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Contents

Five great charts on investing for income

Shane Oliver

Since I first looked at 'Five great charts on investing for income' two years ago, the Australian cash rate has halved, 10-year bond yields have fallen by two thirds and interest rates have resumed falling globally. Ever-lower interest rates and periodic turmoil in investment markets provides an ongoing reminder of the importance of the income (cash) flow or yield an investment provides.

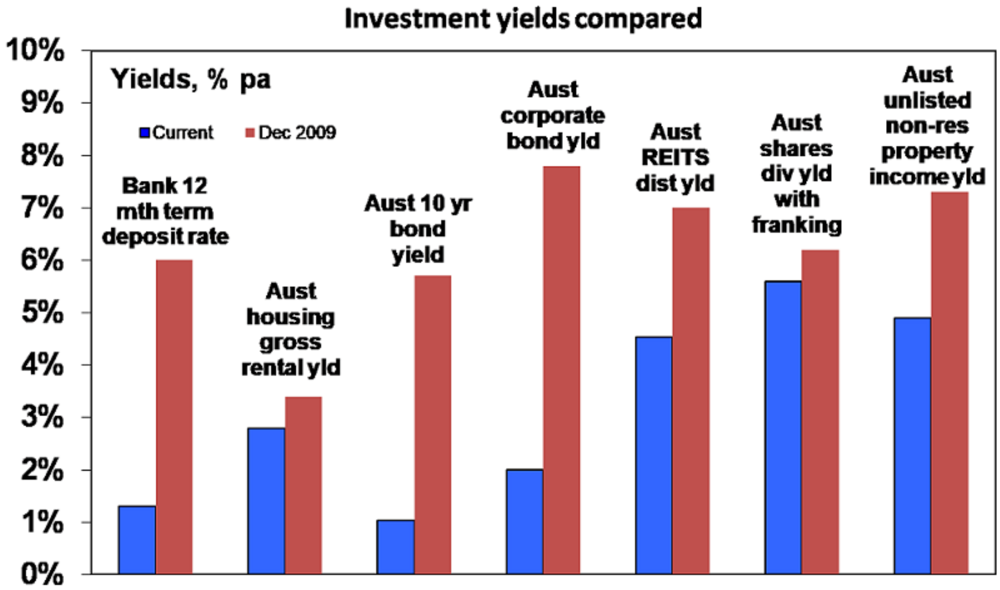
The environment of low interest rates is challenging for those relying on investment income to fund their living costs and investing for income can seem daunting. This note looks at five charts I find useful in understanding investing for income.

Chart 1 Alternatives to bank deposits

The income yield an investment provides is basically its annual cash flow divided by the value of the investment.

- For bank deposits, the yield is simply the interest rate, eg bank 1-year term deposit rates in Australia are about 1.3% and so this is the cash flow they will yield in the year ahead.
- For ten-year Australian Government bonds, annual cash payments on the bonds (coupons) relative to the current price of the bonds provides a yield of 1% right now.
- For corporate debt, it's a margin above government bond yields and depends on the riskiness of the company but is currently averaging around 2% in Australia.
- For residential property, the yield is the annual value of rents as a percentage of the value of the property. On average in Australian capital cities it is about 4.2% for apartments and around 2.8% for houses. After allowing for costs, net rental yields are about 2 percentage points lower.
- For unlisted commercial property, yields are around 4.9%.
- For infrastructure investment it averages around 4%, but franking credits could add 0.45% to this.
- For a basket of Australian shares represented by the ASX 200 index, annual dividend payments are running around 4.3% of the value of the shares. Once franking credits are allowed for, this pushes up to around 5.6%.

The next chart shows the yield available on a range of investments both now and in December 2009 for comparison.

