Edition 408, 21 May 2021

Contents

Editorial

There are no better examples of Australia's recovery from the pandemic than the fortunes of our major banks and the changing forecasts of our leading economists. For example, in May 2020, **NAB** reduced its dividend and undertook a Share Purchase Plan (SPP) at $14.15 to build up its capital:

"... in light of the uncertain economic outlook due to the COVID-19 pandemic. These actions are intended to provide NAB with sufficient capacity to continue supporting our customers through the challenging times ahead, as well as increasing NAB's capital level to assist with managing through a range of possible scenarios, including a prolonged and severe economic downturn."

If you look back on the last year and feel bad about selling or not buying in March or April 2020 for your own portfolio, then consider where NAB 'sold' (that is, raised capital).

Source: Morningstar Direct

In hindsight, it is easy to be critical and overlook that the outlook was bleak, and no doubt APRA was on the phone, but banking is so good now that NAB is contemplating a share buyback. There is no finance textbook advising companies should issue at $14.15 and buy back at $26 within a year. NAB CEO **Ross McEwan** was showing a touch of remorse when he said this week:

"At the time I said we wanted to be a very safe bank, that's the positioning I took. If I got it wrong, well I'm happy to be in a very strong position now going forward for customers and shareholders."

Don't worry, Ross, it's unlikely to affect your bonus although you did get it wrong, like many of us. Good to know you're happy after you increased the size of the SPP from its original target of $500 million to $1.25 billion during the offer period.

NAB was far from alone in its dire expectation. Check the changing forecasts of **Westpac** from May 2020 (when it took a $1.8 billion provision against expected Covid-19 losses) to the latest for March 2021. A year ago, Westpac was expecting a 22% fall in residential property prices over 2020 and 2021 and a 2020 fall in GDP of 5%. Now it sees residential property rising 20% over two years and GDP growth of 4% in 2021.

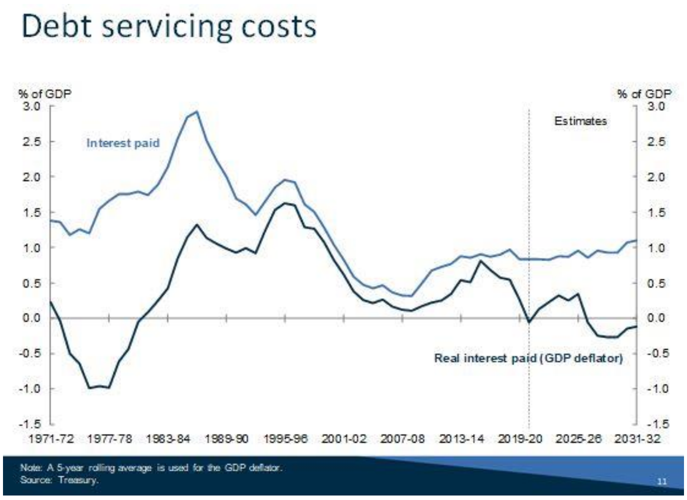
	Q3 2020 (peak)	Forecast base case	
		2020	2021
GDP growth (yr end)	(8.2%)	(5.0%)	4.0%
Unemployment	8.8%	6.8%	6.0%
Residential property prices	(2%)	(15%)	(5%)

	At Sept 2020		At Mar 2021	
	2021	2022	2021	2022
GDP growth	2.5%	2.7%	4.0%	3.0%
Unemployment	7.5%	6.7%	6.0%	5.3%
Residential property price increase/(decrease)	(0.4%)	7.5%	10%	10%

Thanks to **Hugh Dive** for these numbers, as Hugh runs a ruler over the latest bank results to check who is doing the best on his well-known bank scorecard.

The banks are also enjoying access to the Term Funding Facility, where the RBA lends to them at 0.1% for three years. An additional $4.4 billion was drawn last week taking total outstandings to $104 billion. However, the banks are so liquid from retail deposits that they have not taken up the $200 billion on offer and only five weeks remain until the end of the TFF on 30 June 2021. Will fixed rate loan rates begin to rise as banks return to bond markets for term debt?

While the 2021/2022 Budget refocused attention on a trillion dollars of debt, Dr **Stephen Kennedy**, Secretary to the Treasury, gave a speech this week to Australian Business Economists where he showed estimates of the real interest payments on the debt as a % of GDP. Low interest rates are making the Government's spending to stimulate the economy easier to justify, even for a supposedly debt-conscious Coalition Government. At these rates, the debt servicing costs are easy to manage while everyone enjoys the stimulus.



Still on the Budget, **Noel Whittaker** drills into two of the 1 July 2022 changes to find they are over-hyped versus their practical implications, and he also reveals some of his winning investments and one he has given up on.

Then we look at an emerging investment trend **Nick Griffin** is following, as consumer demand for a wide range of desirable and expensive products in the luxury sector is driving global company profits.

Rajiv Jain examines the quickest market fall and recovery in recent history in 2020 for six quick lessons on how to invest in a crisis. They're worth remembering as the market will dish out a few more collapses in most of our lifetimes.

Then we uncover a surprising demographic change in Australia. **Ashton Reid** argues it will go some way to offsetting the fall in immigration many economists have been worried about. First we had domestic holidays compensating for the loss of foreign tourists, now we have thousands of people confident enough in the economy to expand their families.

A couple of weeks ago, we published an article on why the leading tech stocks remain wonderful businesses at reasonable prices, while this week, **David Walsh** justifies the rotation from tech and communications into value-style industrials. Differences make a market as each article makes a strong case.

And we publish the second half on the risks of buying property off-the-plan with another five potential headaches. It's worth checking the comments from last week where many readers confirmed the shock of fixing defects. Here is an edited version of our **Comment of the Week** from **Robert:**

"An excellent article which is spot-on regarding the conflicts of interest and the lack of recourse for remedy. As a retired civil engineer (not previously involved in the building industry) I am dismayed by the state of affairs. Just about every apartment structure and new house construction I have inspected (often for family and friends) has had significant issues - water leaks involving balconies, or windows, roof designs unlikely to handle downpours, plumbing issues including leaks from shower areas, unknown party wall construction which results in the crying baby next door appearing to be in your bedroom etc. Why as a society we accept this state of affairs I cannot fathom."

Thanks also to **Scott Whiddett of Pitcher Partners** for his comprehensive response to a reader comment on last week's dividends and franking for LICs. It's a complex subject and there's far more to the LIC claim about sustainability of dividends due to transfers to a profit reserve.

This week's White Paper from **BetaShares** shows the latest research with **Investment Trends** on who is using ETFs and why. As ETFs rush to $110 billion on issue, there are no signs of demand easing.

Whoyagonnacall? Five more risks buying off-the-plan

Graham Hand

> *If there's something strange*
> *In your neighborhood*
> *Who ya gonna call? (Ghostbusters)*
>
> *If there's something weird*
> *And it don't look good*
> *Who ya gonna call? (Ghostbusters)*
>
> *If you're seeing things*
> *Running through your head*
> *Who can ya call? (Ghostbusters)*
>
> With acknowledgements to Ghostbusters, Ray Parker Jr, provided to YouTube by Arista Records.

In Part 1 on 10 off-the-plan risks, we covered identifying defects, managing the fixes, running the strata committee and getting what you paid for.

Part 2 looks at another five risks, with a focus on the drawbacks of buying when you cannot see the space, hear the noises, check the views and even sniff the smells.

In most cases, apartments are sold off-the-plan to enable the developer to obtain finance to begin construction. Banks often require pre-sales of 60% or more, and a project may not proceed without this early progress. Buyers will receive a refund of their deposit but they may have missed out on other opportunities while out of the market.

Buyers enter a contract and have a legal obligation to settle. Many buyers believe their worst-case scenario is forfeiting the 10% deposit but the developer may take legal action to recover other costs, such as losses or legal expenses in reselling the property. Purchase obligations are not subject to finance and the buyer may be unable to arrange a loan three years after the original purchase as their circumstances may change. A bank will only commit once the building is almost complete.

Here are five more risks:

6. What internal and external noises will the apartment suffer?

You loved those parquetry floors in the display apartment, all those years ago. Guess what! Your neighbours upstairs have the same floor. Was the sound deadening underlay installed properly? Why do they thunk-thunk around their apartment wearing hobnail boots? It goes on day and night until it drives you crazy. Whoyagonnacall?

Viewing a display apartment gives no hint of the noises inside your actual property. The sounds of traffic or trains or planes might be poorly insulated against, and even if the windows are double-glazed, you will not want to keep them closed all summer. What’s that annoying noise from the air conditioning unit next door? What’s with the music, this is not a party house. You’re kidding me, an Airbnb. Apartment buildings are sometimes shared by hundreds of people. Don’t assume they read Jane Austin each night. Australia’s top-rating television programme is *Married at First Sight*. Those cretins you ridicule on television are your new neighbours.

Any acoustic engineer will tell you that large buildings are never silent. There is a vast amount of equipment running 24/7, including water heaters, aircon units, lifts, garbage chutes, ventilators, exhaust fans and electric shutters. Buy the apartment above the security doors to the underground garage and you will hear the opening every time you sit on the balcony. Whoyagonnacall?

And here is the irony. The noise from each piece of equipment is masking another sound. You might hear an annoying hum from a machine which the builder agrees to fix, but when that machine is silent, you hear another one. Too low a background noise level may mean you can hear other noises in the building. And you know how they say your brain switches off to repetitive noises? Don't believe it.

Some noises are there to stay so just get used to them. Or do you expect the conversation to go like this during your final inspection?

