: there are close to two million Australians under the age of 45 with average investment portfolios of $700,000.[1] And remember, we are just at the very beginning of the Great Wealth Transfer — the passing of $3.5 trillion of wealth from Baby Boomers to their children and grandchildren over the next two decades, a rate of $200 billion per annum.[2]

Would this cohort of 'emerging affluent' investors seek professional help from trusted and well-established entities if it was less expensive than the current clunky and expensive one-to-one personal advice/stockbroking model? Especially if it was available via their phone?

The international experience (and common sense) says 'Yes'. Study after study in international markets show that millennials and Gen X consumers are happy starting out via technology, but expect to gravitate to a personal relationship over time.

Here's my fourth recent data point: in commenting on their latest financial results, the CEO of Goldman Sachs noted that Goldmans has 'an aspirational brand in the wealth space'. In the US, a consumer only needs $1,000 to get started with Goldman's digital wealth management offering. Do you think young, digitally-savvy, engaged and ambitious young people are flocking to one of the world's premier financial services brands? (They currently have 13 million digital retail customers.[3])

In fact, is there a better single word to describe the millions of Australians seeking to improve their and their family's circumstances by investing their hard-earned money than *aspirational*?

Who else is reaching out to young, high-earning, *aspirational* consumers (about to inherit the earth)? Morgan Stanley CEO James Gorman commented in his April update to shareholders that in the wealth management sector 'we punch below our weight... [and] there's clearly more we can do internationally, so watch that space'.[4]

What happens when global brands start leveraging global social media platforms to reach, well, everyone? The world's fourth-largest asset manager, Fidelity, launched a TikTok channel late last year. I strongly recommend checking out a few of their videos — the whole thing is fascinating.[5]

It's clear Fidelity is not counting on the pennies they might earn from American teenagers. They want to reach them where *they are now*, engage with them and sign them up to life-long relationships, confident that as these teenagers age, grow their wealth, and have more complex financial needs, Fidelity will have an offering for them.

Or in other words, they don't want to leave a vacuum for competitors.

Enticing wide-open markets don't stay under-served for long, as both low-price start-ups and established, trusted brands in adjacent markets/countries move in seeking to 'fill the vacuum'. What happens when they do? Everything changes. Ask Holden.

Prediction: the under-served Australian consumer currently priced out of traditional one-to-one forms of financial advice and left to their own devices is shortly going to have an exciting number of digital options from which to choose — from both new, emerging companies and well-established and trusted (aspirational) brands. This vacuum — the advice gap — will be addressed. As vacuums always are.

Although who will emerge as the winners in this next iteration of wealth management remains to be seen.

To conclude, let's go back to Aristotle, who formulated the truism Nature Abhors a Vacuum. His most famous student was of course the world's greatest military conqueror, Alexander the Great — now there was a man who abhorred a vacuum.

OpenInvest configures and deploys white label digital investing solutions for its partners, allowing them to offer their own portfolios and associated content, in their branding, to their audience, in their way. You can find out more about the OpenInvest digital platform at www.openinvest.com.au/for-advisers.

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[1] Data from Netwealth's Advisable Australian 2022 report.

[2] For anyone who finds the implications of the Great Wealth Transfer interesting, I'm hosting a panel discussion on this topic at the Association's upcoming conference (High Touch – High Tech).

[3] That is for both their retail banking and/or wealth offerings — but it's still an incredible number given they only launched their digital retail bank in 2016.

[4] As I described in a previous article in this publication (How Stockbrokers Can Reach the Next Generation), all of the other major wealth and asset management brands in the US similarly have digital investing solutions to reach the mass market (JPMorgan, UBS, Merrill Lynch, Vanguard, etc).

[5] Well, I find it fascinating, but then, I'm old. Perhaps to young people it's the most natural, obvious thing in the world.

FOUR FACTORS DRIVING THE NEXT COMMODITIES SUPERCYCLE

Geopolitics, lower investment, increasing mining complexity and new demand drivers will support higher commodity prices for longer.

By Kevin Bertoli, Portfolio Manager, PM Capital

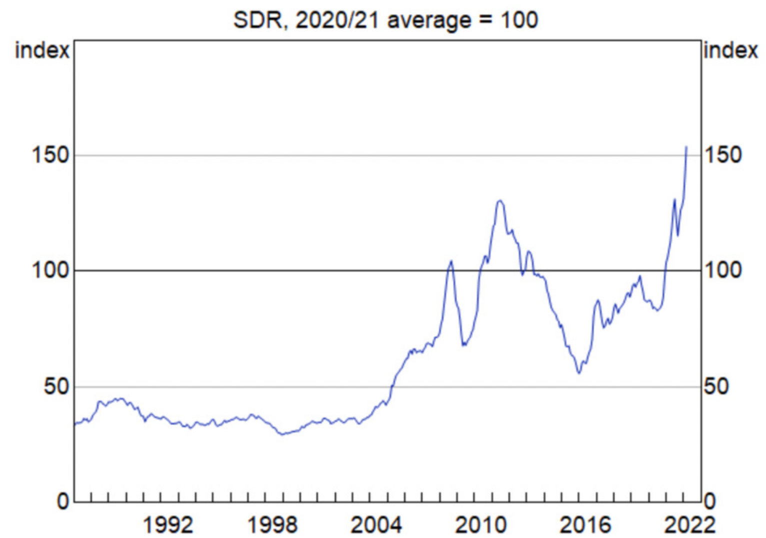
Are high commodity prices sustainable? Few investment questions are more important amid expectations that a new commodities supercycle is starting.

In Australian-dollar terms, commodity prices have soared 49% since January 2021, shows the RBA Index of Commodity Prices.[1] Gains this year have propelled the Index past its 2011 peak.

The commodity rally has underpinned global resource-sector outperformance. The MSCI World Metals and Mining Index has returned 25.6% year-to-date.[2] The MSCI World Index has a negative 5.1% return over that period.

Boosted by surging oil prices, the MSCI World Energy Index has returned 31% year-to-date.[3] Energy was the top-performing sector in 2021.

Chart 1: RBA Index of Commodity Prices



Source: RBA

Clearly, equity managers who were underweight commodities in the past 12 months missed a significant source of alpha (a return greater than the market return).

After these gains, some investors might think it's too late to invest in resource stocks. In doing so, they risk portfolio underperformance in the medium term.

To be clear, a pullback in commodity prices this year would not surprise given the extent of gains. Some commodity tailwinds won't last. COVID-19 created supply-chain bottlenecks and labour shortages. These constraints will eventually moderate.