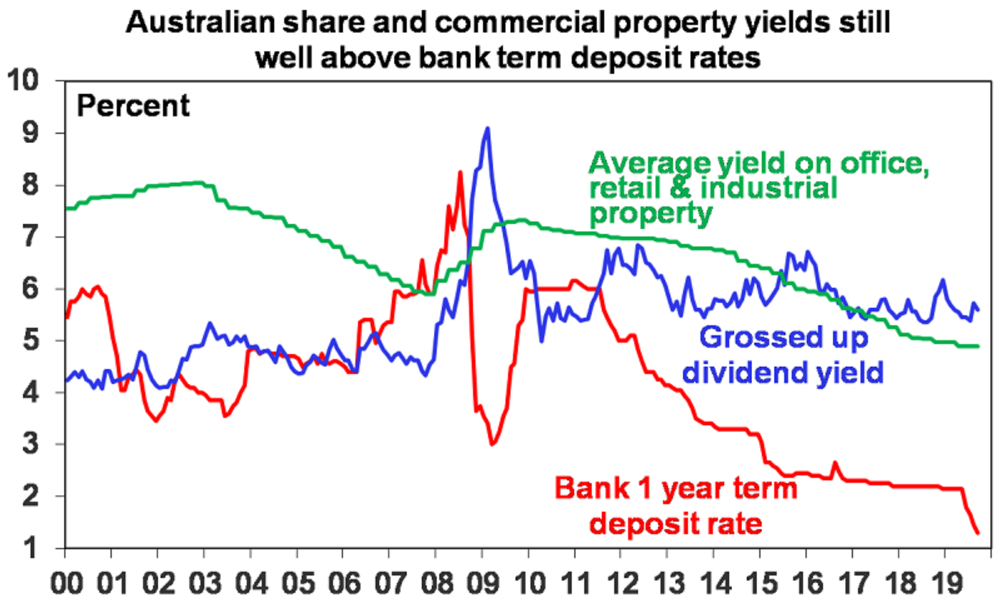


Source: Bloomberg, REIA, RBA, JLL, AMP Capital

Key messages: First, the yield on bank deposits and government bonds is woeful. Second, there are alternatives to cash when it comes to yield or income, notably shares, property and infrastructure but even here yields have generally trended down (albeit less so for shares). Of course, investors need to allow for risk. Bank deposits have close to zero risk but any move to higher-yielding investments does entail taking on risk.

Chart 2 The gap between yields on different assets provides a guide to value

The next chart shows average yields on Australian shares and unlisted commercial property relative to the one-year term deposit rate since 2000. With share and property yields not plunging to the degree bank deposit rates have, the gap between the former and latter is extremely wide. In fact, the share yield is in its historic range. All things equal, this suggests commercial property and Australian shares continue to provide better value. The same applies to unlisted infrastructure.

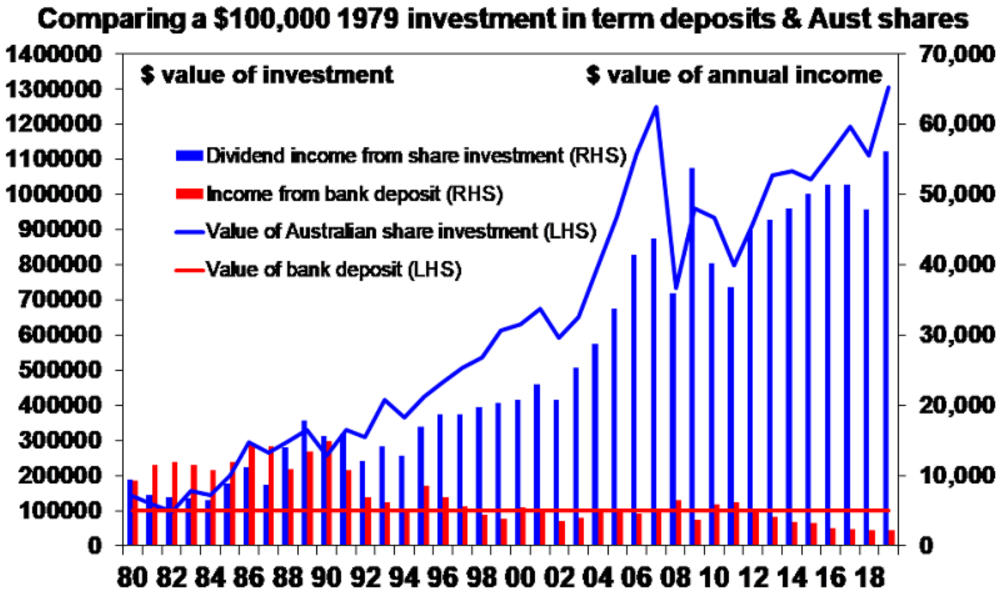


Source: JLL, Bloomberg, AMP Capital

Key message: comparing yields provides a guide to relative value, and shares and unlisted commercial property remain very attractive relative to bank deposits.

Chart 3 Shares can provide stronger growth in income with less volatility than bank deposits

Investing in shares entails the risk of capital loss, but can offer a higher and less volatile income flow over time. The next chart compares initial $100,000 investments in Australian shares (ASX 200) and one-year term deposits in December 1979 and the income they have provided over time (before franking credits are allowed for in the case of shares).



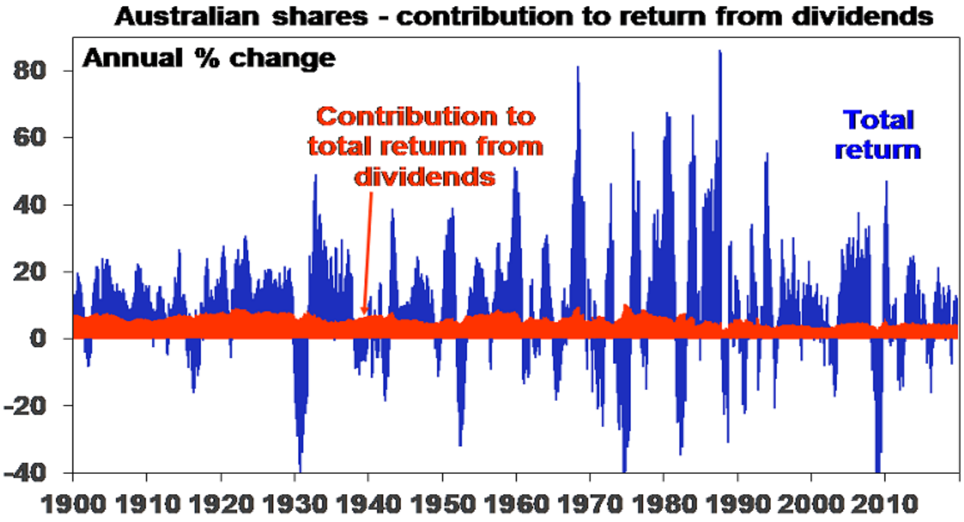
2019 data is year to date/annualised. Source: RBA, Bloomberg, AMP Capital