You: The agent told me there would be special thick glass to insulate against the road noise.

Developer: Oh, damn, did we use normal glass? Sorry about that. Let's put the scaffolding back up and replace all the glass in all the windows with thicker glass. That will cost about $2 million but no worries, we'll pay for it and have it done quickly with the least inconvenience to the owners.

To misquote from *The Castle*, you're dreamin'.

7. What are the views really like, and what's that smell?

For many apartments, the view is a critical part of the value and price, and crucial for the amenity and pleasure of a new home. A problem with the view is not like replacing a dishwasher. It might be beyond the control of your anyone on your project. For example, a different developer may have acquired land next door and it would be devastating to inspect your new home only to find another building only 11cm from your balcony.

When the marketing brochures are prepared, the photographs or artist drawings often represent an image from the penthouse, the best view in the building. Pity that's where someone else lives. From your apartment, the view may be straight into someone's dining room. I recently inspected a new construction with an existing 527-unit Mirvac building blocking the harbour views below the 34th floor.

A friend inspected a high-end off-the-plan development on Sydney's north shore. The penthouse was priced at over $12 million and the quality of the harbour view was critical to the value. He was sceptical of the marketed view pictured as if the apartment were on the water, whereas it was set well back, albeit with an elevated outlook. So he hired a drone and pilot to take photographs from the actual location of the future penthouse balcony and it was a vastly inferior view over houses. He did not proceed.

A common marketing technique is to take a promotional shot through a gap, ignoring the fact that the actual perspective is 'framed' by two large apartment blocks either side of the view.

The water view? Who are they kidding? In some places, it's a tidal mud flat, and when the tide goes out, the water is 200 metres away. Maybe you like the look of mud clinging to the roots on mangroves, but what about the smell? There are suburbs with water views where the smell at low tide forces residents to close the windows.

Nobody who buys off-the-plan thinks about smells. You know that restaurant space you saw in the glossy brochure, the ground floor retail showing happy people meeting in a great community scene. Well, the kitchen exhaust is near your balcony, and each night, the smell of tandoori chicken wafts into your living room. No matter how much you like tandoori chicken, you don't want to smell it every night.

8. Why is that community coffee shop still an empty space?

Many apartments are mixed-use developments, with the ground floor devoted to commercial space, sometimes offices but often coffee shops and restaurants. The brochure shows food places full of smiling faces sipping great coffee, and buyers picture themselves meeting up with friends for a morning latte with apple danish, looking out on landscaped gardens. The sun is shining, you expect to WFH more, and it will be paradise.

But a coffee shop cannot be supported by a hundred apartments. It needs a lot of passing trade, and COVID has killed many of these businesses. Commercial spaces may lie idle for years, or forever, with owners hoping some sucker will fit out and rent a low traffic area. Eventually, the 'For Lease' signs hang down on yellowed tape, gathering dust, making the whole ground floor of the building feel sad and desolate. Try selling the promised vibrancy to a new owner. Consider the location and ask yourself whether it is likely that anyone will take the ground floor space.

9. Why can't I sell my apartment for more than I paid for it?

Agents sell a dream, you are selling a reality.

The developer spent millions of dollars on promotions and marketing, maybe $50,000 an apartment on top of agents' fees. The project appeared on the cover of national magazines with gushing articles written by compliant journalists whose other job is to encourage advertisers. The building was promoted in Hong Kong, Singapore and China, the display model was an architectural masterpiece, and there were a hundred people in the queue during your first look.

You simply cannot compete with this level of glitzy promotion when it comes to selling your completed two-bedder. And the bad news is, there are five other two-bedders for sale in the same building for the same reasons you want to sell, and all those agents' signs at the front door look really tacky.

All those things you missed or glossed over or ignored in the original frenzy are now obvious. The living area is dark and buyers notice you switch on all the lights during inspections. The balcony barely fits a decent table. The study is more of a cave than a place you want to WFH. And, oh dear, there's a solid column in the middle of your living room that was not on the original plan.

10. Is that common property or is it mine?

In many cases, it is obvious what common property is: external walls, roof, foyer, lifts, stairwell, pool and driveway. Some owners believe they are only responsible for maintaining their own apartment but common property is jointly owned by all owners through the Owners Corporation (OC). Everyone pays for its maintenance, although features such as swimming pools and gymnasiums are used by a few. It leads to disputes over the standard to which the common property should be maintained.

The strata plan usually shows common property boundaries, but it can be confusing exactly where to draw the line. The flooring in an apartment is common property but not the carpet. A pendant light which hangs down from the ceiling is not common property but a downlight installed in the ceiling is. External doors and windows are common property, which means a broken window is paid for by all owners. Some owners begrudge paying for damage in the apartment of others, such as a lifting floor tiles or a blocked drain.

Any owner who wants to modify common property must seek permission from the OC or SC. An owner with a garden space nobody else uses may ask for an 'exclusive use' by-law, which is sure to generate opposition, even from owners who have never set foot in the garden.

In mixed-use developments with commercial premises, there may be disputes over signage, customer parking and usage. Another friend has battled for years in his apartment building to prevent a 24-hour call centre moving into the commercial space with access via the main foyer, fearing the coming-and-going of strangers at all hours will change the residential nature of the building.

The Design & Building Practitioners Act (DBP Act)

The DBP Act 2020 imposes obligations on builders to improve compliance with the Building Code of Australia. It requires each step of construction to be documented and compliant with the intention of improving the culture and competence of the industry.

This relatively new legislation remains untested in practice, especially managing defects post-settlement. A criticism is that it works to the standards of the Building Code but many high-quality apartments are specified to much higher standards. Builders are supposed to lodge details of 'variations' from original plans but there are few details on what qualifies as a variation. Every project evolves as it is built. Both owners and builders worry that the increased compliance will delay completion of buildings.

Another criticism is that whereas the Home Building Act requires the owners to pursue the builder in the first instance, the DBP Act allows owners to make a claim on everyone involved, including contractors and smaller businesses as well as the larger builders and developers. A major dispute could bring many more parties into the room, adding complexity and legal costs to the rectification.

Nevertheless, there are some encouraging signs, with the NSW Building Commissioner David Chandler publicly identifying buildings with defects and handing out remedy orders. It includes the buildings on this list.

Many defects surface long after settlement with complex legal implications, and it will fall to the owners to identify and manage a lengthy legal battle.

Unfortunately, there are no friendly defect busters to call "*If there's something strange in your neighborhood.*"

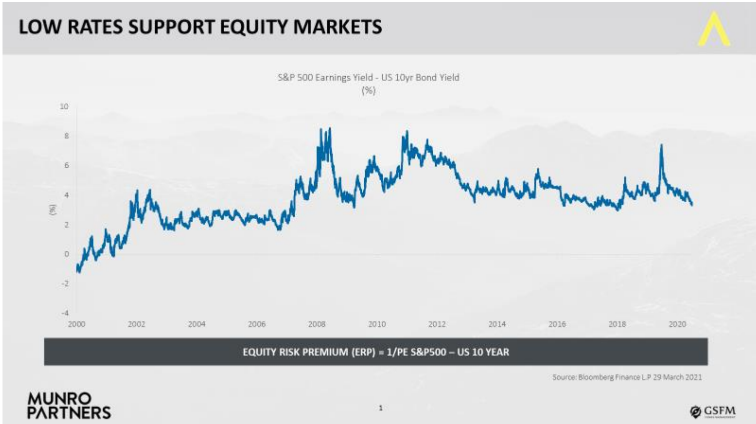
Thanks to Martin Davies for assistance with this article although errors remain mine. Martin provides advice to owners' corporations and developers on addressing building defects. He works with both sides as it is in everyone's best interests to sort out the defects before they become major problems. He can be contacted on strata.projects.au@gmail.com.

Graham Hand is Managing Editor of Firstlinks. This article is general information and does not consider the circumstances of any person.

The next big thing: global markets and the emerging consumer

Nick Griffin

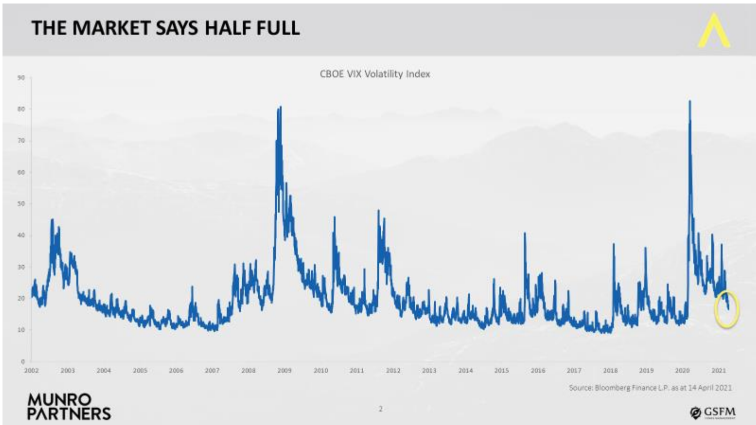
Global equity markets had a volatile start to 2021 as US long-term interest rates, represented by the nominal yield on the benchmark 10-year Treasury, rose on the back of expectations of a vaccine-led recovery.



This has compressed the equity risk premium – the premium that equities offer investors over interest rates – and made markets look less attractive. It has made longer duration equities, like growth equities, look even less attractive still. The chart (right) shows the contraction in spreads between the US S&P 500 earnings yield minus the benchmark US bond.