Russia's invasion of Ukraine sparked a commodity supply shock, headlined by soaring oil and gas prices. Although still elevated, energy prices have retreated from their March high.

Demand destruction is another commodity risk. Russia's war will weigh on Eurozone growth. China is battling a large COVID-19 outbreak. The United States faces a series of rate rises to tame inflation.

However, PM Capital's view is not based on short-term supply shocks or demand drivers (although we like demand for copper from electric vehicles).

Rather, our view is based on longer-term supply constraints. It's getting harder, costlier and taking longer to produce some commodities.

The previous mining boom was largely demand driven. China and India had rising demand for coal and iron ore. This commodity boom will be more supply driven – something the market continues to underestimate.

PM Capital's analysis of supply constraints led us to establish a significant position in the resource sector. In 2018, we bought tier-one copper producers and added to that position in 2020. At the time, copper was out of favour.

As our copper holdings rallied, we reduced exposure and rotated into oil in the second half of 2021. We are still positive on copper and retain a position in select producers. But after strong gains, valuation anomalies are no longer extreme.

Energy and industrial commodities comprise 28% of the PM Capital Global Companies Fund and 38% of the PM Capital Australian Companies Fund.[4] Our early position in the resources sector has been a key contributor to the funds' strong outperformance over one and three years.[5]

We retain a large position in select energy and copper producers for four reasons:

1. Geopolitics

Russia's war on Ukraine will affect commodity markets for years. Russia is the world's largest gas exporter, the second largest oil exporter and third largest coal exporter.

International condemnation of Russia will encourage European and other Western nations to reduce their reliance on energy from autocrats. Russia supplies around 70% of Europe's gas and about 30% of its coal.

European energy customers will need new suppliers in an already tight commodities market. This will exacerbate pre-existing supply constraints. None of this will be resolved quickly.

The war is also affecting Russian mining projects. Russia has two big copper developments underway: Baimskaya and Udokan. The latter is considered Russia's largest copper reserve. Together, these mines will produce the equivalent of 2% of global copper supply.

Both projects are now unable to access capital from Russia's banking system and they rely on western mining technologies and expertise. Udokan is backed by a Russian oligarch who has been hit by Western sanctions.

2. Reduced capital investment

A feature of this commodities cycle has been lower capital investment. In the previous boom, mining companies responded to super-cycle commodity prices with strong capital expenditure.

Commodity prices are higher now and margins at are at peak. Yet capital expenditure is less than half its peak level, as the chart below shows. Lower investment reduces the future rate of discoveries and production expansion.

Multiple factors have reduced mining investment. They include: a decade of lower prices after the last commodities supercycle; competition for capital with "new economy" sectors; and macroeconomic uncertainties created by COVID-19.

A key consideration today is the rise of Environmental, Social and Governance (ESG) investing, which has pushed out project timelines, increased project cost and in some areas stopped capital flowing completely. Fossil fuel projects are among the most affected.

In its landmark 2021 report[6], the International Energy Agency recommended no new investment in fossil-fuel supply projects, and no further final investment decisions for new unabated coal plants.

The energy sector has also attracted the attention of activist investors. In June 2021, Engine No. 1, a small US hedge fund that was supported by giant index funds, successfully waged a battle to install three directors on ExxonMobil's board.

Governments, too, are increasing pressure on energy companies. In May 2021, the Hague District Court in The Netherlands ordered Shell to reduce its worldwide carbon-dioxide emissions by 45% to 2030 (compared to 2019).

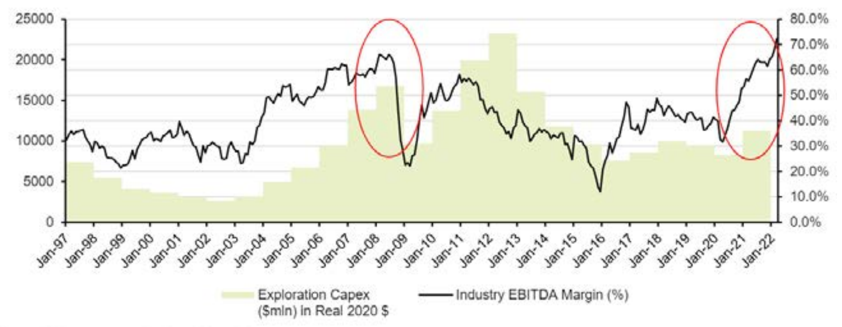
3. Mining complexity

Richard Adkerson, CEO of Freeport-McMoRan, a global copper producer, summed up the problems facing copper production:[7]

"The easy copper deposits have been found over the years. Modern deposits at the surface are of much lower grade and require tremendous investment in infrastructure, mining and processing. Increasingly, mines are underground where costs are greater."

PM Capital's analysis has similar findings. Growth in copper supply has slowed, there have been limited "mega discoveries", capital intensity of new mines is increasing and they are taking longer to get into production.

Chart 2: The industry is investing a fraction in exploration compared to the last time margins were this high



Source: SNL; company reports; Bernsetin analysis.

In Latin America, environmental concerns, water-scarcity issues and wage pressures have sparked protests. Some mining giants have abandoned projects.

4. New demand drivers

Although our positive commodity view is based primarily on supply challenges, there are emerging demand drivers.

Five times as much copper is used in electric vehicles compared to internal combustion engines, says Trafigura, a commodities trader.[8] Also, offshore wind farms are far more copper intensive than traditional electricity generation.

According to Bernstein research[9], the current reserve base for copper will need to more than double to meet electric vehicle demand by 2050. Significant new investment will be required for copper to meet that demand, creating conditions for lagging supply as copper demand accelerates.

PM Capital is an asset manager in global and Australian equities. Visit www.pmcapital.com.au for more insights

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1 Source: Reserve Bank of Australia. To March 2022.
2 Source: MSCI. To 31 March 2022. Index in US-dollar terms.
3 ibid.
4 At 31 March 2022.
5 To 31 March 2022. The PM Capital Global Companies Fund returned 17.8% pa over one year, 18.0% pa over three years, 13.8% pa over 5 years, 16.9% pa over 10 years and 9.7% pa since inception. The MSCI World Net Total Return Index (AUD) returned 11.7% pa over 1 year, 12.9% pa over 3 years, 12.8% over 5 years, 14.5% pa over 10 years and 5.8% pa since inception. The PM Capital Australian Companies Fund returned 24.4% pa over one year, 22.9% pa over 3 years, 12.9% pa over 5 years, 13.4% pa over 10 years and 11.3% pa since inception. The S&P/ASX Accumulation Index returned 15% pa over 1 year, 10.6% pa over 3 years, 9.2% pa over 5 years, 10.2% pa over 10 years and 8.4% pa since inception.
6 International Energy Agency (2021). "Net-zero by 2050: A Roadmap for the Global Energy Sector." May 2021.
7 Freeport-McMoRan, (2019), "Q3 2019 earnings call transcript," 30 September 2019
8 S&P Global (2021), "ESG concerns may slow mine development for energy transitions: Trafigura CEO." 15 July 2021.
9 In 2018.