The term deposit would still be worth $100,000 (red line) and last year would have paid roughly $2200 in interest (red bars). By contrast the $100,000 invested in shares would have grown to $1.31 million (blue line) now and last year would have paid $47,792 in dividends before franking credits (blue bars). The point is that dividends tend to grow over time (because profits and hence an investment in shares tends to rise in value) and are relatively stable compared to income from bank deposits, which vary with interest rate settings. Over the period the worst decline in dividend income from shares was a 32% decline between 2009 and 2011, whereas the income from bank deposits plunged 68% between 1990 and 1994 and by 65% between 2011 and this year. And it's set to plunge even more given the falls in term deposit rates since June. Once franking credits are allowed for, the comparison would become even more favourable towards shares.

Key message: shares come with the risk of capital loss, but a well-diversified portfolio of Australian shares can provide stronger growth in income with less volatility in that income than bank term deposits. The key question investors focused on income (or cash flow) need to ask is what is most important: stability in the value of their investment or a higher, more sustainable income flow than bank deposits offer? But if investors do go down the share path, it's critical to have a well-diversified portfolio of shares paying high and sustainable dividend yields. Look for stocks that have a reliable track record of growing those dividends and that have dividends that are not threatened by things like excessive gearing.

Chart 4 A bird in the hand is worth two in the bush

A high and sustainable starting point yield provides some security during volatile times. Since 1900, dividends (prior to allowing for franking credits) have provided just over half of the 11.8% average annual return from Australian shares and as can be seen in the next chart their contribution has been stable in contrast to the capital value of shares.



Source: Global Financial Data, Bloomberg, AMP Capital

Dividends are relatively smooth over time because most companies hate having to cut them as they know it annoys shareholders, so they prefer to keep them sustainable.

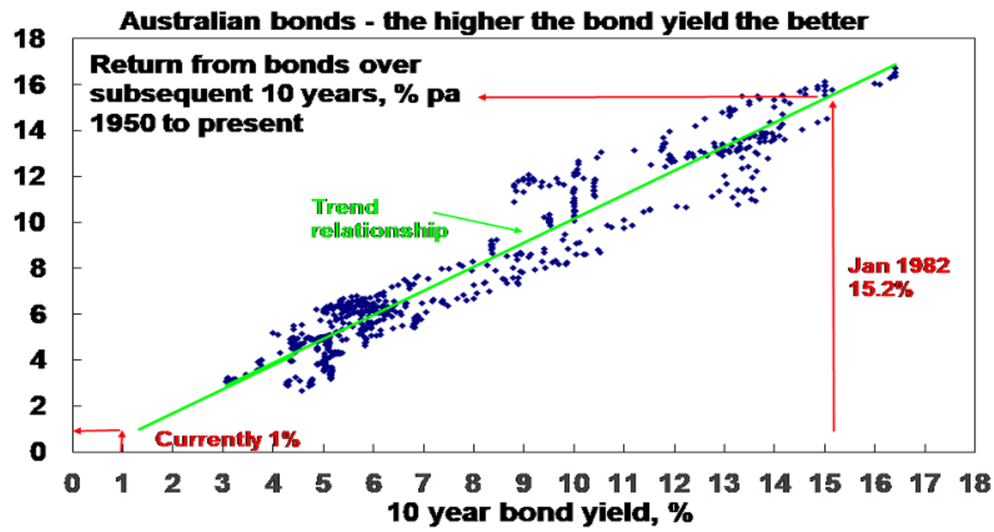
Key message: a high and sustainable income yield for an investment provides some security during volatile times. It's a bit like a down payment on future returns.

Chart 5 Yield provides a guide to future returns

The income yield an investment provides is a key building block in its total return, which is determined by the following.

Total return = yield + capital growth

Generally speaking, the higher the yield an investor invests at, the higher the return their investment will likely provide. This is self-evident in the case of bank deposits because the yield is the return (assuming the bank does not default on its deposits – which is very unlikely in Australia given government protections). It can be seen in relation to bonds in the next chart, which shows a scatter plot of Australian ten-year bond yields since 1950 (along the horizontal axis) against subsequent ten-year bond returns based on the Composite All Maturities Bond Index (vertical axis). Over short-term periods, bond prices can move up and down and so influence short-term returns, but over the medium term the main driver of the return a bond investor will get is what bond yields were when they invested. If the yield on a ten-year bond is 5%, then if you hold the bond to maturity your return will be 5%. Of course, a portfolio of bonds will reflect a range of maturities and so the relationship is not perfect, but it can be seen in the next chart that the higher the starting point bond yield, the higher the subsequent return.