Interest rate rises versus earnings growth

The outlook for markets therefore depends on how high interest rates will rise as we move through this economic recovery. Prior to the pandemic, interest rates had been held very low globally for some time, which suggests that while there is some room for rising rates, it is unlikely they can rise much above 2-2.5%.



The vaccine rollout around the world, combined with political stability in the US, means that more likely than not, we will see a broadening in the recovery in global markets and earnings continuing to grow.

The volatility index, or VIX, also offers clues to the outlook for equity markets. During difficult periods, such as the GFC and more recently 2020, the VIX rises and then gradually moves into a lower volatility band. We are already seeing signs of this with the VIX dropping below 20 in the past few months (from a high of 66 in March 2020). This further supports the argument for a broad-based recovery and buoyant equity markets over the months and years ahead.

Structural ideas for the long term

Despite the massive disruptions that economies and markets have experienced over the past 12 months, there are themes and investment ideas that will always prevail.

One structural theme occurring in the world today, which will ultimately drive earnings growth, is that of the 'emerging consumer'.

The emerging consumer is one of our particular areas of interest (AOI) and it is all about the rising wealth effect in emerging economies, particularly China, and how, as income levels rise in those countries, consumption habits and patterns change.

Sub-sectors under this theme include Luxury, Cosmetics, Travel and Global Brands.

Growth in spending on luxury goods pre-pandemic could be observed in the prevalence of luxury brands or goods in any airport or any major city.

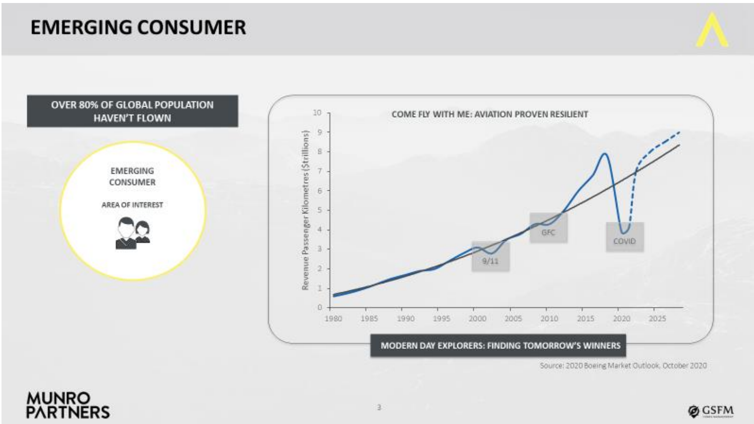
Alcohol is another example, as an economy develops its consumers are also more likely to shift to consuming more high-end liquor.

These trends all target the higher growth rates that will result from rapidly modernising emerging economies as they move from low rates of GDP to high rates of GDP. Companies linked to these trends – such as Louis Vuitton in luxury goods, Airbus and Boeing in aerospace, and Diageo or Pernod in drinks - are beginning to look attractive again as travel and spending starts to pick up.

Aerospace

Aerospace is a good example of an emerging consumer industry starting to come out of the pandemic. Even though there has been a reduction in the number of international travellers as many countries remain locked down, 80% of people in the world today have never boarded an aeroplane.

Even prior to the pandemic, when more than 3 billion were travelling every year - the equivalent of just under half the world's population - it was actually the same people, mostly in developing countries, travelling numerous times a year.



A large proportion of people in the developing world who have never travelled by air would like to, and there is no doubt they will as their income allows it. The emerging world is where the majority of growth in aerospace is likely to come from in the years ahead.

In South East Asia, Africa and China, travel growth is expected to grow in excess of GDP over the next two decades. And even if international travel continues to be off limits, people will want to travel by air in their own countries. The number of airports in China, for example, is forecast to double to 450 airports in 2035. Boeing's commercial market outlook for 2020-2039 forecasts that Chinese airlines will need nearly 8,240 new passenger aircraft deliveries over the next 20 years. The majority - 6,450 – will be single-aisle aircraft.

Airbus

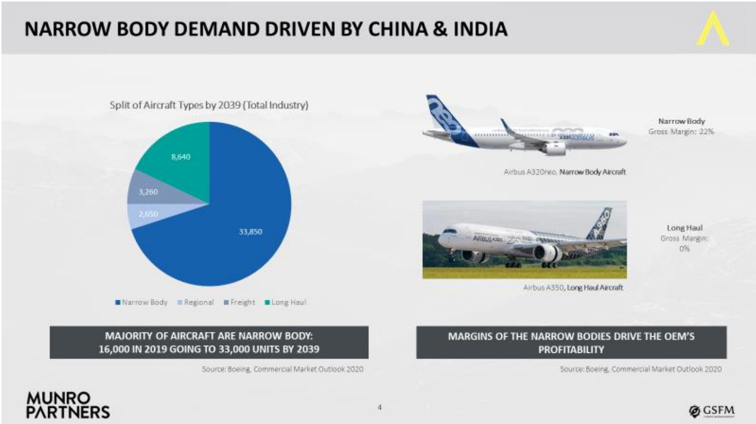
Airbus* is a key player that will benefit from this change in travel habits and patterns. Narrow body, or single aisle, aeroplanes used for shorter domestic flights are more profitable than the wider body aeroplanes used for long-haul flights.

Both Boeing and Airbus have been very profitable in the narrow body space, to the point where they could potentially become more profitable companies overall without the wider body aircraft. Boeing estimates the gross margin on narrow body aircraft at 22% compared to 0% for the larger long-haul aircraft.

Boeing also estimates that most aircraft are expected to be narrow body by 2039 - at 33,850, compared to 8,640 long haul aircraft. This trend is already starting.

In the first quarter of 2021, Airbus reported that of the 39 aircraft ordered, 38 were for single aisle aircraft. That overall number for the quarter was significantly down on the 356 ordered in Q1 2020 but the number of commercial aircraft Airbus delivered in Q1 2021 - at 125, was slightly up on the 122 delivered in the same quarter last year.

Boeing and Airbus combined have an effective monopoly on the narrow body aircraft space which makes them very attractive investment prospects.



Where to from here? Watch the emerging consumer

Digital might have been a key thematic winner from the pandemic, with the share prices of the likes of Zoom and Amazon skyrocketing, but it is not the only beneficiary. A broader economic and market recovery unlocks opportunities in other areas such as supercomputing and the manufacture of semiconductors and semiconductor equipment. It can assist growth in climate-related stocks in clean energy and solar batteries as well.

These are all areas of interest for us.

Broader economic and market recovery will also support further growth in spending by the emerging consumer. Aerospace may be an early leader in the emerging consumer space, but due to its relatively quick recovery from Covid, China is already experiencing growth in consumer spending on luxury goods. Listed Italian high-end outerwear manufacturer Moncler**, for instance, reported their Chinese mainland revenues more than doubled in the first quarter of 2021.

As these companies' earnings outlooks improve, their stock prices should follow. In the long run, it is always earnings that drive stock prices.

**At the time of writing, Munro Partners holds Airbus in its Munro Global Growth Fund and Munro Concentrated Global Growth Fund.*
***At the time of writing, Munro Partners holds Moncler in its Munro Global Growth Fund.*

Nick Griffin is a Founding Partner and Chief Investment Officer at [Munro Partners](), a specialist investment manager partner of GSFM, a sponsor of Firstlinks.

For more articles and papers from GSFM and partners, [click here]().

Noel's share winners and losers plus budget reality check

Noel Whittaker

Everybody wants to pick a share price winner, and there is no shortage of information. There is a plethora of investment newsletters, stockbrokers always have recommendations and the papers feature share buys and sells continually.

Picking a few winners

I don't fancy myself as a stock picker which is why over 95% of my portfolio is in managed funds. However, the successes I have had were based on observation. I got into Magellan at $1 a share way back in 2010 when I noticed that every time they ran a session for advisers, there would be double the numbers of advisers present versus the previous time. The six-monthly dividends now from that purchase are more than the original investment.

Then there was Iress, which I bought for $4 a share about 15 years ago. I knew that the 'Holy Grail' of the financial planning industry was software and also knew that every piece of software I had been shown was a dud. Then suddenly Xplan appeared and it was a winner. Iress was behind Xplan.

A friend told me recently how he made a nice chunk of money as a result of taking his granddaughter to a morning tea. She told him they had to go to Smiggle to buy some merchandise that was in hot demand by young people. He had never heard of Smiggle but when they arrived, he was astounded to see the long queues of people outside their store. He bought a parcel of shares in Premier Investments which have appreciated rapidly in just seven months.

... but on the other hand

But there is also the opposite. You can dump a share because your dealings with the company are so bad you wonder why they are still are in existence. And this is how I came to sell my Telstra shares an hour before I wrote this.

We have persevered with Telstra for many years despite the difficulty of communicating with them. Earlier this year, when the NBN became available in our area, Telstra rang us continually to convince us to remain with them by switching our Telstra cable internet service to Telstra NBN. We declined and moved the home service to Aussie Broadband.

The Telstra service was discontinued and the associated landline number ported over to a new provider. The problem was that Telstra kept sending us bills telling us that the direct debit to our account would continue.

I rang Telstra where a recorded message told me to use the MyTelstra app on my phone. That was a disaster. Naturally they start the conversation by asking for my full name, date of birth and account number which I duly provided. The next message advised me I was on a contract and there were termination fees. When I asked for a copy of said contract and what the termination fees were for, there was no reply.

What followed was a nightmare. Every time I re-joined the message conversation the cycle re-started with the usual request for name, date of birth etc. and what was I calling about. After having provided the details more than six times, I finally gave up and made my first ever complaint to the Telecommunications Industry Ombudsman. It took three minutes online.

