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Contents

Editorial

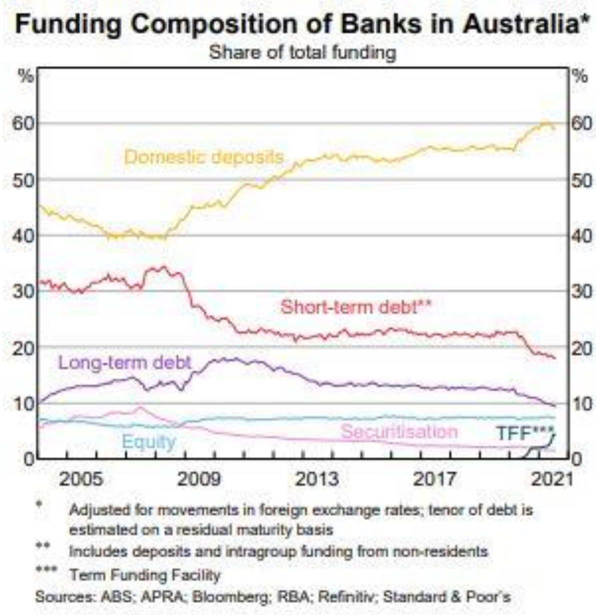
If you were on the board of a major bank and asked to write a wishlist of things the government or central bank could fix to help your business, almost everything you could dream up has been delivered. For many years, I was **Head of Balance Sheet Management** at a large bank and we thought we were responsible for solving our problems and managing our own risks.

Here's a brief list of aids handed to the banks, their executives and their shareholders in the last year:

- Provide a three-year **Term Funding Facility** (TFF) for $200 billion at a cost of only 0.1%.
- Reduce the **cash rate** to 0.1% to create massive demand for our largest asset class, home lending, and push up prices to make our security more valuable.
- **Purchase hundreds of billions of bonds** and securities to ensure plentiful liquidity and allow us to hold higher-yielding securities.
- Give some of our customers **access to their superannuation** since we are no longer focussed on that troublesome business.
- Pay $90 billion in **JobKeeper** to businesses with no check required on whether the policy retained jobs or company turnover actually fell.
- Introduce an **SME Guarantee Scheme** to improve access to business credit and a **Boosting Cash Flow for Employers** Scheme.
- Adopt a **HomeBuilder** programme of $25,000 grants to first-home buyers even if the money ends up in the hands of land developers.
- Allow **business tax relief** and full expensing of eligible assets.

Yes, spending was required in a pandemic but billions of dollars found their way into small and large businesses which did not need support, funded by government debt. And now banks can reward their shareholders with healthy dividends and strong balance sheets and Australia is left with structural budget deficits for decades and a trillion dollars of net debt.

The TFF is not discussed as much as other programmes but for someone who spent years raising term debt to manage the asset/liability mix, it is a ripper. Combined with a surge in domestic deposits, now contributing 60% of bank funding, the banks have their smallest reliance ever on their most vulnerable source, short-term wholesale debt, as shown here.

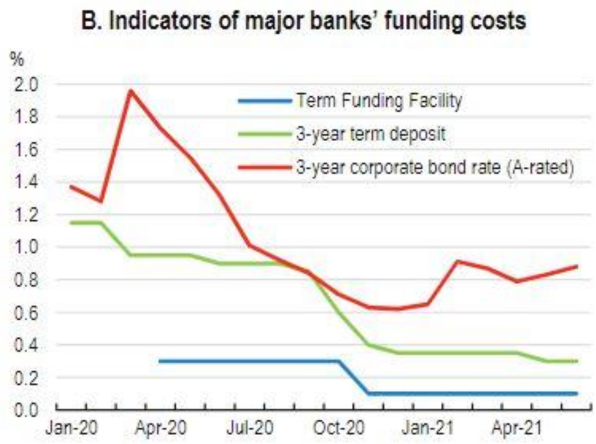


The chart (right) from the **OECD** shows how cheap the TFF is compared with alternative term funding sources.

To complete the rosy balance sheet picture, the strong capital ratios (below, right) make our banks rock solid. Hybrids, anyone?

The TFF allowed the banks to compete aggressively for mortgages, especially with the introduction of attractive fixed rates. The big banks in particular benefitted with **CBA** drawing $51 billion, **NAB** $32 billion, **Westpac** $30 billion, **ANZ** $20 billion and **Macquarie** $11 billion.