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Michael Watson

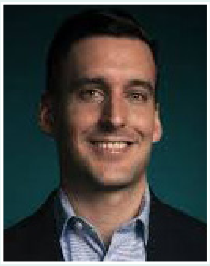
The non-bank credit fund market – for investors seeking low volatility income

Join Michael Watson, Senior Executive at La Trobe Financial, who will provide in-depth coverage of the non-bank credit fund market including discussion on the market size and the asset class universe, risk grading of assets, the credit approval process, portfolio positioning, the pitfalls and opportunities in the asset class and more.

Wed 11 May | 1.00 to 2.00pm

Professional Standards CPD:
1.0 Technical competence

RG146: 1.00 Generic knowledge



Pedro Palandrani

Investing in Big Data trends: Cyber security and cloud computing

Perhaps no investment theme has been more important to the business world since the COVID-19 outbreak than Big Data. Streaming in from the US, hear from Pedro Palandrani, Gltobal X's Director of Research, on why they expect the global economy to shift further into the cloud over time.

Please note that this webinar is for **MEMBERS ONLY**

Thurs 19 May | 8.30 to 9.15am

Professional Standards CPD:
1.0 Technical competence

RG146: 1.00 Generic knowledge

Simon Russell

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.

Wed 8 June | 1.00 to 2.00pm

Professional Standards CPD:
1.0 Client care and practice

RG146: 1.00 Generic knowledge

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

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THE RISE OF ALTERNATIVE ASSETS

Square pegs in round holes?

The rise in the use of alternative assets is demanding a rethink of ownership models by financial advisers and their higher net worth clients.

By Mark Papendieck, Chief Revenue Officer, Integrated Portfolio Solutions

It's not just historically low interest rates and 'buoyant' equity markets, and more recently soaring inflation concerns, that are pushing advisers to hunt for growth and yield from non-traditional sources. While investment advisers servicing ultra-high net worth investors have been seeking to generate alpha from alternative assets for many years now, we are seeing increasing proportions of alternative assets in high-net-worth investor (HNWI) portfolios across the board.

We would classify 'alternative' assets as those outside equities, bonds and cash; for example, private equity, structured products, real estate, syndicates, debt (private and DCM instruments), infrastructure, derivatives, physical assets such as commodities and of course digital assets.

In contrast to traditional investments, alternative assets are less dependent on market trends. They are more influenced by the inherent strength of each investment. A useful example is unlisted REITs. These are popular among investors because of their long-term passive nature and very limited correlation to market move-

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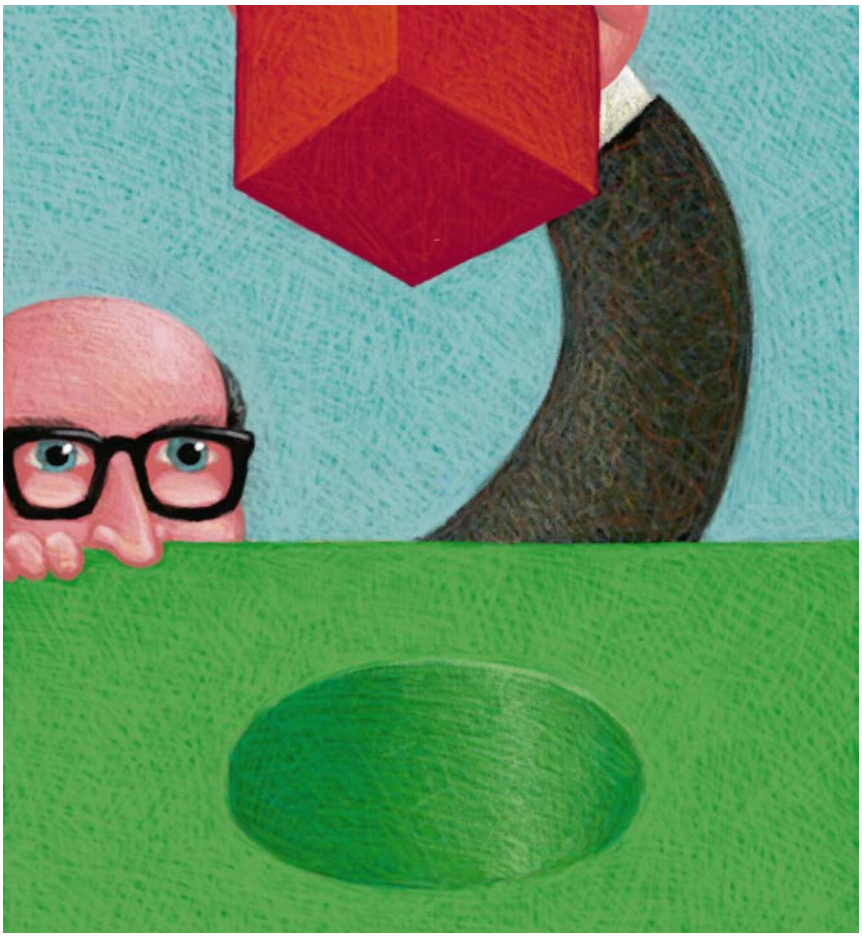
> However, the reality of alternative investments is that they fit like the proverbial square peg in the round hole of a custodial platform; creating administration and reporting headaches for many advisory businesses.



ments. Unlisted REIT cash flows are determined largely by the occupancy rate of the underlying assets.

It's not uncommon to see anywhere between 20%-50% of HNWI portfolios being invested in 'alternative' assets – in fact, of the $9bn that Integrated administers, over $2bn is invested in alternative assets and we expect this proportion to increase significantly. Several statistics including a survey from global investing firm KKR indicate that ultra-high net worth investors have 50% of their assets in alternatives.

However, the reality of alternative investments is that they fit like the proverbial square peg in the round hold of a custodial platform; creating administration and reporting headaches for many advisory businesses.

While the search for additional alpha is undoubtedly a driving force behind the rising inclusion of alternatives within portfolios, the increasing accessibility of these investments is also playing a role.