Source: Global Financial Data, Bloomberg, AMP Capital

When bond yields are high, they drive high bond returns over the medium term and vice versa. For example, when Australian ten-year bond yields in January 1982 were 15.2% it's not surprising that returns from bonds over the subsequent ten years were 15.4% per annum. Similarly, when bond yields were just 3.1% in January 1950, it's no surprise that returns from bonds over the next ten years were 3.1%. At 1% now, we are off (the bottom of) the chart meaning record low bond returns for the next decade.

Similar, albeit less perfect, relationships exist for other asset classes – the higher the yield, the higher the subsequent return.

As always, there are some risks investors must watch out for. At the individual share level, a very high dividend yield may be a sign of a "value trap" – where current profits and dividends may be fine but there is an impending threat to the company and so the share price is low. Second, high distributions may also be unsustainable if they are being paid for out of debt and reflect excessive gearing or high-risk investments. There is no free lunch.

Key message: while returns have been solid lately, low investment yields do warn of lower returns ahead – most notably from government bonds.

Dr Shane Oliver is Head of Investment Strategy and Chief Economist at [AMP Capital](), a sponsor of Cuffelinks. This article is general information and does not consider the circumstances of any investor. Subscribe to [AMPC's Insights here]().

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How much will you risk to feel comfortable?

Charles Dalziell

If you were to look only at headline indices, you'd be forgiven for believing that we have been living through one of the longest bull-runs in history. In Australian dollar terms, the S&P/ASX200 price index is up 41% over the past 10 years, while the MSCI World and the S&P 500 have jumped 153% and 268% respectively.

But, if the world's stock markets are doing so well, why do so many investors seem so anxious?

A few big stocks have driven returns

It turns out they have good reason. While the headline indices look good, it is only because of a few US mega stocks that have done exceptionally well over the period. If you look at an equal-weighted version of the index, instead of the more common market capitalisation-weighted index, the average stock globally has been mired in bear territory for over 18 months, while the top 50 US companies have done significantly better.

Source: Bloomberg, Orbis. The Biggest US stocks series is the S&P 500 Top 50 Index, and the Equal-weighted global stocks series is the MSCI ACWI Equal Weighted Index. Bear market defined here as a price decline of >20% that has not been recovered.

In order to understand this unhappy bull market and where it might be headed, we need to go back to 2009.

Gun shy in the wake of the GFC, many investors took a safety-first approach. They filled their portfolios with assets they could trust and, more importantly, understand. As a result, government bonds and bond proxies, blue chip shares with recognisable names and stable share prices did well.

As interest rates fell closer to zero, quantitative easing continued and growth remained elusive, so the fears engendered by the subprime explosion that started everything were replaced by new worries. What if growth never returns? What happens when central banks turn off the liquidity taps? What has happened to productivity? These worries helped to push bond prices even higher and the price of stocks that were perceived to be safe or that demonstrated any kind of fundamental growth higher still.

From 2016 came added uncertainty

And that was before 2016. Before Britain was divided by Brexit. Before the rise of populism in Europe and before Donald Trump began his mercurial presidency and led the US into a trade war with China.

Since then, the steady flow of money into what have traditionally been considered safe assets has turned into a flood. As the world has felt more uncertain, so the value of near-term certainty has skyrocketed. What had begun as a reaction to the recklessness of 2008 now borders on the ridiculous. And, there is no better example of this than the bond market.

Investors are now buying bonds at prices so high that they are guaranteed to make a loss if they hold the bond to maturity. More than US$17 trillion of bonds are trading at negative yields. Some of the buyers of these bonds are central banks, whose goal is to push down yields, and some are banks and life insurance companies who are compelled by regulatory or timing issues to do so.

But other buyers are just anxious, so uncertain about the future that they would rather make a small, guaranteed loss than put their money into something perceived to be more risky. Of course, for many the hope is that they will be able to sell the bond to an even more anxious buyer before it matures. That kind of thinking defeats the purpose of buying a bond in the first place – which is, the theory goes, the certainty that even in the worst case at least you get all of your money back.

Safety rather than fundamentals

This anxiety also permeates stock markets and has resulted in the unhappy bull market this story started with. The shares that have driven the index have been a mix of bond proxies with well-behaved share prices and those that have performed unusually well over the past four years.

In a world characterised by uncertainty these stocks have been comfortable to own and, as such, highly prized. Low volatility and momentum stocks trade at a 24% and a 47% premium to the broader market respectively.

Put another way, stable, established firms like Coca Cola trade at a Price to Earnings (P/E) ratio of 33 times, a level usually associated with fast-growing newcomers, while Netflix, for example, one of the stocks that has set the market alight in recent years now trades around a P/E ratio of over 100. Investors are willing to pay more than 100 times its current year's earnings to own its shares.