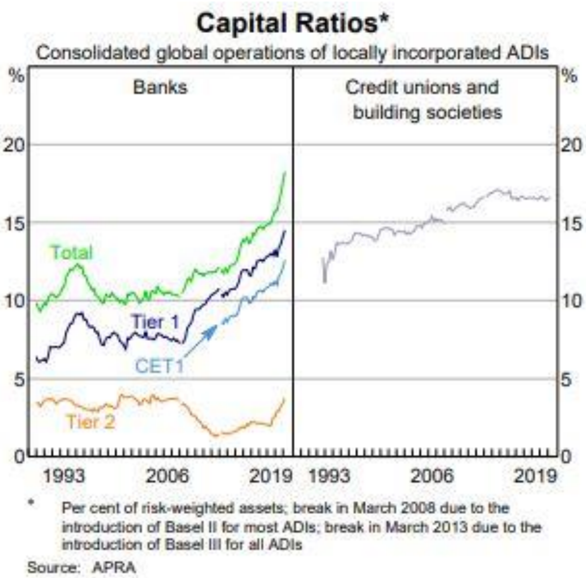
CBA! The best-funded bank in Australia eagerly accepting $51 billion for three years at 0.1%. In my day as **Head of New Issues at CBA**, we toured the world looking for term funding. No wonder CBA's net interest margins have improved, and **Macquarie Equities** estimates CBA's revenue benefit at $384 million from the TFF alone. And contrary to the intentions of the TFF to help to fund SMEs, the vast majority of the money went into residential mortgages.



Source: OECD Economic Survey, Australia, September 2021.

In a week when the **Reserve Bank Governor, Philip Lowe**, said surging house prices are not on his agenda but to look more at factors such as the social security system, and the OECD called out Australia for policies favouring home investing, we focus on the age pension asset test. The OECD said:

"the prolonged boom in house prices have inflated the wealth of many pensioners without impacting their pension eligibility ... the distribution of age pension expenditures is much less skewed to lower wealth quintiles than other payments."



Has the time come to address paying age pensions to owners with homes valued above a high threshold point, in the interests of equity and fiscal responsibility? We value your feedback in our survey after checking the argument.

Also this week, we interview **Sean Fenton of Sage Capital** on how he balances the need for income and capital growth, the investment themes he likes and shorting in a rising market among other portfolio solutions.

We welcome back **Chris Cuffe**, co-founder of this publication nine years ago, with a warning from him that the new Design and Distribution Obligations (DDO) coming on 5 October will lead to fund closures and changes in the way banks sell securities, and direct more business directed towards listed offers.

Then **David Wilson** identifies the FY21 company winners and losers including stocks in his portfolio that he is especially pleased with ... and a few less so.

Warren Bird checks the latest 'Down Down' at **Coles** and it's not the status quo we learned to hate. What was once the domain of fund managers is now coming into companies, but is it genuine or spin?

And with Managed Account balancing surging through $100 billion, matching the higher-profile growth of ETFs, **Toby Potter** explains why they are growing quickly and changing how financial advisers work.

In the latest **Wealth of Experience** podcast with **Peter Warnes,** he checks **Stockland, Scentre, Qantas and Flight Centre**, we discuss what 12-month highs and lows reveal, asset allocations, a couple of grumps plus the full interview with Sean Fenton.

This week's White Paper from **Spheria Asset Management** (part of the **Pinnacle** group, a new Firstlinks sponsor) looks at opportunities in global small caps and why they can offer diversity not available in Australia.

Finally, our **Comment of the Week** comes from **Stephen**:

"What we are doing as a country is loading up the next generation with a huge debt, and not caring about it. The next generation don't even care about it themselves, maybe because nobody has pointed it out to them. It is all about fiscal responsibility. Financial planners are acutely aware of fiscal responsibility and planning for the future. It is our job every day. Unfortunately when it comes to public finances it seems there is no such thing."

10 reasons wealthy homeowners shouldn't receive welfare

Graham Hand

Royals

"I've never seen a diamond in the flesh
I cut my teeth on wedding rings in the movies
And I'm not proud of my address
In a torn up town, no postcode envy …

And we'll never be royals
It don't run in our blood
That kind of luxe just ain't for us
We crave a different kind of buzz

Let me be your ruler
You can call me queen bee
And baby, I'll rule
Let me live that fantasy."