In less than 24 hours after I lodged the official complaint, Telstra had emailed me an apology and promised to refund all the disputed charges. I then tweeted what had happened and within five minutes, Telstra tweeted another apology.

The lesson is obvious – don't spend weeks fighting with your telecommunications provider. Use Twitter or go straight to the ombudsman. Through either action you'll get your fast results.

Thoughts on the 2021/2022 budget hype

It was a perfectly crafted election budget: full of goodies for everybody. But let's have a reality check on two measures, downsizing and the first home scheme.

Downsizing

I just don't get the hype about rules being relaxed to enable people over age 60 to downsize and contribute up to $300,000 each into superannuation from the sale of the house.

Think about it. The work test is being abolished from 1 July 2022 which means everybody will be able to contribute to super in some shape or form up to age 75, whether they are working or not. The only limitation is that once you have $1.7 million in super you cannot make more non-concessional contributions apart from the downsizer special contribution.

But the average retiring couple would be pushed to have $800,000 in super between them, so they could already both contribute $330,000 using the normal contribution rules. They don't need to access the downsizing contribution. The only winners from the new rules will be the wealthy, who have more than $1.7 million in super now.

Government contributes to cycle of rising house prices

A bigger issue facing Australia is the thinking by both major political parties that 'something must be done' to make housing more affordable. Yes, right now we are in the middle of an extraordinary residential real estate boom, but this has been caused by our Reserve Bank cutting rates to historic lows. Low rates increase the number of people who can qualify for a housing loan, and at the same time turbo charges their loan potential. The rush started as soon as mortgage repayments became cheaper than rent, and of course, once a rush starts, everybody wants to jump on the bandwagon for fear of missing out.

And so it goes on and on.

Every government initiative to help first home buyers simply increases the number of buyers in the market fighting over a rapidly declining amount of residential housing stock. This feeds the vicious cycle of prices going up.

Any asset is only worth what somebody is prepared to pay for it, and how much they are prepared to pay is governed by how much they can borrow.

This budget has also further increased the number of people who are eligible for a housing loan by enabling them to take part in the First Home Loan Deposit Scheme, which is really a lottery allowing them to buy a home on a minimal deposit. This was a disaster in the UK and may well become a disaster here. The interest rate cycle around the world is turning upwards and at some stage homebuyers will face an increase in their mortgage repayments. This will put many under financial pressure, which may well cause a downturn in the housing market.

The Government also announced that more money can be saved in the superannuation system for a deposit on a first home (the First Home Super Saver Scheme, or FHSSS). The maximum releasable amount of voluntary concessional and non-concessional contributions will rise from $30,000 to $50,000. Basically, first home buyers can make additional personal contributions of up to $15,000 a year as a tax deduction, and then withdraw the money when needed to buy their first home. The sting is that the contribution loses 15% going in and is taxed at marginal rates less a 30% rebate on the way out.

For example, someone earning $85,000 putting $15,000 of gross salary into super for a home deposit would save $5,175 in income tax and Medicare levy up front while losing 15% or $2,250 in contributions tax. However, the maximum in the FHSSS has been left at $15,000 a year per person, and it does not start until 1 July 2022, so the change is of no benefit to anyone who wants to buy anytime soon. It's a relatively small amount to most first home buyers, especially given the huge amount of paperwork involved.

Noel Whittaker is the author of Making Money Made Simple and numerous other books on personal finance. See www.noelwhittaker.com.au for details or write to noel@noelwhittaker.com.au. This article is general information and does not consider the circumstances of any investor.

Six lessons for investors in a crisis

Rajiv Jain

Market uncertainty is not new. In fact, there have been 12 bear markets in the past 25 years. However, 2020 was a year when investors experienced almost the full range of market behaviour, from the fastest fall in recent history to the sharpest recovery on record.

S&P 500 and S&P/ASX200 Total Returns in 2020

Source: Morningstar Direct

With a bit of certainty now creeping back in, it’s a good time to review what lessons we can take out of the last 12 or so months to navigate future crises.

Here are my top six lessons for investors:

1. Averages don’t count

There’s a joke about averages, where a statistician has his head in the oven and his feet in the freezer and says, “On average, I feel fine.”

For investors, the average may feel fine, but the reality is pretty dire.

During times of extreme market stress, it’s easy to fall victim to behavioural biases such as loss aversion, anchoring or herd mentality. But this type of behaviour is almost always detrimental to long-term superior returns.

It’s one of the hardest parts of investing — especially at the extremes — but I believe investors need to find a way to play *devil’s advocate* with themselves. This means asking tough questions about why they are making certain investment decisions, and properly analysing both the opportunities and risks that the current market presents.

2. Balance discipline and flexibility

There is a fine line between being disciplined and being dogmatic. One of the keys to successful investing is reacting to changes faster than others in the market and not being static or inflexible. Unfortunately, it often seems that the more discipline people find, the more rigid they become.

It is critical to understand the data points that may appear to be conflicting during the most severe part of a market correction. As an active manager, I believe this is the most important period for adding value for our clients.

3. Cheap doesn't mean safe

Valuations are always important, but investors should not fall into the trap of thinking that 'cheap' means 'safe' during a crisis.

During a financial crisis, the lines between growth, value and other factors blur. What was once growth is now value and what was once cheap may now be heading for bankruptcy. As a quality investor, I certainly appreciate the fundamental argument of not overpaying for a future earnings stream, especially in a crisis. But it's about quality for me, not cost. I focus on certainty of earnings and strong balance sheets.

4. Use the 'sleeping' test

A good rule of thumb for investors is that if a stock is keeping you awake at night, sell it — or at least sell it down to a level where you can sleep.

One of the best ways to ensure a good night's sleep during a crisis is to invest in companies with quality and experienced management teams. This experience will stand them in good stead during the crisis, and management teams that know how to compound capital in tough times are more likely to prosper.

5. Start with 'what could go wrong'

The first step in investing is to avoid mistakes. That may sound pretty obvious, but it's actually more complicated — and harder — than one might think. Before making any investment decisions, investors need to think carefully about what could go wrong with a company and then go from there.

If you don't own it, you can't lose money on it. As another favourite saying goes: 'I don't have to fish in every pond, just the ones that have fish in them.'

6. It's the things we love that ruin us

Investors often find that buying stocks is easy. It's selling them when the trouble starts. Investors that focus almost entirely on the purchase price and then base their investment decisions on trying to sell at a higher price, are falling prey to 'anchoring' and are failing to assess a stock on its true merits in the current market, which is constantly changing. Price matters, but it's not *the only thing* that matters.

Alignment of interest

I think that 2020 was the ultimate test for many investors. Volatile markets and an uncertain economic outlook in the wake of Covid-19 led to a lot of investor angst. But overarching these top six lessons is one source of truth for all investors: only invest with a manager that eats their own cooking.

A fund manager's job is to compound each investor's money, and it is important that the manager and the investor have aligned interests. For more certain investment outcomes, I believe it's crucial to invest with fund managers who have a majority of their net worth invested into the same investment options that they offer for their clients.

Why? I find this focus automatically changes investment management behaviour. It changes from simply beating a benchmark to producing real returns. It ensures the investment manager is serious about adapting and evolving to different market conditions.

A focus on quality, combined with an adaptive process that avoids being too dogmatic about what has worked in the past, is the key to compounding capital over the long run. In my view, a focus on the forward nature of quality, purchased at suitable prices, is the best defence over time.

No one wants to overpay for assets, so in that sense, we are all value investors. It is just that some of us are more dogmatic about it than others.

Rather than simply asking 'what is the price?', the real question should be 'what am I getting for the price I'm paying?'. On this basis, I believe there are still good opportunities for investors in the current market.

Rajiv Jain is Chairman and Chief Investment Officer of [GQG Partners](). This article contains general information only, does not contain any personal advice and does not consider any prospective investor's objectives, financial situation or needs.

Firstlinks
a Morningstar company

Australia's mini baby boom filling some of the immigration losses

Ashton Reid

Back in March I was chatting with a fellow parent at a school social event. After the prolonged lockdowns and enforced social distancing of 2020, we both agreed that it was great to be out and about. An obstetrician, this parent also happened to mention how unusually busy he had been in the prior months and this got me thinking more deeply on the topic of babies.

Looking further into all things baby related, it became evident that in strong contrast to other parts of the world, Australia is set to enjoy a coming baby boom. While it would be easy to flippantly attribute this great baby news to lock-downs and the thought that one can only watch so much streamed TV, in reality it means so much more.

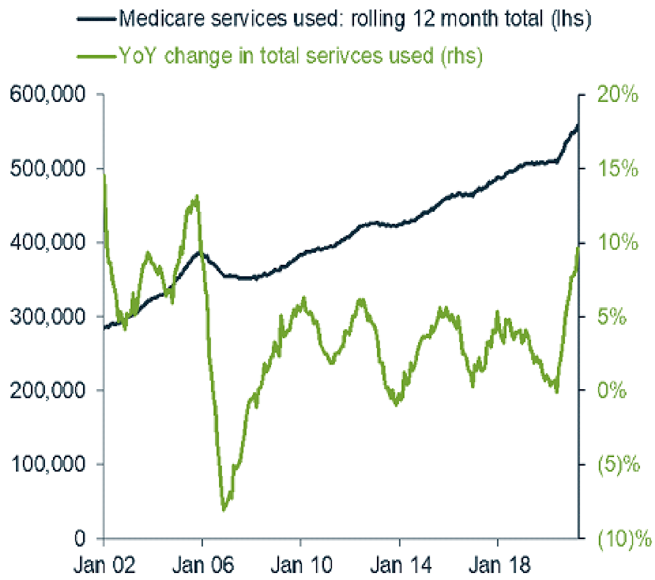
The coming baby surge speaks volumes to the great levels of shared optimism we should have in our ongoing prosperity. Australians have both the confidence to commit to baby plans and the knowledge that a strong birth rate delivers long-term structural benefits.