The two key elements of accessibility are the ability to source quality investment opportunities and the efficient and cost-effective administration and reporting of those investments.

In recognition that the movement towards directly held assets will only continue to grow, specialist back-office portfolio administrators like Integrated Portfolio Solutions are constantly working to increase the accessibility of alternative assets. For example, while Integrated already administers and reports on whatever assets an adviser may decide to include in an investor's portfolio, they are now making it even easier to source and manage these assets.

We are currently looking at ways to more easily access digital assets like crypto currency desks, DCM deals, private equity opportunities and other alternative investments for advisers and portfolio managers, which have long been the domain of institutional investors. In the past it's been even harder for investment advisers to access these investments as traditional investment platforms have not been able to facilitate access to their approved product lists.

Research by CoreData in late 2020 revealed that a third of surveyed advisers used three platforms to administer and track client investments with one in five using two platforms and a similar proportion using four.

By enabling the sourcing and reporting of alternative investments in combination with the reporting and administration of more traditional assets, non-platform back-office portfolio administrators can start to not just relieve the burden on advisers created by having more client assets being held off-platform or across several platforms – but remove the burden entirely.

The increasing use of alternative investments poses questions beyond just portfolio construction. For example, when providing advice to clients, should financial adviser considerations include whether or not the client should hold any or all assets directly rather than through a custodial platform? This is because a strong case can be made that a client's investment universe should only be limited by their and their adviser's imagination, not the limitations of a platform or product structures.

With the technological advancements of the last decade, investors and advisers can get the key benefits of platforms without the complications of a custodial product, so shouldn't every piece of advice consider not just alternative assets but also alternative ownership strategies?

ASX information freely available to assist with investment research

Details on 600 investment products updated monthly.

By Martin Dinh, Manager, Investment Products, ASX

Although most investors would be familiar with ASX-listed shares to build wealth, ASX's Investment Product range extends beyond shares and includes:

- Exchange Traded Products (ETPs)
- mFunds
- Listed Investment Companies and Trusts (LICs and LITs)
- Australian Real Estate Investment Trusts (A-REITs), and
- Infrastructure Funds, which encompass a broad range of investment objectives.

There are currently more than 600 Investment Products available on ASX. To assist investors with their research, ASX publishes a comprehensive Investment Products Monthly Report which is available on the ASX website free of charge and is updated on a monthly basis.

The ASX Investment Products Monthly Report uses data supplied by an array of data partners (such as Iress and Bloomberg), Investment Product Issuers and ASX's own internal database. It provides data going back to 2017.

So, whether the investor is a novice or a seasoned investor, the ASX Investment Products Report can be a useful tool that they can use to conduct their research and compare their different investment options.

Exchange Traded Products (ETPs)

ETPs are an open-ended fund available on ASX that provides exposure to a basket of underlying securities.

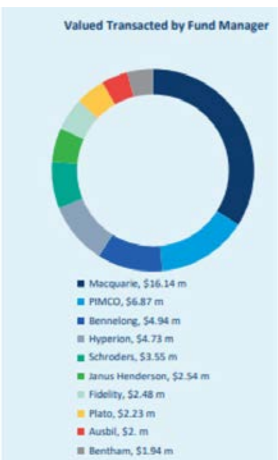
The ASX Investment Products Report contains a monthly breakdown of the entire ETP market including asset growth, trading activity and asset class breakdown.

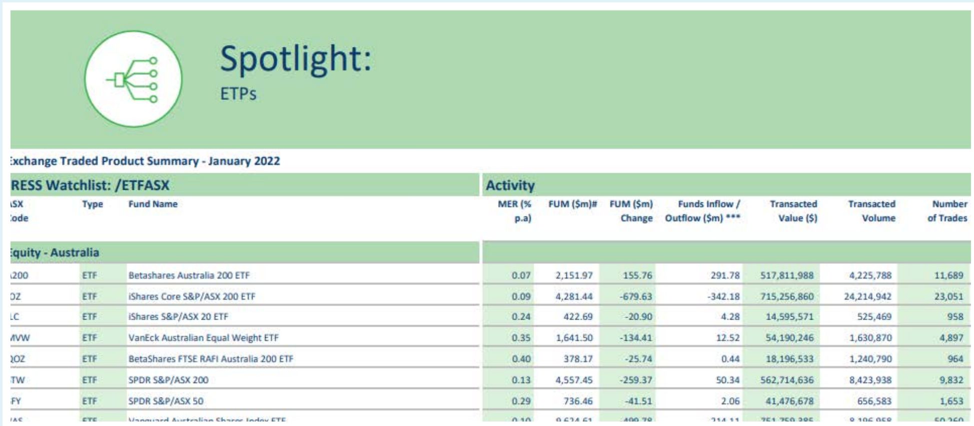
The ASX Investment Products Report also includes monthly statistics for each ETP provider, including their total funds under management, inflows/outflows and transaction activity.

ASX also publishes comprehensive data on each ETP in the ETP Spotlight Table.

The ETP Spotlight Table categorises each ETP by its asset class and includes key statistics such as:

- fund size
- listing date
- one month, one year, three year and five-year performance returns
- trading activity and liquidity





Spotlight:

ETPs

xchange Traded Product Summary - January 2022

RESS Watchlist: /ETFASX			Activity						
SX ode	Type	Fund Name	MER (% p.a)	FUM ($m)#	FUM ($m) Change	Funds Inflow / Outflow ($m) ***	Transacted Value ($)	Transacted Volume	Number of Trades
quity - Australia									
200	ETF	Betashares Australia 200 ETF	0.07	2,151.97	155.76	291.78	517,811,988	4,225,788	11,689
OZ	ETF	iShares Core S&P/ASX 200 ETF	0.09	4,281.44	-679.63	-342.18	715,256,860	24,214,942	23,051
LC	ETF	iShares S&P/ASX 20 ETF	0.24	422.69	-20.90	4.28	14,595,571	525,469	958
VW	ETF	VanEck Australian Equal Weight ETF	0.35	1,641.50	-134.41	12.52	54,190,246	1,630,870	4,897
OZ	ETF	BetaShares FTSE RAFI Australia 200 ETF	0.40	378.17	-25.74	0.44	18,196,533	1,240,790	964
TW	ETF	SPDR S&P/ASX 200	0.13	4,557.45	-259.37	50.34	562,714,636	8,423,938	9,832
FY	ETF	SPDR S&P/ASX 50	0.29	736.46	-41.51	2.06	41,476,678	656,583	1,653

Source: ASX Investment Products report

Spotlight:

Listed Investment Entities
(incl. Listed Investment Companies & Listed Investment Trusts)

isted Investments Summary - January 2022

RESS Watchlist: /XIC			Activity										
SX Code	Type*	Fund Name	MER (% p.a)	Outperf Fee	Mkt Cap ($m)#	Mkt Cap ($m) Change	Transacted Value ($)	Transacted Volume	Number of Transactions	Monthly Liquidity %	Prem/Disc % NTA (pre-tax) at NTA Date	NTA Date
quity - Australia												
FI	Shares	Australian Foundation Investment Company Limited	0.18	No	10,494.83	122.60	74,867,085	8,730,210	16,277	0.08%	9.0%	31-12-21
MH	Shares	AMCIL Limited	0.77	No	371.32	-33.07	1,661,011	1,268,917	241	0.34%	0.4%	31-12-21
RG	Shares	Argo Investments Limited	0.18	No	7,219.82	-181.77	47,253,317	4,688,615	6,382	0.06%	6.9%	31-12-21
UI	Shares	Australian United Investment Company Limited	0.13	No	1,207.4	-25.02	12,682,355	1,282,819	984	0.11%	-6.1%	31-12-21
KI	Shares	BKI Investment Company Limited	0.19	No	1,233.36	0.00	15,741,124	9,432,504	1,705	0.76%	-6.2%	31-12-21
AM	Shares	Clime Capital Limited	n/a	n/a	124.24	-5.62	2,145,966	2,416,217	445	1.94%	-1.1%	31-12-21
DM	Shares	Cadence Capital Limited	1.00	Yes	301.11	7.38	7,054,359	6,954,600	1,278	2.31%	-14.1%	31-12-21
VLS	Shares	WCM Global Long Short Limited	0.95	No	26.84	-1.71	1,083,728	1,528,162	153	5.69%	-11.7%	31-12-21
IN	Shares	Carlton Investments Limited	0.10	No	807.74	-26.47	2,108,235	66,881	152	0.01%	-22.9%	31-12-21
JW	Shares	Djerriwarrh Investments Limited	0.39	No	757.01	-26.02	12,260,923	3,734,823	1,634	0.49%	-4.6%	31-12-21
XI	Shares	Diversified United Investment Limited	0.17	No	1,062.44	-42.67	6,923,831	1,355,937	878	0.13%	-5.0%	31-12-21

Source: ASX Investment Products report

- historical distribution yield
- average bid/offer spread, and
- Management expense ratio.

The ETP Spotlight table is also available in an Excel version which enables ETPs to be filtered by fund size, average bid/offer spreads, performance, trading activity or etc.

Listed Investment Companies/Listed Investment Trusts (LICs/LITs)

LICs/LITs are a closed-ended vehicle available on ASX that provides exposure to a basket of underlying securities.

The Investment Products Report contains a monthly breakdown of the LIC/LIT market including market capitalisation growth, asset class breakdown, the most frequently traded LICs/LITs and a graph of the number of LICs/LITs trading a premium or discount to its NTA.

ASX also publishes granular data on each LIC/LIT in the LIC/LIT Spotlight Table.

The LIC/LIT Spotlight Table categorises each LIC/LIT by its asset class and includes key statistics such as:

- Market capitalisation
- listing date
- one month, one year, three year and five-year performance returns
- premium/discount to Net Tangible Assets (NTA)
- trading activity and liquidity, and
- historical distribution yield.

The LIC/LIT Spotlight Table is also available in an Excel version which enables LICs/LITs to be filtered by market capitalisation, performance, premium/discount to NTA, trading activity etc.

mFunds

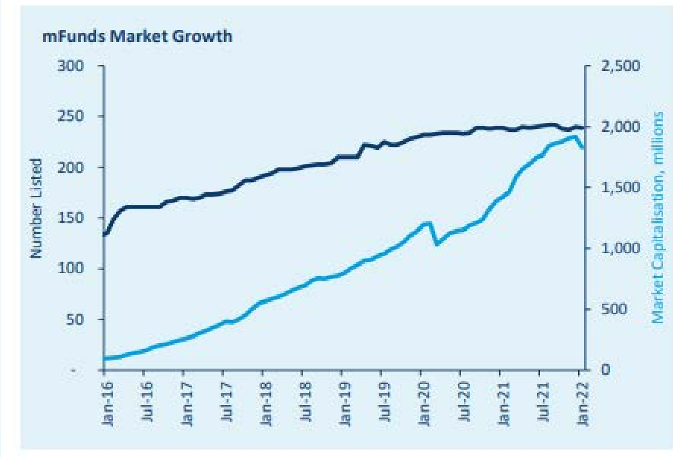
mFunds are open-ended unlisted funds available on ASX that provide exposure to a basket of underlying securities.

The ASX Investment Products Report contains a breakdown of the mFund market including funds under management, growth, asset class breakdown and the most frequently transacted mFunds on a monthly basis.

ASX also publishes data on each individual mFund in the mFund Spotlight table.

The mFund Spotlight table categorises each mFund by its asset class and includes key statistics such as:

- fund size
- admission date
- inflows and outflows
- returns over a one-month, three-month, one-year, three-year and five-year period



Source: ASX Investment Products report

- transaction activity, and
- Management expense ratio.

The mFund Spotlight table is also available in an Excel version which allows mFunds to be filtered by fund size, performance, transaction activity, management expense ratio etc.

Spotlight:
mFund

nFund Product Summary - January 2022

RESS Watchlist: /MFUND			Activity						
SX ode	Type*	Fund Name	MER (% p.a)	FUM ($m)#	FUM ($m) Change	Funds Inflow / Outflow ($m) ***	Transaction Value ($)	Transaction Volume	Number of Transactions
quity - Australia									
CA01	mFund	AMP Capital Australian Equity Income	0.720%	1.069	-0.058	-0.009	52,018	46,861	19
CY01	mFund	Armytage Australian Equity Income Fund	1.430%	3.698	-0.258	0.003	33,219	41,043	31
CY02	mFund	Armytage Strategic Opportunities Fund (Wholesale)	1.780%	1.569	-0.164	0.004	4,616	6,983	3
ET04	mFund	Australian Ethical Australian Shares Wholesale	1.100%	4.296	-0.409	0.012	13,244	4,211	21
XW07	mFund	Ausbil Australian Concentrated Equity Fund	0.750%	0.113	-0.009	0.000	307	211	1
XW08	mFund	Ausbil Active Sustainabel Equity Fund	1.000%	0.373	0.003	0.039	42,184	27,159	9
FZ19	mFund	Aberdeen Ex-20 Australian Equities Fund	0.950%	1.405	-0.171	0.001	1,402	255	7

Source: ASX Investment Products report

Australian Real Estate Investment Trusts (A-REITs) and Infrastructure Funds

A-REITs and Infrastructure Funds are a close-ended investment vehicle available on ASX that provides exposure to property and infrastructure assets.