Extract from 'Royals' by Lorde
(Royals lyrics © Peermusic Publishing, Sony/ATV Music Publishing LLC, Kobalt Music Publishing)

Thousands of age pensioners who never aspired to become 'royals' are now wealthy beyond their wildest dreams. Many toiled hard in working class jobs without extra money for luxuries and their superannuation balances are modest. Now in retirement, they qualify for full age pensions which for a couple is about $38,000 a year with supplements.

They did one brilliant thing that set them up for life and retirement. **They bought a house 30 or 40 years ago.** There was no 'postcode envy', as Lorde calls it, of wanting to buy in Sydney's eastern suburbs or north shore. They bought where they could afford, in inner west industrial suburbs of Leichhardt, Marrickville, Camperdown, Redfern and Alexandria, and their equivalents in other cities.

Next time you fly into Sydney over these inner west suburbs, spare a thought for the house owners down there. Only this time, don't sympathise about the flight path noise, the crowded streets or the unrenovated dwellings shared with light industry. The owners of many of those houses are living the Great Australian Dream of home ownership in places now worth $3 million to $4 million despite little being spent on them for decades.

Sydney prices have risen 19.3% in a year, Melbourne is up 15% and Canberra 19.1%, taking houses beyond affordability for many younger people.

This week, the Reserve Bank Governor, Philip Lowe, said using interest rates to stop surging house prices was not on his agenda. Rather, among other factors, Australia should look at "*the design of our taxation and social security system*" as a structural cause.

Australia's pension and taxation systems encourage people to buy homes, even more than putting money into superannuation. Australians love our homes, a sacred right. Jeremy Grantham, famous fund manager and the Founder of GMO, said:

"Tell a European you think there's a housing bubble and you'll have a reasonable discussion. Tell an Australian and you'll have World War III. Been there, done that!"

Here are 10 reasons it's finally time to include part of the value of expensive homes in the age pension assets test.

1. Welfare should go to poorer people who need support

Welfare and social security are essential to look after the disadvantaged but they are supposed to be a safety net for the relatively poor.

The full pension is paid when a homeowner couple's combined assets are less than $405,000 excluding their home. The pension cuts out completely when non-home assets reach $884,000. These amounts are about $216,000 higher for non-homeowners.

Pensioners are also entitled to free or discounted health services and medicines, amongst other things, through the Pensioner Concession Card and the Commonwealth Seniors Heath Card.

The recent dramatic rise in property prices has taken the inequity of this government support to another level, no longer confined to a few affluent locations but spread across hundreds of Australian suburbs.

I have inspected five houses in Sydney's inner west recently and attended their online auctions. You must see it to believe it. The terrace in Rozelle with no parking, price guide $3.2 million, sold for $3.99 million. The Haberfield house on only 285 square metres, guide at $2.95 million, sold for $3.57 million. The unrenovated house on busy Marrickville Road for $3.5 million. An Alexandria home just topped the suburb record at $4.16 million within 24 hours of listing.

Some homes in these inner suburbs have increased in value by $500,000 to $1 million in a year. At the upper end, that's 27 years of age pension payments which could be funded from one year of capital appreciation.

These are not prestige homes. The $3.5 to $4 million houses have only one bathroom and a 50-year-old kitchen, and it looks like the people living in them do not have much money. The houses need $1 million spent to bring to a high standard. There's a decent chance they are owned by people on an age pension. Where a sale is a deceased estate, $4 million will pass to the children or estate tax-free.

Is it fair that a welfare safety net applies for a couple sitting on a $4 million asset? Or in more expensive suburbs of cash-poor, asset-rich people in houses now worth $10 million or $20 million? An agent told me last week his average sale price this year was over $7 million. Any age pensioners in there?

What about the "*I've paid my taxes, I deserve a pension*" argument? Well, lots of people pay taxes and never go on welfare. Noel Whittaker wrote an article in 2015 refuting the claim that a proportion of taxes was once paid to a personal welfare fund. He concluded social security benefits are paid from Consolidated Revenue and "*no taxpayer had a separate balance in their own name, so there was no possibility that monies paid in would be allocated to a particular contributor.*"

2. A new policy should include a generous threshold

A policy change should protect people who live in 'average' homes, in recognition of the basic principle that it is wealthy people who should not need a social security net. The majority of pensioners would not be affected by the change. What might be an appropriate level, as 'expensive' and 'wealthy' are relative terms?