This population growth is also good news for the long-term success of Real Assets. Quite simply, the more the Australian population grows, the higher demand for Real Assets serving our everyday needs.

Forecasting baby showers ahead for Australia

Unlike behaviours that saw a sharp drop in births during the GFC, Government Medicare data on early-stage pregnancy ultrasounds is signalling a mini baby boom on the horizon.

Early-stage (<16 week) pregnancy ultrasound referrals



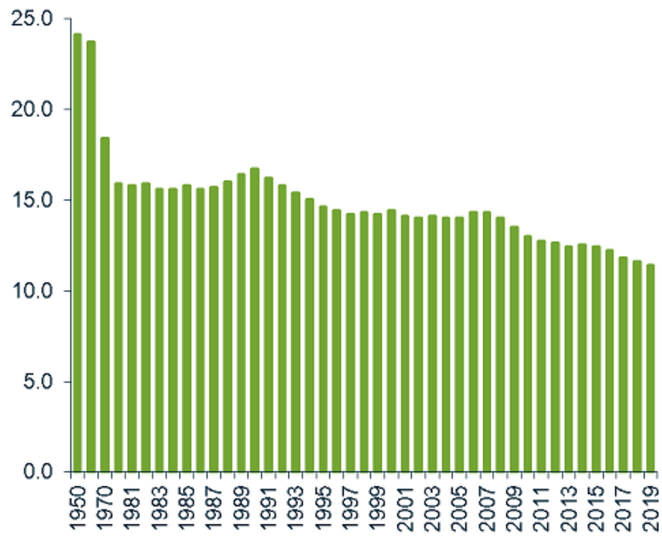
Source: Australian Government [Medicare statistics](); as of 31 March 2021, item reports for Medicare Benefits Schedule – Items: 55700, 55703, 55704, 55705.

In a world troubled by the COVID-19 pandemic, the outlook in Australia is reassuring both for our Real Asset investments that rely on population growth, and for the broader economic backdrop. The baby confidence most certainly can equate to a healthy consumer.

Australia is bucking a global COVID-19 trend

While myths of a spike in birth rates nine months after blizzards or major electricity blackouts have been [debunked in the past](), Australia's expanding families are looking markedly different to other parts of the globe where baby birth rates are steadily falling. COVID-19 impacts look to only have exacerbated these downward trends.

US: Crude birth rate (Live births per 1,000 population)



Data coming out of the US is particularly bleak. The US Centers for Disease Control and Prevention (CDC) reported that in a year not yet affected by COVID-19, 2019 already delivered the lowest birth rate for 35 years (sourced [here]() and [here]()). Provisional data for 2020 indicates an ongoing [downward trend]().

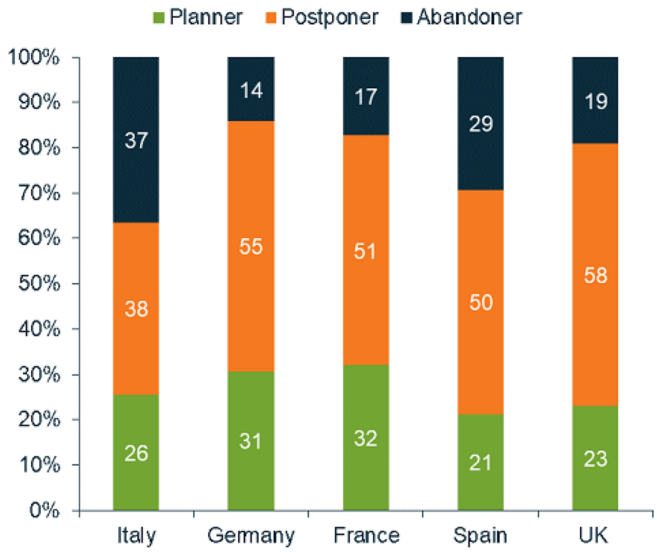
COVID-19 impacts are expected to see even less babies arrive this year with an estimated 300,000 fewer US babies expected in 2021, according to [a study]() by the Brookings Institution think-tank.

Using real time Google search data, Germany's Max Planck Institute for Demographic Research has also anticipated these declines for 2021. Their research focussed on Google search terms like "Clearblue" (the US pregnancy test) or "morning sickness" and has flagged greater decline in US birth rate than what followed the GFC in 2008-2009. This would be a similar magnitude to the declines following the Spanish Flu of 1918-1919 and the Great Depression in 1929.

Europe paints a similarly sobering picture. A survey of fertility plans in Europe showed that 50% of people in Germany and France who had originally intended to have a child in January 2020 were going to postpone baby plans, while in Italy, 37% of respondents have abandoned the idea altogether.

These slowing overseas birth rates are likely to have been exacerbated by the impacts of economic slowdown, as the pandemic has disproportionately hurt working women.

European fertility plans



Australia's natural population growth partially offsetting immigration losses

Australia's world leading population growth that has historically been bolstered by net migration will of course slow, given border closures and negative net migration. Based on our observation of all these trends, we would expect that Australia's total population growth will stay positive, but most probably slow to around +0.5% in 2021. This is down from the +1.5% p.a. pre-COVID-19 levels of 2019.

We do expect an upward acceleration from those lower rates into 2022, and conservatively assuming a 10% year on year increase in Australian child births in 2021, population growth will likely then rise back to levels of around +0.7% over 2022. For reference, the latest monthly March 2021 ultrasounds in the earlier chart are up +20% on pre-COVID-19 March 2019 levels.

Immigration will also rebound

Australia is also in the enviable position of having both an accelerating birth rate from already high levels and a solid handle on the spread of COVID-19.

Solving quarantine logistics for a re-commencement of our controlled migration programme will be much easier than trying to kickstart the declining organic birth rates we are seeing offshore.

Strong local employment data will also facilitate a re-introduction of our migration, and the poor global COVID-19 experience will likely have only increased net migration demand for Australia. Immigrants have also traditionally had a higher birth rate than Australian-born citizens.

Finally, the natural motivation to re-invigorate our key export market of education is strong, with offshore students historically providing a key pool of prospective new Australians.

Both births and immigration a key part of Australia's population story

Population growth from both the natural birth rate and immigration are key driver of the Real Assets we invest in for our income clients, and we remain very confident in the long-term Australian population story. In a troubled world we should be optimistic about the future, I certainly am.

Ashton Reid is a Portfolio Manager at Martin Currie Australia for the Legg Mason Martin Currie Real Income Fund. Also available as an Active ETF (Managed Fund) ASX:RINC. Martin Currie is a Franklin Templeton specialist investment manager, and Franklin Templeton is a sponsor of Firstlinks. This article is general information and does not consider the circumstances of any individual. Past performance is not a guide to future returns. For more articles and papers from Franklin Templeton and specialist investment managers, please click here.

Bank reporting season scorecard May 2021

Hugh Dive

Twelve months ago, the consensus view in the market was that the May 2021 bank reporting season would be one of the worst in the past century. The May results season was expected to be more challenging than the GFC and, similar to 1992, when both Westpac and ANZ came close to insolvency crippled by bad loans to entrepreneurs such as Alan Bond, Chris Skase and Robert Holmes à Court. Indeed 2021 was predicted to deliver an unemployment rate of 12%, capital raisings and minimal dividends as loan losses increased dramatically, eating hungrily into carefully built capital buffers.

The May 2021 reporting season proved these forecasts incorrect, with bank dividends increasing sharply, loan loss provisions from last year written back, and management even talked about share buybacks!

This article looks at the themes in the approximately 800 pages of financial results released over the past two weeks, including Commonwealth Bank's 3rd Quarter 2021 Update, awarding gold stars based on performance over the past six months.

Reporting season scorecard May 2021

Company	Share Price	Market Cap $B	Cash earnings per share growth (pcp)	Increase in Dividends	Net interest margin	Credit Impairment charge as % of loans	Capital Ratio	Return on Equity	Forward PE Ratio	Forward dividend yield	2021 total return
Westpac	$ 25.19	$ 92.4	34.0%	87.0%	2.06%	0.19%	12.3%	11.0%	14.7	5.0%	34.6%
ANZ	$ 27.15	$ 77.3	35.0%	27.0%	1.63%	0.06%	12.5%	9.7%	13.1	5.2%	24.2%
NAB	$ 25.96	$ 85.6	44.0%	100.0%	1.79%	0.04%	12.4%	11.1%	14.0	4.6%	18.9%
Commonwealth (3QFY21 trading update)	$ 95.98	$ 170.3	32.0%	53.0%	2.04%	0.22%	13.4%	10.5%	19.1	3.9%	20.0%
Macquarie Full Year	$ 154.86	$ 56.0	7.0%	9.0%	n/a	0.12%	12.6%	14.5%	18.2	3.4%	14.6%

Source: Company reports, IRESS, Atlas Funds Management

What pandemic?