The ASX Investment Products Report contains a monthly breakdown of the A-REIT and Infrastructure Fund market including market capitalisation growth, asset breakdown and the most frequently traded A-REITs and Infrastructure Funds.

ASX also publishes granular detail on each A-REIT and Infrastructure Fund in the A-REIT and Infrastructure Funds Table.

The A-REITs and Infrastructure Funds Table categories each product by its asset class and includes key statistics such as:

- admission date
- market capitalisation
- returns over a one-month, three-month, one-year, three-year and five-year period, and
- transaction activity and liquidity.

The A-REITs and Infrastructure Funds Table is also available in an Excel version, which enables A-REITs and Infrastructure Funds to be filtered by market capitalisation, performance, transaction activity etc.

Source: ASX Investment Products report

Spotlight:
AREITs

AREIT Product Summary - January 2022

ASX A-REIT Profiles			Activity					
ASX Code	Type*	Fund Name	Mkt Cap ($m)#	Mkt Cap Change ($m)	Transacted Value ($)	Transacted Volume	Number of Trades	Monthly Liquidity %
Property - Australia								
ABP	Stapled	Abacus Property Group	2,853.15	-299.46	68,315,784	19,209,391	44,800	2.4%
AGJ	Units	Agricultural Land Trust	3.66	.	-	-	-	0.0%
AOF	Stapled	Australian Unity Office Fund	371.51	-14.79	2,910,727	1,274,226	1,780	0.8%
APW	Units	Aims Property Securities Fund	53.75	-.67	53,689	44,452	23	0.1%
APZ	Stapled	Aspen Group	216.33	-25.12	662,630	407,888	288	0.3%
ARF	Stapled	Arena REIT.	1,620.87	-82.94	132,656,895	27,993,400	80,465	8.2%
AVN	Units	Aventus Group	1,851.23	-205.69	82,592,766	24,730,798	38,190	4.5%
BWF	Units	Blackwall Limited	55.12	16.31	1,959,047	2,563,662	446	3.6%
BWP	Units	BWP Trust	2,550.26	-115.63	114,065,720	28,375,358	50,423	4.5%
CDP	Units	Carindale Property Trust	337.17	3.56	1,341,045	288,866	312	0.4%
CHC	Stapled	Charter Hall Group	7,927.43	-1,658.26	818,636,325	45,761,686	338,364	10.3%
CIP	Stapled	Centuria Industrial REIT	2,405.07	-246.84	155,823,939	40,197,936	61,377	6.5%
CLW	Stapled	Charter Hall Long Wale REIT	3,462.58	-165.23	294,122,415	59,979,659	77,941	8.5%

Source: ASX Investment Products report

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The five biggest headaches for brokers today and the surprising solution many are turning to

We are all aware that we are living in an ever-changing world. New products, new companies, new ideas and new rules seem to be coming at advisers at a seemingly never-ending pace. Though right now there seems to be five things that are facing advisers today that are causing the most headaches.

By Markus Mueller, Co-Founder, Australian Bond Exchange

Advice regulation

Regulators globally, and certainly locally are constantly tinkering with the regulatory landscape when it comes to financial advice. We have seen the potential for some common sense recently with respect to the education standards for financial advisers, but only after years of angst felt by members of the industry and uncertainty continues. We are all now starting to see the effects of the DDO regulations (and particularly with respect to hybrids). Many advisers are concerned that we have not heard the end of it, and with the continuation of discussion of the wholesale investor test it would appear that more regulatory change will be coming soon for advisers to be across.

Margins eroding

The more mature advisers amongst us will remember fixed rate brokerage of 2.5% as the going rate. Those days are long gone, and with it the implied requirement for a private investor to speak to an adviser prior to executing a trade. While advances in technology have reduced transaction costs significantly, compared to decades ago, good advice is still worth paying for, but that message is being drowned out by advertising promoting self-service, new-style websites with names we can't spell.

Digitalisation of the industry – how to stay relevant

While it is great that technology has made it possible for individuals to invest quickly and cheaply using self-directed websites, there is a strong argument that they would be better off if they received some advice from a professional before putting their money into the 'next big thing'. Sadly, most advisers add their most value to clients by talking them out of doing something they should not do – and they can't charge brokerage for a trade not done!

Volatile markets at an all-time high

After rebounding strongly from March 2020, the ASX 200 has drifted sideways for the better part of the last 12 months. This followed the significant changes to government policy settings in response to the COVID 19 pandemic, which occurred during a period of significant monetary policy easing across the globe. Of course, Russia decided to hit the headlines again, so we now have an escalating war to add to our investment considerations for clients. Sadly, for advisers, more than half of investors think that being invested in a 10% market decline is a worse scenario than missing a 10% market increase, so the pressure to be right is now higher than ever.

The squeeze on hybrids

The new Design and Distribution Obligation (DDO) is making it harder for retail investors to participate in the very popular T1 Bank Hybrid market and the major banks have decided that they are not willing to offer them to the general public (the ANZ Capital Notes 7 is a recent example). This also includes so-called rollover application which further reduces the choice available for ordinary investors to participate in this very popular and controversial market segment.

This of course extends to self-directed retail investors who choose to use online platforms with no advice to enter the market and shareholders of the bank themselves to whom banks market directly themselves. This forces retail investors to buy only in the secondary market often at prices much higher than the issue price in the primary market, which further disadvantages the ordinary investor as well as coming at the expense of primary issuance placement fees historically earned by advisers.

What's old is now new again

In recent times more advisers are turning to the Australian Bond Exchange (ASX: ABE) as a solution to add capital protection and income stability to client portfolios, while also adding to assets under advisement and promoting a closer relationship with advisers and their clients.

In an age where new products are being created with ever-increasing complexity, bonds – which are the world's oldest financial product – are being increasing sought by advisers. Interestingly, many advisers are finding that bonds give them access to the part of the client's portfolio that they do not usually talk to the broker about – cash and term deposits. At a time of low interest rates and increasing inflation, money in cash and term deposits is basically losing purchasing power for clients over the longer term. This has led many investors to turn to bonds to provide better returns while still enjoying capital protection for the part of their portfolio that advisers often do not see.