In 2015, the Productivity Commission issued a detailed 232-page report entitled '*Housing Decisions of Older Australians*'. It quotes the following survey results:

"A recent survey of 1,413 people by The Australia Institute (2015) found that two in three people consider a home worth $1 million or more to be 'expensive', with one in three also considering that a home worth $750,000 or more is 'expensive'.

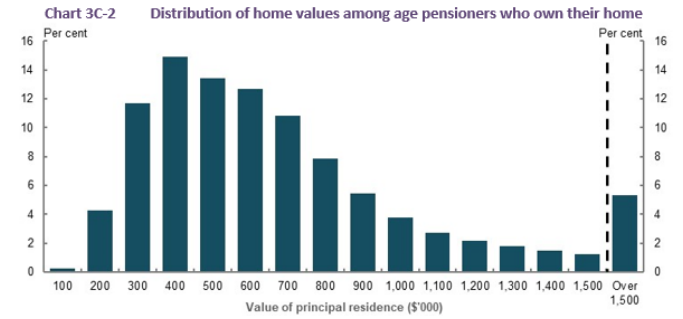
Three-quarters of people surveyed thought that retirees living in 'expensive' homes should still be able to access some form of age pension - 46% favoured access to a part age pension, and 29% thought that those living in 'expensive' homes should be able to receive a full age pension. Only 16% of those surveyed believed that those living in 'expensive' homes should not be able to access any form of age pension."

The Productivity Commission looked at the impact of changing the pension asset test to include the amount above a threshold of $440,000 (the median house price using data from 2010). At the time, about 11% of current age pensioners would face some pension reduction, while about 3% would lose eligibility totally.

The current median house price in Australia is $956,000 (Sydney $1.41 million). While far more work would need to be done on a number, setting a threshold above $1 million to $1.5 million might be in the ballpark.

A couple with a house worth $1.5 million and other assets of $405,000 would retain full pension entitlement, and the pension would not cut out until other assets are over $884,000.

Is it too much to ask that someone with around $2 million or $2.4 million in assets should reduce their welfare payments?



Note: Horizontal axis labels indicate home values up to that amount (e.g. $200,000 includes homes over $100,000 up to $200,000). Source: Department of Social Services analysis of payment data, June 2018.

As this table using 2018 data from the Retirement Income Review shows, about 5% of age pensioners own a home worth over $1.5 million and about 15% over $1 million. It's likely to be much higher now given home prices have risen 18% across Australia in 12 months.

3. Cash needs can be met by an equity access scheme

Nobody would be forced out of their home or required to live on less money, but what does an asset-rich, cash-poor person living in a $2 million house do for cash flow? They could access a programme similar to the Pension Loan Scheme (PLS) or similar offered by the private sector.

We will not go through all the details here but the current PLS allows anyone of age pension age to draw up to 150% of the current age pension. The $38,000 a year could be marked against the value of the house and taken from the estate. There would be additional protections such as no negative equity and perhaps a person would only be required to borrow to a maximum of 50% of their house value or until the residual value is say $500,000. There is no asset easier to borrow against than residential real estate.

The current PLS rate of 4.5% could be reduced to say 2.5% as part of the change. So after 10 years, drawing $1,458 each fortnight at 2.5% would create a debt of $430,000. And $982,000 after 20 years. The expectation is that the value of the house would rise even more, as Australian residential property has increased at 10.7% per annum over the long term.

The Grattan Institute writes in a paper called '*Housing affordability: reimagining the Australian dream'*:
"The impact on low-income retirees with high-value houses could be mitigated by encouraging them to continue to receive the pension, but reclaiming the over-payment when their house is eventually sold. If retirees responded rationally, the reform would have almost no effect on them – instead it would primarily reduce inheritances."