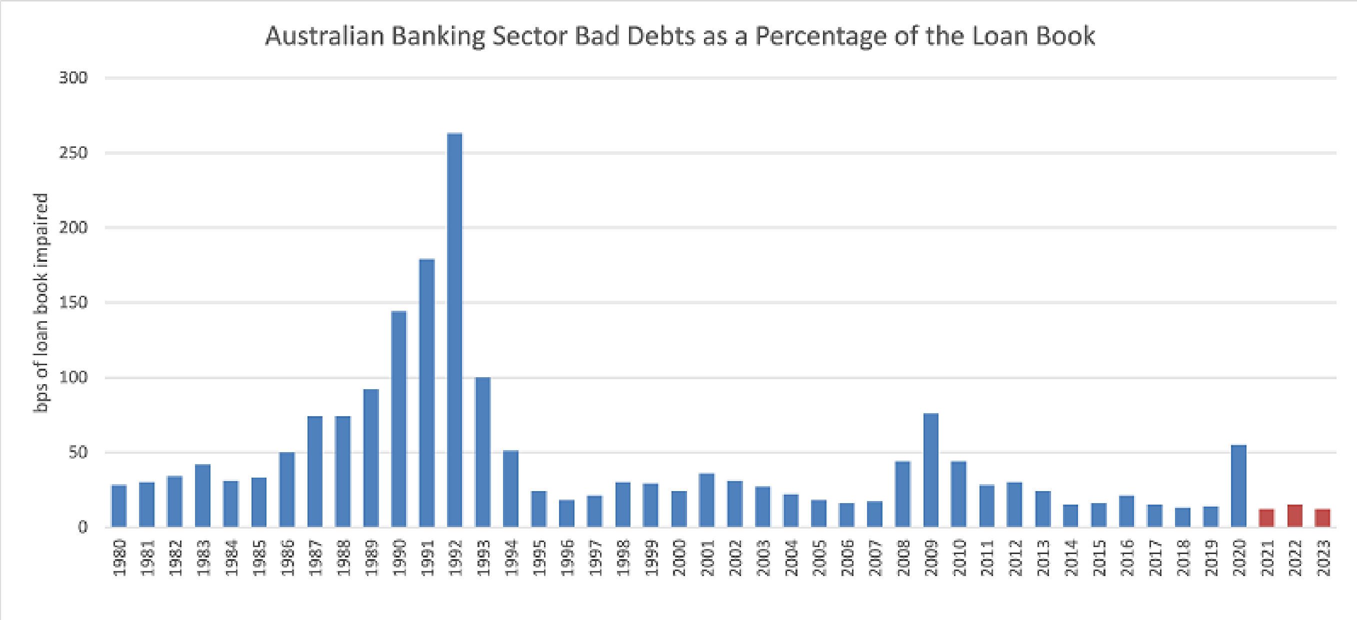
The key feature of the May results for the banking sector was a dramatic recovery in the financial health of corporate and household Australia. A year ago, the base case for banks included house prices falling by between 15-20% throughout 2020, with further deterioration expected in 2021.

This cautious stance saw Westpac taking $1.8 billion and ANZ $1 billion in provisions due to expected losses from COVID-19 and most banks declining to pay a dividend. The lack of dividends surprised many investors as Westpac even paid a dividend during its near-death experience in 1992.

Instead of seeing a steep increase in unemployment and falling house prices, thus increasing bad debts for the banks, Australia was one of the first nations to regain all jobs lost through the pandemic, reporting an unemployment rate 5.6% in March 2021.

This optimism was mirrored in the banks' results presentations which showed the number of stressed customers falling steadily throughout the year. Indeed, from looking at the recent set of bank results, it is often tough to discern any impact of COVID-19. For example, ANZ reported bad debt charges of 0.08% of their loan book, an all-time low and of the 121,000 home loans in deferral in May 2020, only 2,000 have moved to hardship, with the rest returning to payment.

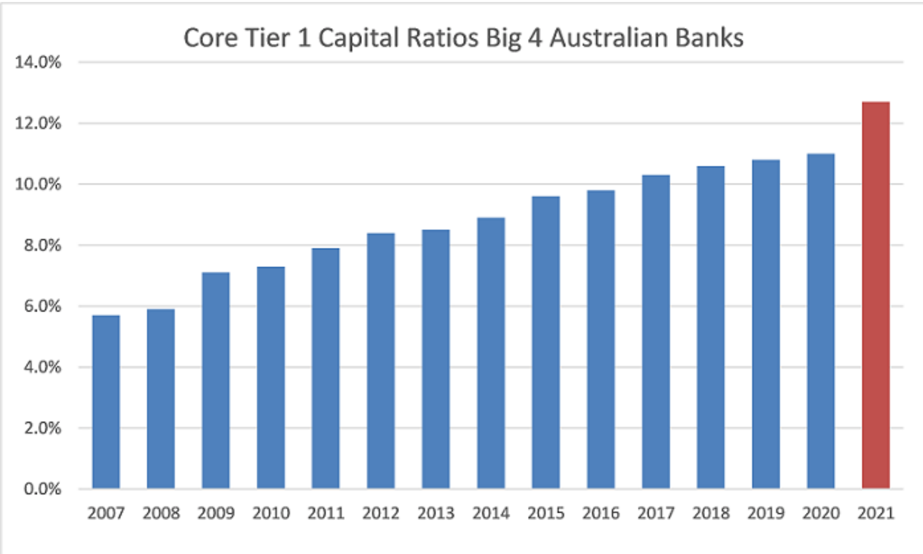
The below chart shows bank bad debts over the past 40 years. In 2021 the combination of increases in employment, sharply rising house prices and record low interest rates have seen bad debts fall significantly. The recovery from COVID-19 has proved to be faster than the GFC and nothing like the decade it took the banks to recover from 1991-92.



Too much capital

All banks have core Tier 1 capital ratios well above APRA's 'unquestionably strong' benchmark of 10.5%, aided by asset sales in wealth management and low dividend payout ratios in 2020. Australia's banks entered 2020 with a greater ability to withstand an external shock than was present in 2006 going into the GFC.

From this chart, you can see that the banks have been building capital, particularly since 2015 when APRA required that the banks be "*unquestionably strong and have capital ratios in the top quartile of internationally active banks*". Furthermore, in response to the 2018 Financial Services Royal Commission, the banks further increased capital by divesting their wealth management and insurance businesses. This resulted in the banking sector remaining well capitalised, with the capital only building as the expected loan losses from COVID-19 have not eventuated.



Source: APRA & Atlas FM

While during the GFC, all banks needed to raise capital, in 2020, NAB was the only bank to issue new equity raising $3.5 billion in April 2020. Commonwealth Bank came out ahead in May with the strongest capital ratio at 13.4% among the banks.

We expect that towards the end of 2021, most banks will seek APRA approval to return capital to shareholders, either special dividends or share buybacks. Management teams are generally incentivised to conduct share buybacks which permanently reduce outstanding equity, thus making management return on equity (ROE) targets that trigger bonuses easier to achieve.

Don't waste a crisis

Several banks are taking advantage of social distancing to rationalise their branch network. On average, the major banks each have over 1,000 branches around Australia and have experienced a decline in usage over the past decade. NAB reported that 93% of retail transactions are now conducted electronically. Rationalising branch networks, while politically unpopular, is an opportunity to reduce the cost base and obtain a dividend from the extensive investment in technology. In May, Westpac announced plans to reduce its annual cost base by $2 billion to $8 billion via a combination of cutting head-office jobs and closing branches.

Gold Star

Rising net interest margins

Before the COVID-19 pandemic, the biggest issue the banks were expected to face over the next few years was maintaining net interest margins as the cash rate moved towards zero. Banks earn a net interest margin [(Interest Received - Interest Paid) divided by Average Invested Assets] by lending funds at a higher rate than borrowing these funds either from depositors or on the wholesale money markets.

When the prevailing cash rate is 6%, it is much easier for a bank to maintain a profit margin of 2% than when the cash rate is 0.1%. Falling interest rates reduce the benefit that banks receive from the billions of dollars held in zero or near-zero interest transaction accounts.

However, this cheap source of funding continues to benefit the banks. In their result, Westpac revealed that in March 2021, the bank held $257 billion on accounts earning less than 0.25%, an increase of $61 billion over the last six months. It indicates that a portion of the stimulus payments are still being saved and not spent.

The March 2021 reporting season saw net interest margins increase due to lower funding costs. The banks more heavily exposed to mortgages (CBA and Westpac) traditionally have higher margins than the business banks (NAB and ANZ) which face competition from international banks when lending to large corporates. Westpac posted the strongest net interest margin in May with an increase of 0.05% to 2.09%. While this sounds like a minute increase, it becomes significant when played out over a loan book of $690 billion.

Gold Star

Dividends

In the lead up to the May 2021 reporting season, it was challenging to forecast bank dividends. Management needs to be conservative in case economic conditions deteriorated versus the desire to reward shareholders who saw their dividends cut heavily in 2020.

In May, all banks increased their dividends significantly in response to higher profits, low loan losses and the removal of restrictions imposed by APRA in 2020 that limited dividends to 50% of earnings. NAB increased its semi-annual dividend by 100% to 60 cents, though this is still 30% below pre-COVID 19 levels. Macquarie wins the gold star, increasing its dividend by 9% and it was the only bank not to cut dividends as the global bank generated record profits during a pandemic-affected year.

MACQUARIE
Gold Star

The road back to pre-COVID-19 levels of profits and dividends

While the banks will eventually see profits from banking return to pre-COVID-19 levels, the road back to the same dividends per share as in 2019 will be slow due to a combination of asset sales (lost earnings) and equity issues (increased shares) from NAB and Westpac.