And that is where the problem comes in. The criteria by which many investors are choosing stocks at the moment has everything to do with how comfortable it feels to own them and very little to do with the fundamentals of the businesses involved.

A P/E of 33 would be justified if Coke's business was booming, for example, but it isn't. While the drinks maker is still selling a huge number of soft drinks, its revenue line is stagnant and it is paying out all of its profits and piling on debt to meet its dividends. Likewise, while Netflix's latest quarterly earnings report showed that it had grown revenue 26% year-on-year, justifiable questions can be asked about how likely it is that growth will continue at such a pace, especially with new players including Apple and Disney moving in on the streaming video action.

This is not the first time that markets have been driven by factors other than fundamentals, nor will it be the last. But it is important to acknowledge that it is happening. Currently, the market seems to be asking investors one question: How much are you willing to pay to feel safe? And the answer they appear to be giving is: a lot. Perhaps a better question to ask is: How much are you risking in your quest to feel comfortable?

Charles Dalziell is Investment Director at [Orbis Investments,] a sponsor of Cuffelinks. This report constitutes general advice only and not personal financial or investment advice. It does not take into account the specific investment objectives, financial situation or individual needs of any particular person.

The biggest change in markets in a generation

Hayden Briscoe

The recent inclusion in global bond indexes of China, the second largest bond market in the world, will be a tectonic shift for fixed income markets. It follows similar changes in equity markets. Global investors ranging from sovereign wealth funds, central banks, pension funds and even retail investors will dramatically increase their exposure to renminbi assets in coming years.

Key parts of China's onshore bond market – government and policy bank bonds – have been incrementally added to the Bloomberg Barclays Global Aggregate Bond Index and are expected to account for approximately 6% of the total index, forcing investors to revise their allocations. It will be a major adjustment in the construction of portfolios.

There has never been a change of this size for global indexes, coinciding with the growing importance of China as a major economic power. Demand for Chinese onshore bonds will come not only from index changes but also the wider desire for Chinese assets, with some central banks allocating as much as 25% of their fixed income assets to China.

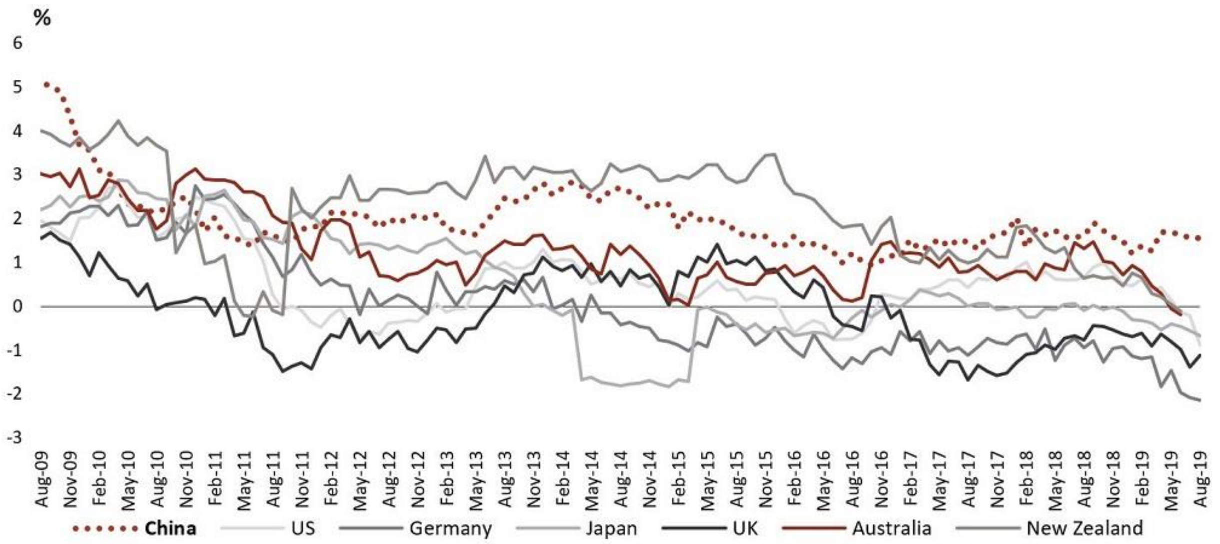
In a world of low and negative interest rates, investors chasing yield will see China's current 10-year government bond yield of around 3.1% as attractive compared with 1.6% for US Treasuries and around 1% in Australia.

Five reasons Chinese bonds are worth considering

China offers a compelling opportunity to complement returns from traditional bond markets and help diversify investors' fixed income exposure. Here are some important reasons investors should take notice:

1. Yield. China government bonds offer positive nominal and real yields compared with developed markets. That's been a standout feature for the past three-to-four years, as shown below.

Real yields by country (%), August 2009 to August 2019



Source: Bloomberg. Real yields based on Core CPI. New Zealand based on Headline CPI, August 2019. Australia and NZ June 2019.