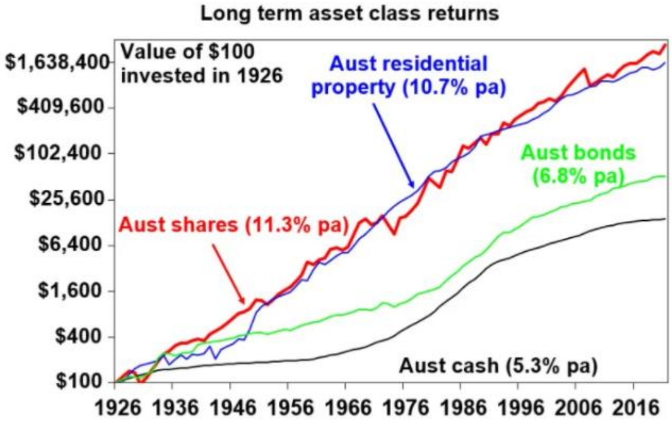
Or perhaps when they learn more about a scheme that allows them to access 150% of the age pension, they might enjoy a higher standard of living in retirement rather than leaving more money to the kids. The Government could also facilitate private sector provision, although at least initially, acceptance of the scheme would be encouraged by government provision.

4. Pensioners have already benefitted from favourable policies

Since 1975, according to CoreLogic, the amount of time it takes an average Sydney homebuyer to save a deposit has increased from three to nine years. The average home cost has risen from four times annual household income to 13 times. It has been a great run for homeowners, as shown in the chart below. Government policies on capital gains and means-test exemptions have encouraged Australians to buy houses.

When COVID-19 hit in February 2020, most economists expected house prices to fall, some by as much as 30%, due to the decline in immigration and rising unemployment. In fact, massive government stimulus packages, all-time low interest rates and $200 billion of funding injected into the banks under the Term Funding Facility created massive demand for homes accommodated by easy credit.

It was government and central bank policy which created the housing boom and owners have benefited big time. Giving a little back in the form of tighter age pension eligibility is sharing these gains as at some stage in the future, debt will need repaying. Should future generations not only face expensive homes but also the burden of paying off our debts?



Source: AMP Capital

5. The Retirement Income Review recommends accessing home equity

Both the Government and its Retirement Income Review have promoted access to home value as a pillar of retirement income policy.

Deborah Ralston of the Review wrote a detailed article in Firstlinks on accessing equity in the family home. Here are some extracts:

"This (baby boomer) generation has also had the benefit of rising property values over recent decades, with the consequence that a large proportion of their wealth resides in the family home.

In examining the three pillars of the Australian retirement system - the age pension, compulsory superannuation and private savings - the Review pointed out that:

"As housing is exempt from the age pension assets test and capital gains tax, for many it is a preferred form of retirement savings. At present, around 15% of age pensioners live in homes valued at more than $1 million, although the vast majority of these are in Sydney or Melbourne where property prices have escalated over recent years.

For median homeowners at retirement, home equity represents around three to four times as much wealth as superannuation (median superannuation balances at retirement are around $200,000, while median home equity of retirees is $750,000). With the family home constituting such a large component of private saving, accessing equity in the family home is an attractive means of increasing retirement income and continuing to age at home."

6. Pension asset test is unfair to some people who created businesses

Let's say the couple who rent next to the pensioner's house are migrants who disembarked from the same boat in the same year the house was bought. They didn't have much money but they also rented a factory and created jobs, and when they finally retire and sell the business, they will not be eligible for an age pension.

Both couples worked hard but one took business risk, employed people, struggled through recessions and market setbacks. The other enjoyed living in their own home, and now, their assets are worth exactly the same. But the government pays one couple an annuity of $38,000 indexed for life, while the other couple will need to self-fund their retirement.

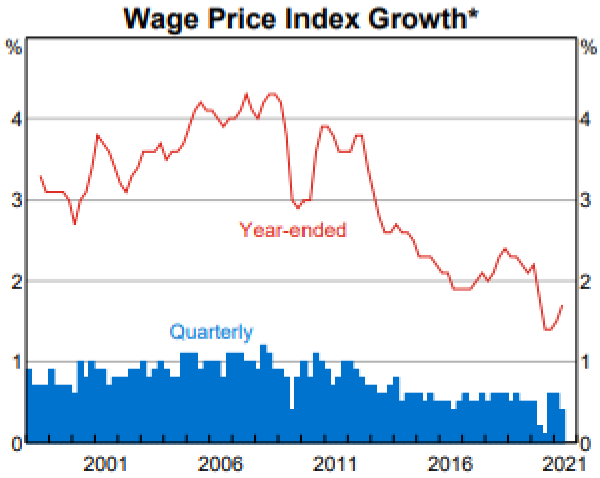
The asset test exemption encourages Australians to invest in 'unproductive' assets when the capital could be directed towards income-producing assets or activities. This is an economic argument to modify the exemption.