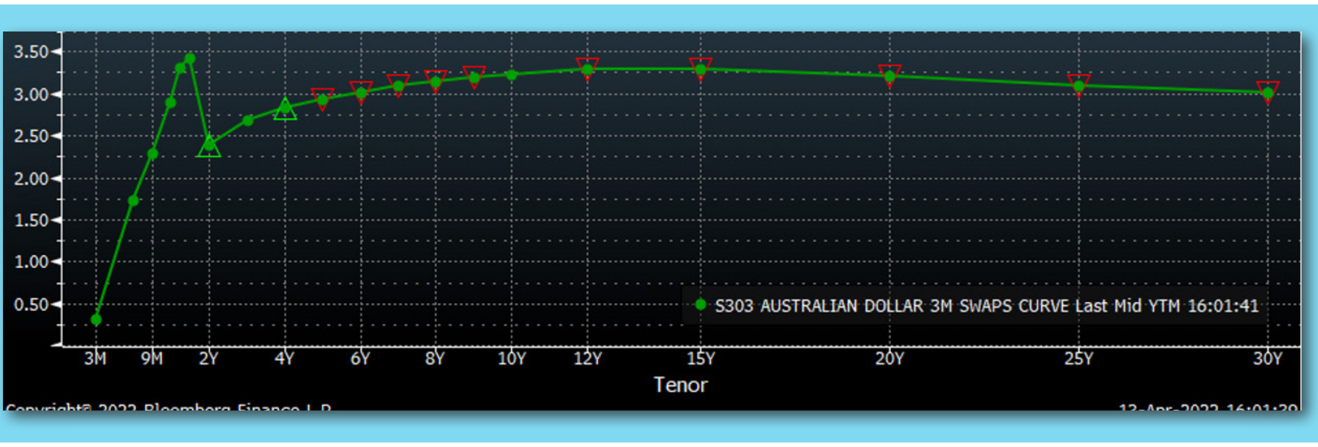
Three myths about bonds busted

Despite being around for many years, many people have heard misleading catchphrases about bonds that upon closer inspection prove to be erroneous at best, and dangerous at worst.

1. When interest rates go up bonds go down – it's high school economics!

The myth that one loses money in bonds in a rising interest rate environment is drawn mostly from high school economics. However, the reality is that the market factors in the probability of interest rate increases in real time and usually the bond market is a better predictor of interest rate moves than both high school teachers or the stock market. At present the Australian three-month swaps curve is expecting significant increases in interest rates over the next 18 months, as shown in the graph below.

In an increasing interest rate environment, the case for investing directly into bonds becomes overwhelming as



clients have the benefit of the choice of selling in the secondary market or being able to hold the bonds to maturity as opposed to a bond fund where investors can only sell in the secondary market for a return of their capital.

2. The bond market is not liquid – or is it?

The OTC bond market is far more liquid than what many advisers have been led to believe. The misconception has mostly grown from Australian advisers and their clients not having transparency into the OTC bond market as they do for the equity market. This transparency has been largely solved by the joint venture between IRESS and ABE whereby IRESS users are able to see live market pricing, trade using the IRESS order pad and utilise the ABE asset register to provide an efficient transaction, settlement and post-trade solution for brokers and planners in Australia. ABE has been connected with X-plan users for a number of years now and planners have benefitted from seamless valuation pricing of bonds in their client portfolios as part of the X-plan product offering.

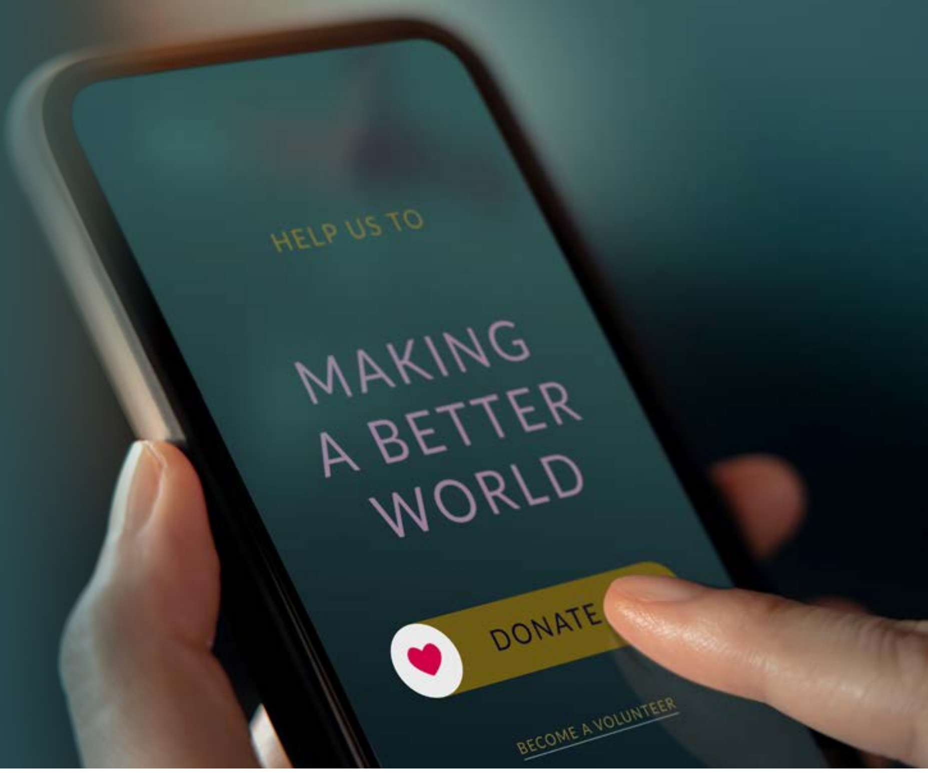
> “
>
> Many Australian companies choose to not obtain a rating from the larger ratings agencies, as they are prohibitively expensive.

3. Unrated bonds are risky – or are they just unrated?

Many Australian companies choose to not obtain a rating from the larger ratings agencies, as they are prohibitively expensive and many professional bond investors would rather perform their own analysis and receive a higher interest rate from the company than they would otherwise have paid for from the rating agency. The Australian Bond Exchange observed that idiosyncrasy and saw the opportunity for Australian private investors to obtain the enhanced yields that professional fund managers were receiving, but recognised that they also needed some form of credit analysis. Thus was born the Quotation rules, which are much like listing rules for the ASX, but are far more focused on investment quality for Australian investors.