However, Atlas believes that the path to restoring profits will be quicker than during both the GFC and the 1990s recession. In 2021 the banks have higher credit quality in their loan books: no Quintex, Bond Group, ABC Learning, US CDOs or UK retail banking exposure. Additionally, customers feeling financial stress now face interest rates in the low single digits, not the 18-20% mortgage rates seen in the early 1990s or 7-9% during the GFC.

We expect dividends to continue to increase across the banking sector in 2021, provided the economy remains robust, and there are no further significant outbreaks that shut down sections of the economy. Given the high levels of capital, one lever that bank management teams have to drive earnings and dividends per share growth is to conduct significant share buybacks to reduce their share count.

Our take

Twelve months ago, Atlas took an optimistic stance towards the banks, viewing that the bad debt trajectory would be closer to 2009-11 rather than the early 1990s. The banks have managed the COVID-19 crisis well, with no major corporate collapses, supported by the massive stimulus measures put in place by the Federal Government. The stimulus maintained employment, boosted retail sales and fueled rising house prices.

While the outlook remains far from certain, Australia's banks have historically performed well coming out of crises that have reduced foreign competition and allowed them to solidify the banking sector oligopoly.

Hugh Dive is Chief Investment Officer of [Atlas Funds Management](). This article is for general information only and does not consider the circumstances of any investor.

Will the drought break for value stocks continue?

David Walsh

The drought has broken for global value investors, but can the recovery continue? This article outlines the scale of the bounce back for value-style stocks and considers whether it is set to run further.

Why value stocks were in the wilderness

A growth stock is a share in a company that is anticipated to grow at a rate significantly above the average growth for the market. A value stock is a company trading at a lower price than justified based on the company's fundamental performance. For many years following the GFC, value underperformed growth.

There main possible explanations for this include:

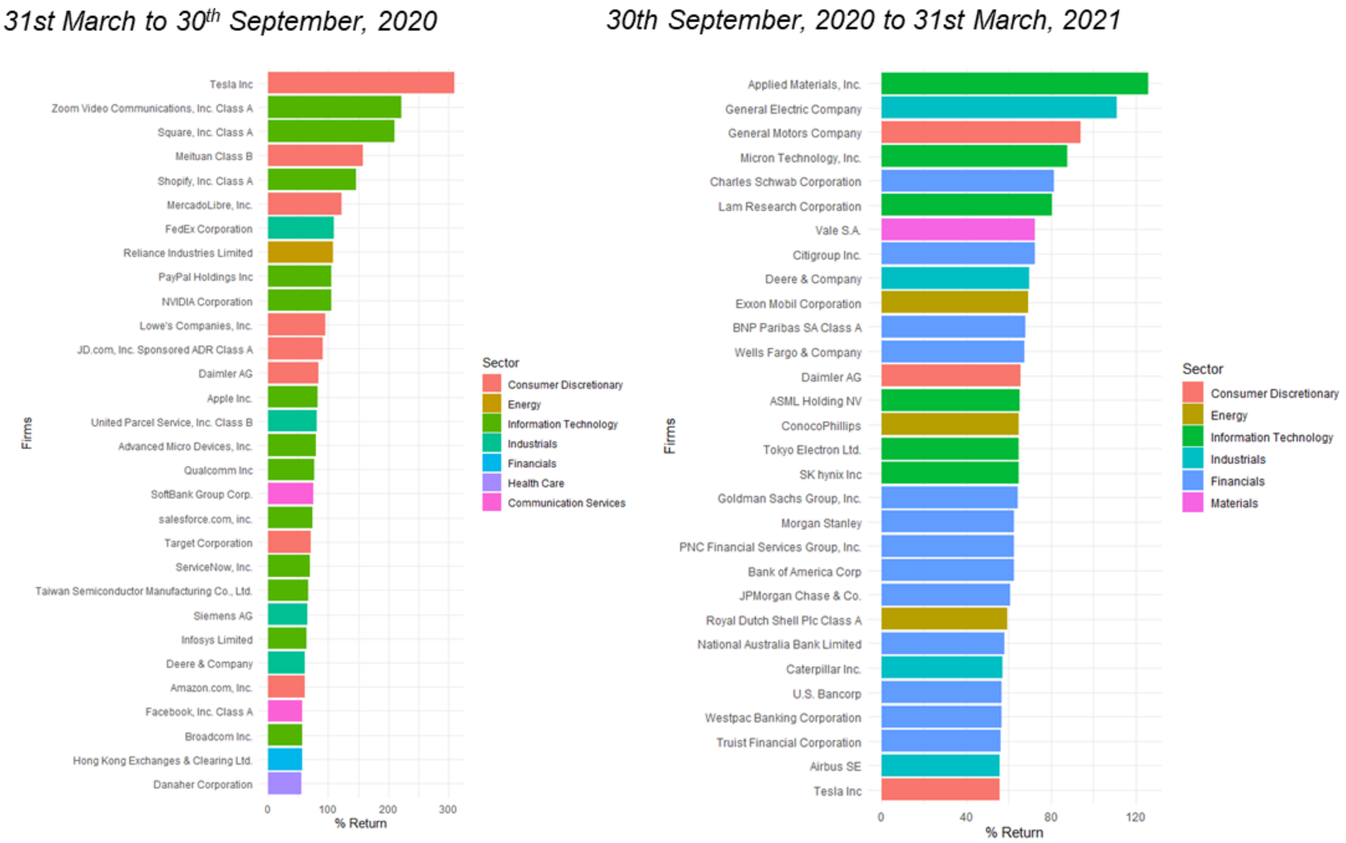
- **Low real interest rates**. Low interest rates imply low discount rates for discounted cash flow calculations, artificially inflating longer-dated cash flows which are typically associated with growth stocks.
- **Build-up of intangible assets**. Using simple valuation metrics tends to ignore the impact of modern intangible assets like research and development (R&D) and brand value, which tend to be associated with tech or consumer discretionary names. Firms that invest heavily in R&D and brand value look expensive when the price is measured against tangibles like book value or total liabilities.
- **Low inflation.** While global economic growth has been satisfactory, productivity growth has been poor and inflation has been depressed (or at the low end of expectations). This means that nominal interest rates have also remained low.
- **Technological shift.** The period since the GFC has been dominated by a new paradigm of technological developments, most notably in communications, consumer services and the application of new technology to older problems like transport and power supply. Firms in this space have been much more successful than 'old school' firms – bricks and mortar retail, transport and entertainment have all suffered. These newer firms have often traded on excessively high valuation metrics, making older firms appear cheaper.

A market shift

After languishing for over a decade, global value stocks returned an average 10.3% in the first quarter of 2021, compared to growth stocks at 1.6% (MSCI AC World ex AU Value and Growth, 1 January to 31 March 2021), after a long period of relative underperformance.

The significant shift in market dynamics can be seen in the rotation of tech and communications names out of the top 20 performers, to be replaced by value-style industrials, energy and financials. For example, between April and September 2020, Tesla, Zoom and PayPal were among the best performers, while from October 2020 to March 2021, brands like General Electric, Citigroup and John Deere saw the strongest gains (see appendix).

Chart 1: MSCI ACWI Total Returns by Company

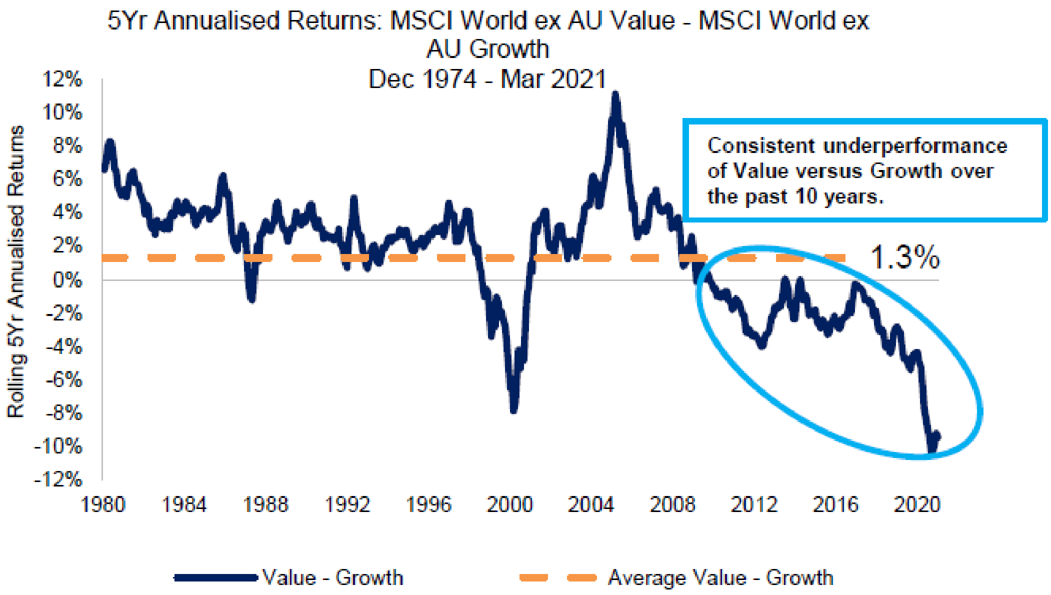


Source: MSCI – April 2021

However, the recovery is starting from a low base.