2. Liquidity. China's bond markets overtook Japan as the world's second largest in late 2018. As China reforms its financial sector and continues to develop bond financing channels, the market is expected to continue growing in the coming years.

3. Correlation. China bonds have a low correlation to global bond markets, giving a strong diversification benefit. Historically, China has had a 0.05 correlation to European bond markets, which has a 0.6 correlation with the US and 0.55 correlation with Japan (as at 27 September 2019, based on fortnightly returns of government bond markets since 3 October 2014, calculated by JPMorgan).

4. Downside protection. Given the higher relative yields and shorter duration profile of the China government bond universe, investors can expect smaller drawdowns (losses) during periods of rising bond yields compared with other developed markets.

5. Safe haven. Chinese government bonds show the traits of safe haven assets, with falls in yields during recent bouts of broader market volatility. China remains a net creditor nation and has the world's largest FX reserves, so no one will be calling China on its debt.

But despite all these points, investing in China can be a leap for more traditional investors. In part, that's because China is always in the news cycle and much of the coverage is sensationalist.

Four common concerns (or myths) around investing in China

#1 – China's economy is slowing. Yes, it is slowing – and that's a good thing. China's rapid growth of the past was fueled by unsustainable growth in debt and fixed asset investment. Now, China is committed to deleveraging and has shifted the economy toward the more sustainable growth drivers of consumer demand and services-led growth. This means slower but more sustainable growth for the long-term.

#2 – China has a debt problem. Debt is certainly high, but we don't see it as a source of an impending crisis, for three main reasons. Firstly, China's debt is drawn from one of the world's largest savings pools, so it is domestically financed rather than externally, giving little risk of a balance-of-payments crisis. Secondly, more than half of China's debt is concentrated within state-owned enterprises (SOEs), i.e. within the government and not the private sector. Finally, China still has a lot of growth potential. Unlike the Japan situation in the 1990s, China has many productivity gains ahead of it, so it has the room to grow its way out of the debt to some extent.

#3 – Investors can't get in or out of China's markets. Not true. Recent index inclusion and the opening of the China Interbank Bond Market Direct and Bond Connect channels means full access to onshore China bond markets, with ready access to investment capital via these channels. We see it as unlikely that China will implement capital controls for foreign investors given its commitment to becoming one of the world's major developed bond markets and in integrating with the global financial system.

#4 – International investors aren't convinced by China. Also not true. Official data shows sustained growth in international investors' holdings of onshore China fixed income. In fact, total holdings have tripled since January 2016, and recent trends have seen acceleration, as shown below.

Overseas investors' holding of onshore fixed income in China (RMB trillions), Jan 2016-Jun 2019

Source: People's Bank of China, August 2019

The most fundamental shift

The inclusion of China's onshore bond market into major global bond indices started with Bloomberg in April 2019, and this has now broadened with JP Morgan recently announcing index inclusion plans. This impacts a wide range of global bond investors as passive (i.e. index) funds that follow these major indices must now invest in China bonds, and active managers must take a view given the major benchmarks will include parts of the China onshore bond market.

This shift is expected to lead to as much US$500 billion of inflows into China's markets from Bloomberg bond index inclusion alone, and this has three important implications.

1. It is happening because the world's biggest index providers have seen China's recent reform efforts and now deem China as 'safe-to-swim'.
2. Allocation to China will become a mandatory, not optional, allocation for millions of investors worldwide.
3. The massive influx of global investor capital will put downward pressure on yields, and that means it is time for investors to take the opportunity now.

This phenomenon is occurring across more asset classes than fixed income. MSCI included China equities in its emerging markets index in 2018. FTSE Russell and S&P Dow Jones have since followed, a reflection of China's increased efforts to integrate its capital markets into the global financial system.

The compelling case for China fixed income is one of many opportunities uncovered by actively exploring the global fixed income opportunity set and why it pays to employ a truly global and diversified approach to investing, particularly in a world of lower – and increasingly more negative – bond yields.

Hayden Briscoe is Head of Asia-Pacific Fixed Income, UBS Asset Management, a sponsor of Firstlinks. This article is general information and does not consider the circumstances of any investor.

More articles and papers from UBS can be found here.

Learn more about UBS Diversified Fixed Income (DFI) here.

Bankruptcy: can creditors take your super?

Julie Steed

The interaction between bankruptcy, creditors and super are neither intuitive nor widely understood. In this article we explain how an individual’s super could be affected if they become bankrupt.

Any super benefits an individual receives before entering bankruptcy are available to creditors. In addition, any assets purchased with those benefits can be claimed and used to pay creditors.

Contributions made before bankruptcy

A contribution to a super fund can be clawed back and made available to creditors if the contribution was made in an attempt to defeat creditors. The conditions for determining if the contribution was made to defeat creditors include the following:

- The property would probably have become part of the transferor’s estate had the contribution not been made and therefore available to creditors.
- The contributor’s main purpose was either to prevent the transferred property being available to creditors or to hinder or delay the process of making property available for division among creditors.
- The contribution was out of character and not consistent with the existing pattern of contributions.
- It can be reasonably inferred from all the circumstances that at the time of the contribution the transferor was, or was about to become, insolvent.