ShareGift Australia

– an innovative, unique way of charitable giving



ShareGift Australia is a unique in Australia, offering service to both retail and corporate investors. The power ShareGift Australia has lies in the impact it creates by consolidating multiple sources of capital that ultimately becomes an innovative income stream for charities.

By David Mann, CEO, Sharegift

Since inception, ShareGift Australia has donated $3.65 million to more than 450 million charities across a broad range of cause areas, including health and medical research, education, poverty and disadvantage, youth, environment and international aid.

For retail investors - ShareGift Australia assists people who have unmarketable share parcels and are at a loss as to what to do with them. ShareGift Australia can aggregate these from a number of different investors and at the end of the year, distribute the aggregated sales proceeds to nominated charities. Alternatively, the donor may simply be looking to make a charitable donation and chooses to do so via a gift of shares rather than cash or other means.

Regardless, it's an effortless, fantastic way to give to charities and benefit the community and at the same time.

For retail investors, it's as simple as completing a downloadable form, noting that the shares must be held in actively traded ASX listed securities, each share parcel must have a total value over $2 and not held in Self-Managed Super Funds (SMSF). The shares are then sold - free of brokerage and the money donated to ShareGift Australia (a registered DGR charity) from which distribution are made to nominated charities based on recommendations from donors.

The benefits to shareholders include not only the knowledge that they are supporting Australian charities, but arising from aspects including that donations $2 and over are tax-deductible at full market value, there are no brokerage costs, it can be a one-off or repeat service, it has the ability to realise any tax loss on share investment, it's an easy way to give to charity and it's an efficient means to donate small amounts that aggregate to meaningful impact.

For our Corporates, ShareGift Australia can provide assistance across a range of actions - again all designed to increase shareholder giving to benefit charities. These corporate actions can be related to Dividend Reinvestment Plans, Share Purchase Plans, Residual cash balances, share sale facilities, demergers or acquisitions and dormant reinvestment plans to name a few.

For example, ShareGift Australia worked with NAB on the demerger and IPO of Clydesdale Bank (CYBG) in February 2016. The collaboration between NAB and ShareGift Australia enabled prospective holders of small parcels of CYBG shares to donate their allocated securities to charity. This was the first time philanthropic giving had been structured directly into a sale facility as part of a corporate action of this type in Australia and resulted in $100k being raised for charity.

The benefits to corporates of engaging with ShareGift Australia are that it can reduce costs to the company, including transaction costs, relieves administrative burden, including share registry maintenance, due diligence on receiving charities is taken care of, it strengthens a company's corporate social responsibility (CSR) strategy and community partnerships, demonstrates corporate leadership in supporting the charitable sector and provides reputational benefits via one-off or ongoing charitable contributions.

If you would like more information on ShareGift Australia and how you can help advise a retail investor or a corporate about innovative charitable giving – please contact CEO David Mann on DMann@Good2Give.ngo or 0409 640 032.

CFD product intervention order extended for five years

ASIC has extended the product intervention order imposing conditions on the issue and distribution of contracts for difference (CFDs) for a further five years, to 23 May 2027.

ASIC also released Report 724 *Response to submissions on CP 348 Extension of the CFD product intervention order*. The report summarises the analysis of the impact of the order, using data from over 60 CFD issuers. It highlights the key issues raised in submissions to Consultation Paper 348 *Extension of the CFD product intervention order* and details ASIC's responses to those issues.

ASIC found that the product intervention order has been effective in reducing the risk of significant detriment to retail clients resulting from CFDs. For example, it observed during the order's first six months of operation:

- a 91% reduction in aggregate net losses by retail client accounts (from $372 million to $33 million aggregate net loss per quarter on average)
- 51% fewer loss-making retail client accounts per quarter on average
- an 87% decrease in margin close-outs affecting retail client accounts per quarter on average
- an 88% reduction in negative balance occurrences for retail clients per quarter on average.

The extension of the product intervention order for five years will ensure that the leverage ratio limits and other protections can continue to reduce the size and speed of retail clients' CFD losses.

Changes make super appealing for clients with cash

By Jason Spits, Senior Journalist, selfmanagedsuper

As stockbrokers and investment advisers, superannuation is unlikely to be a core focus of your day- to-day activities, but you may have clients who invest via their super fund or plan on using their investments for retirement.

For those clients, now is a good time to be looking at tax-effective places for retirement savings and those that have been provided courtesy of the federal government.

While this year's budget had almost no changes to superannuation, last year's budget introduced a raft of changes that take effect from 1 July and may appeal to people looking to set aside investment returns for their future.

The first of these is the downsizer contribution scheme where the contribution age will drop from 65 to 60 from the start of the new financial year.

Under the scheme, a superannuation fund member can make a one-off contribution of up to $300,000 regardless of how much money they already have in super when selling a primary residence that has been owned for more than 10 years. It was assumed the $300,000 had to come from the proceeds of the sale, but that is not the case.

The Australian Taxation Office has confirmed the $300,000 contribution can be made as cash from other sources or as an in-specie contribution, such as listed shares, but this latter contribution would only be possible with a self-managed superannuation fund (SMSF).

The second change is the removal of the work test for people aged 67 to 74 when making a non-concessional contribution (NCC) into superannuation.

This means people aged 67 to 74 no longer need to prove they have worked for 40 hours or more in any 30-day period in a financial year to be able to contribute up to $110,000 into superannuation from post-tax income or savings in that financial year.

The third change is the extension of bring-forward provisions from age 67 to 74, which allows anyone under 75 years of age to make an NCC of up to three times the annual NCC cap of $110,000 in that financial year, effectively moving $330,000 into superannuation in one year.

This change allows access to future-year NCC caps – but can only be used once every three years – so, for instance, from 1 July 2022 a super fund member could contribute $110,000 for the 2023 financial year and a further $330,000 at the same time, accessing caps from the next three financial years, for a total contribution of $440,000.

For investors who have accrued savings or sold assets later outside the superannuation environment, these changes open a door to get money into super with an eye to it generating returns in a low-tax environment and funding a pension in the present and the future.

While all these options are available to members of retail, industry and SMSFs, only the latter will allow fund members to continue to manage their investments in the way they see best with input from their own investment professionals.

I am aware that as stockbrokers and investment advisers there are limits on the type of advice you can provide, due to your specialisation of skills and the current licensing regime, and there are also a few devils in the details of the changes around eligibility requirements and locking funds away until retirement age.

However, with the opportunities on the table, which now make superannuation a very useful tool well beyond age 65, being aware of the contribution opportunities available and allying yourself with another trusted professional who covers super makes sense as more people with greater levels of savings than ever prepare for retirement.

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