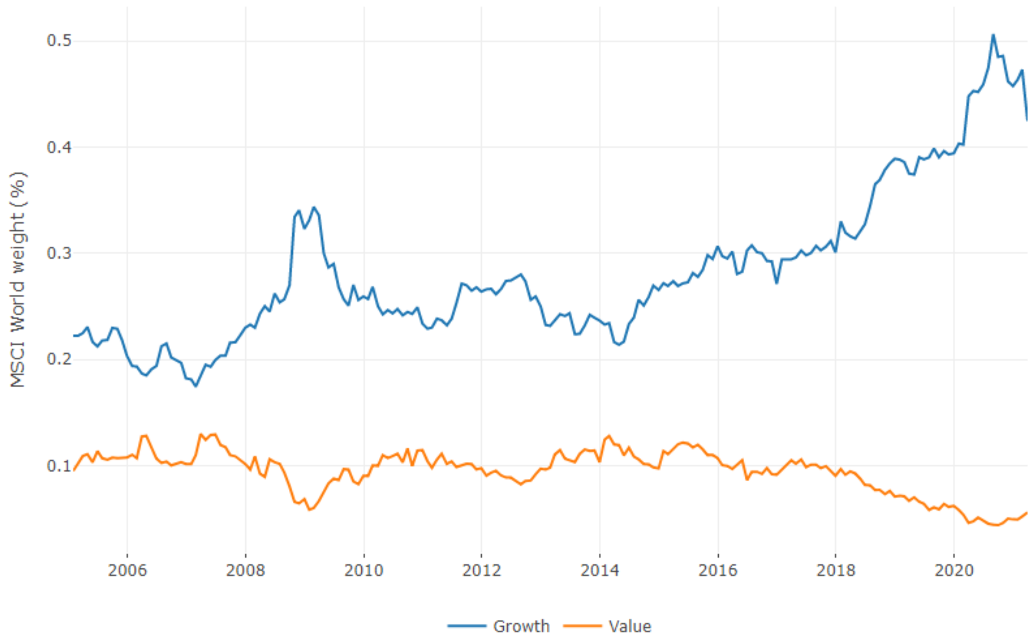
Over the past 40 years, value and growth styles of investing have competed for dominance, and in the last decade, growth has convincingly won. While the recent rebound is welcome, it has hardly made a dent in terms of recovery, as Chart 2 shows.

Chart 2: Value vs Growth Returns



Our research also illustrates how the gap between value and growth stocks has increased in recent years. Since 2014, growth names have more than doubled as a proportion of the benchmark weight, while value names have approximately halved.

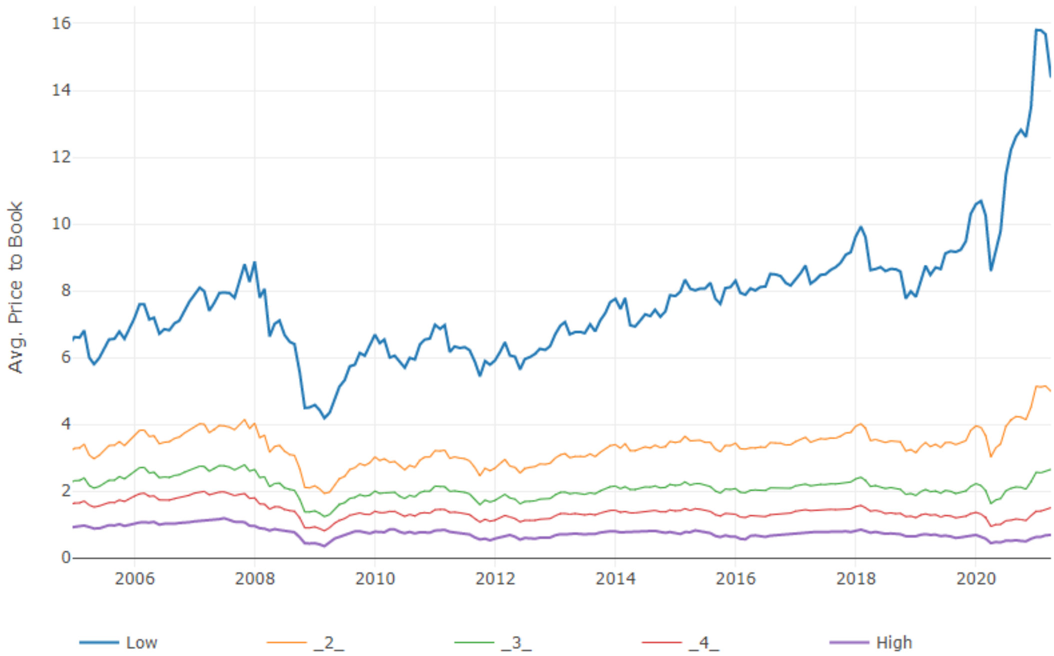
Chart 3: Growth and Value companies as a percentage of MSCI World



Source: Realindex, Factset, MSCI. Data as at 31 March 2021.

Chart 4 outlines the average price-to-book ratio of all stocks in the MSCI World, sorted into quintiles (by price to book). For example, the blue line shows the average price-to-book of the 20% most expensive names in the universe. This shows that the spread in valuations has been caused by the expensive names becoming more expensive, not the cheap names getting cheaper.

Chart 4: MSCI World Growth and Value price-to-book by quintile



Source: Realindex, Factset, MSCI. Data as at 31 March 2021.

Another insight from this data is that despite the recent rebound in value, the spread is still large, and the most expensive names are still very expensive in historical terms. As such, the rebound has merely 'scratched the surface', making it more likely that further gains for value are possible.

If we see the runaway performance of growth as an unsustainable trend that has run its course, then we are more likely to see the value rebound as a trend that is here to stay.

The inflation factor

The inflation and interest rate environment could also influence the performance of value stocks. With bond yields indicating that inflation is picking up globally, and that real interest rates may follow, these types of stocks are set to benefit.

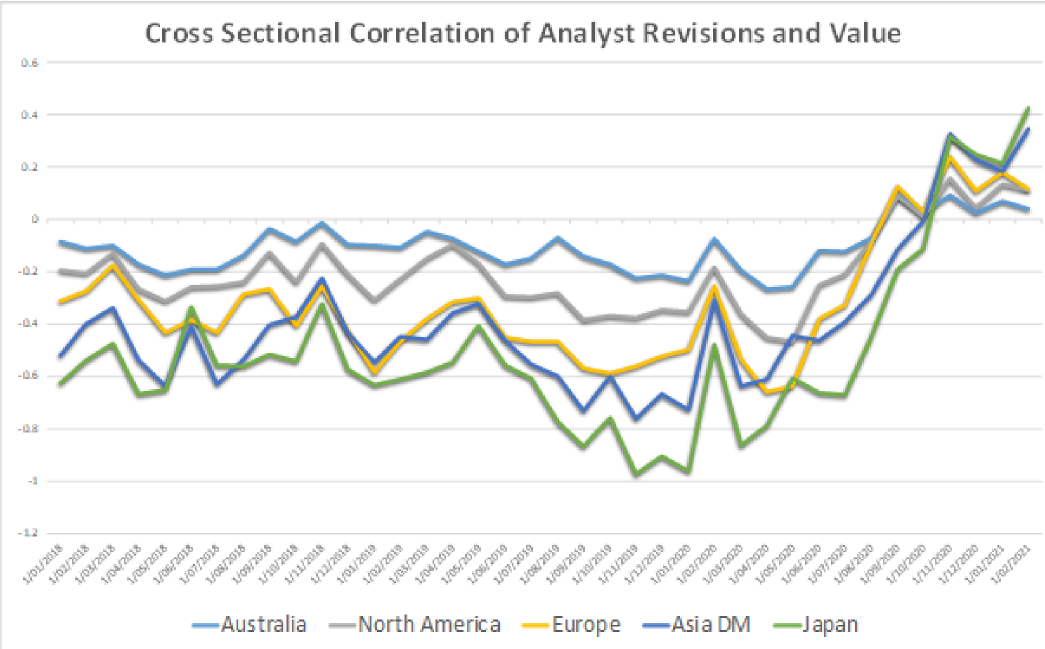
That's because they are known to be 'short duration' in nature – their cash flows are near term. Growth stocks, on the other hand, are known to be long duration. In a world of low interest rates, long dated cash flows are inflated, which will inflate the value of growth stocks when compared to value stocks.

However, when interest rates rise, growth stocks' valuations will decrease much more quickly, for the same reason. It then follows that an increase in inflation and interest rates will hit long duration names harder. In other words, value will outperform - and this is indeed what we have seen recently.

Analysts betting on value

We also looked at the sentiment among sell-side analysts to infer whether the value rebound is set to continue. The chart below plots the correlation of analyst revisions with our composite value factor since the start of 2018. Until the second half of 2020, analyst revisions were negatively correlated with value – that is, growth stocks were being upgraded, or value stocks were being downgraded, or both.

Chart 5: Correlation of Analyst Revisions



Source: Realindex and Factset, April 2021

However, beginning in August 2020, a distinct change has been observed. We now see analysts moving away from the growth-upgrade/value-downgrade cycle, to the opposite – upgrading value stocks and/or downgrading growth stocks. The analyst community is a strong predictor of future market leadership, and this shows that the shift toward value is well underway.

A positive outlook

Overall, our analysis concludes that the signs are good for a continued value revival, as there is a lot of room for value stock prices to catch up. Inflation and interest rates may be ticking up, which normally creates positive conditions for value stocks. And finally, it appears that the 'smart money' is on value, with the analyst community looking more favourably on them. We think the signs are good for value investors.

David Walsh is Head of Investments at [Realindex Investments](), a wholly owned investment management subsidiary of First Sentier Investors, a sponsor of Firstlinks. This article is general information and does not consider the circumstances of any investor. For more articles and papers from First Sentier Investors, please [click here]().