Benefits in accumulation phase

In general, all property that belonged to a bankrupt at the start of their bankruptcy is divisible among the creditors of the bankrupt. However, an interest in a super fund is not generally considered property because it is held in trust. This provision is specifically contained in the Bankruptcy Act 1966, which states that the interest of a bankrupt in a superannuation fund is not considered property divisible among creditors.

The protection of super also extends to any lump sum received from a super fund. This means that a bankrupt who receives a lump sum from a super fund could keep that money in their own name and none of it would be available to creditors.

Benefits in pension phase

In contrast to lump sums, pension payments received from super funds are not fully protected.

Pension payments are treated as income and income only receives limited protection from creditors. The level of protection in relation to income is indexed twice a year in March and September.

As at 20 September 2019, the income thresholds are shown in the table below:

Number of dependants	Income limit
0	$58,331
1	$68,831
2	$74,080
3	$76,997
4	$78,164
More than 4	$79,330

Any income greater than the thresholds in the table above is available to creditors.

Case study

Alan is an undischarged bankrupt. He has no dependants and receives income from an account-based pension that was worth $2 million on 1 July 2019. Under the account-based pension rules, he draws the minimum annual pension of $80,000. This is Alan's only source of income.

Using the table above we can see that because Alan has no dependants, $58,331 is his protected income limit. This means that $21,669 is available to his creditors (calculated as: $80,000 - $58,331 = $21,669).

If Alan commuted his pension back to accumulation phase, none of his super would be available to creditors, including any lump sum withdrawal he makes.

Conclusion

Understanding how super is treated in the unfortunate event of bankruptcy can help make the best of a bad situation.

Julie Steed is Senior Technical Services Manager at Australian Executor Trustees. This article is in the nature of general information and does not consider the circumstances of any individual.

The Cuffelinks to Firstlinks to Morningstar journey

Chris Cuffe

In 2012, Graham Hand and I sat down for a catch-up lunch. During the wide-ranging chat, we noted that due to budget cuts at mainstream publishers, experienced finance journalists were leaving and much media had become a reproduction of PR releases or quick-grab quotes.

The superannuation and investment industry needed a forum where market experts provided the insights, with editing and curating resources delivering the opinions in a newsletter and website. Bringing together his two interests of writing and investing, Graham said he would do it. We needed a catchy name, and since I was well-known in the industry, we liked the quirky 'Cuffelinks'.

I don't think Graham knew what he was getting into. He designed a website, and started a mailing list by contacting the people we thought might be interested. We invited experts to write articles for us with two basic goals in mind:

1. Make the content useful, interesting and independent with a focus on investing and related subjects such as superannuation, demographics and financial advice.

2. Grow our reader base to benefit as many people as possible.

We decided at an early stage that reading the weekly newsletter and website should be free. We didn't want a subscription model as a barrier to accessing the content. In fact, at the start, there was no business model and no real plan for revenue.

It did not take long to realise the venture would soon be a major undertaking, requiring staff resources to manage the workload, a social media presence, and liaising with hundreds of people in the industry.

At the end of the first year, we had about 5,000 subscribers, some fantastic content, and a steady stream of new writers wanting to provide articles and reach our audience. People approached us to advertise on the website, but we preferred a long-term sponsorship model where we worked with respected brands to share their ideas with our rapidly-growing audience.

Over the years, Cuffelinks has become a major financial newsletter, but with that, the demands of running a substantial business. I know Graham never intended to build an empire, hire a large team to run the business, rent city offices and expand in as many ways as possible. It was always about the best content to an engaged audience rather than making money.

Now, people want conferences, podcasts, videos, social media, perhaps new mastheads and a wide range of ways the business can grow. And with all this potential, a priority was to make Cuffelinks sustainable, as it has published thousands of articles which help people with their investing and it has built a community wanting to share ideas.

For the last couple of years, Graham has wanted to focus more on the quality of the content and his own writing, but with the assistance of Deputy Editor, Leisa Bell, he spends much of his time running the business. It is not sustainable when a business relies so much on the energy and commitment of one person.

A substantial partner was needed with the same independent philosophy to take over the growth and management of the business, while Graham transitions more into editing and writing. We must maintain close relationships with the sponsors who are committed to investor education and making the business viable, and develop contacts with writers and the people who supply the content. And we need to offer new ways to communicate with our audience in ways we simply cannot achieve in the current structure.

It was recognised with this likely change that I would be less involved in the business, maybe only writing an occasional article, and for the long term, the association of the name Cuffelinks with Chris Cuffe should be addressed. The new name, Firstlinks, retained the 'link' to the past, and recognised the content as the 'first link' between our readers and the ideas. There was a connection with the charitable business I manage, Third Link, and the time when Graham and I worked together at First State. So over the course of 2019, Graham has transitioned the publication's name to Firstlinks, which has been well accepted.

It also meant the business could be acquired by a substantial new owner with the resources to develop it further with a new name.

Separately, Graham will describe why he feels Morningstar is the best company to take the business to its next level, and how he will remain closely involved in producing and controlling the content. It puts the newsletter on a sustainable course that was threatened if Graham could no longer continue for some reason, and I welcome Morningstar's acquisition.

Thanks for joining us on the journey, and long may it continue.

Regards, Chris Cuffe

The Morningstar team welcomes Firstlinks

Jamie Wickham

Morningstar announced the acquisition of Cuffelinks today. As part of the acquisition, Graham Hand and his editorial assistant, Leisa Bell have joined Morningstar. The Morningstar team and I are excited about the potential Cuffelinks, Graham and Leisa can bring to our readers and the broader business.

For Morningstar, the value of Cuffelinks, now branded as Firstlinks, can be attributed to quality, curated content, mission alignment and investor education.

Quality, curated content

The quality of the content and editorial attracted us to Cuffelinks and now Firstlinks. Personally, I am an avid reader of the weekly newsletter – as an industry professional but more importantly, as an investor – to support my own education and investing journey. I know many others in the Morningstar office share that perspective.

Whilst the availability of information has never been greater, so has the challenge of filtering the insightful from the everyday. Many of us are time poor and need to be selective about what we read. There is real value in curated content - timeless, common sense views from experts who have been around the blocks, seen the ups and downs of multiple cycles, and the evolution of the investment and regulatory landscape. Graham and his network of contributors deliver that every week.

Mission alignment

One thing was non-negotiable for us - the importance of mission, cultural alignment and “doing it for the right reasons”. It became apparent very quickly in our discussions that we share a common set of values and beliefs, and those beliefs are embedded into the content and how we both operate. Together, Morningstar and Firstlinks believe in:

- Putting the investor first and are aligned around Morningstar’s mission to empower investor success
- The value of financial advice and the important role advisers play.
- Taking a long-term, risk-aware approach to investing
- The value of education and financial literacy for investors on their path to financial independence, particularly in retirement.

Investor education

Today, the challenges in investment markets and the shifts in the Australian financial services industry are unprecedented. Education has never been more important – for individual investors managing their own portfolios, advisers and other industry professionals. There is a fundamental need to stay on top of the constant change; and as advisers can attest, increasingly it is a regulatory requirement.

Beyond our investment information and research, Morningstar takes its role as an investment educator very seriously. Our research and editorial teams both in Australia and overseas produce content on a wide range of themes – portfolio construction, retirement planning, behavioural insights, measuring risk, generating income and many more. Firstlinks broadens and deepens this educational material, it is highly complementary and well aligned.

The future

From day one, our intent is to free up Graham to do what he does best – write and edit the newsletter and site. He will continue to have editorial independence, oversight and editorial control over contributor and sponsored content. Morningstar will bring the resources to look after everything else and explore new and interesting ways to deliver the content.

Over time, we will look to integrate the content into the free version of Morningstar.com.au, which is in the process of being redesigned. This will give us the opportunity to more tightly align the content alongside Morningstar’s existing research and editorial; leverage new delivery mechanisms and make it available to a wider audience.

I'm looking forward to what we can achieve together.

We welcome Graham and Leisa to the Morningstar family.

We look forward to delivering more for you, the reader. Thank you in advance for your ongoing support and joining us on the next exciting leg of the Firstlinks journey.

Jamie Wickham

Onward and upward

Graham Hand

Since February 2013, we have published 327 newsletter editions, supported by nearly 700 authors writing 2,500 articles, with 10,000 comments and over five million pageviews.

The challenge for any new business is to establish a worthwhile goal and persevere until it is achieved. There will be successes and failures along the way, but these should not deflect from the main values guiding how decisions are made.

At Cuffelinks and now Firstlinks, the content is king, and we are grateful to the hundreds of authors who have shared their expert views. At all times, we have focussed on educational insights rather than product promotion, rejecting many articles which were on the wrong side of this divide. It doesn't mean a product is never mentioned, but it must serve to illustrate a point rather than look like an advertisement. Over the years, our writers have accepted that our audience is intelligent and engaged, and the best marketing is thought leadership.

This approach will continue following the acquisition of Cuffelinks by Morningstar, a global business founded on a principle of independent research from an investor's point of view. The same commitment to integrity and transparency fits well with the Firstlinks' philosophy, and my assistant, Leisa and I are looking forward to working with the Morningstar team. Their resources will not only ensure the long-term sustainability of Firstlinks, but together we can grow our reach and services in a way few other publishers and researchers can match.

Many thanks to our readers, both professionals and individuals, who form our community and provide encouraging feedback and comments each week. To our sponsors, who believe articles should be predominantly educational to improve investment outcomes. To our writers, who are eager to reach our audience and share their expertise. And especially thanks to Chris Cuffe, who trusted me with his name and reputation, no less.

Graham Hand