Even someone with the same assets in superannuation rather than a home would not qualify for a pension.

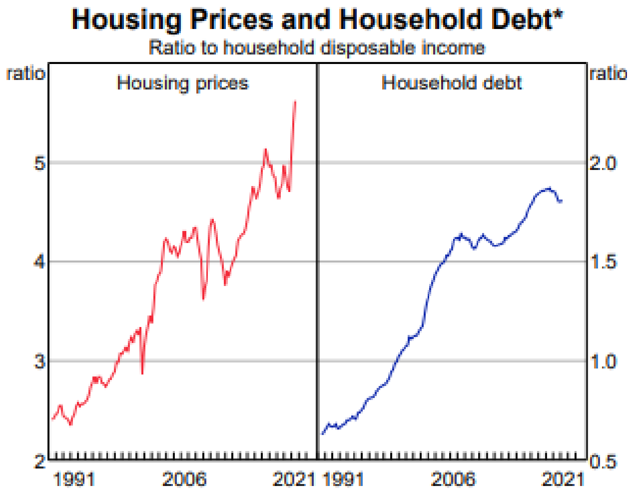
7. House prices have risen far quicker than incomes

House prices have doubled in real terms over the last 20 years while wages have stagnated. A large proportion of a generation of Australians has less chance of buying a home.

House price growth has also far outstripped household disposable income. As shown below, the ratio of house prices to household income has risen from around 2.5 to the current level over 5.5.



* Total pay excluding bonuses
Source: ABS

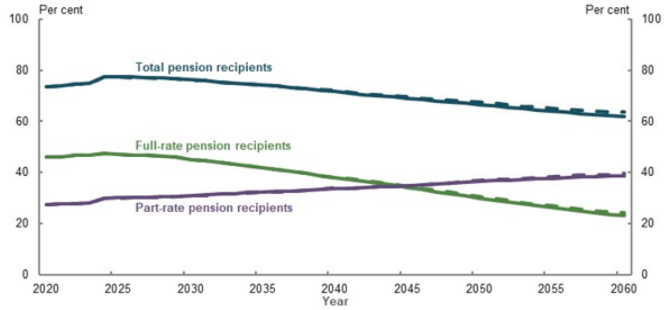


* Household disposable income is after tax, before the deduction of interest payments, and includes income of unincorporated enterprises
Sources: ABS; CoreLogic; RBA

8. Governments need to spend less to repay debt

A country facing the budget ravages of a pandemic and a trillion dollars of debt needs to find ways to raise money or spend less. While full-rate pensioners have fallen to about 45% of the eligible population, the proportion drawing part-rate age pension is expected to rise continuously until 2060.

Chart 2D-12 Projected proportion of eligible population receiving the Age Pension, 12 per cent SG rate (solid line) and 9.5 per cent SG rate (dotted line)



Source: Treasury estimates for the review using MARIA.

Source: [Retirement Income Review](), Consultation Papers, November 2019

9. There is widespread expert support for a revised test

Here are the brief views of some leading commentators:

a) Chris Richardson from Deloitte Access Economics [on 7.30]()

"You have some people who have incredibly valuable homes and yet qualify for the pension. The politics are horrendous, but it (including some home value in the assets test) is still the right thing to do."

b) Grattan Institute paper entitled, '[*Money in retirement: more than enough*]()".

"- Change the age pension assets test to include the value of a home above some threshold – such as $500,000.
- Extend the Pension Loans Scheme so that people disqualified from the age pension by their assets can borrow income up to the rate of the age pension against the security of their home."

John Daley from Grattan told the Lateline programme:

"We're seeing an older generation [that has] benefited from a combination of quite generous tax and welfare treatment and has also been in the right place at the right time as interest rates came down. Therefore asset prices rose and we have a quite wealthy older generation, indeed an older generation that's much more wealthy today than people of that age, say, 20 years ago."

c) The Henry Review

The Henry Taxation Review in 2010 supported a cap on the exemption from the assets test of the principal residence. It argued there is a primary role of housing in providing shelter, but beyond this basic function, housing represents an asset that people purchase with an expectation of generating a future return. Henry estimated that a cap of $1.2 million would result in approximately 10,000 age pension recipients facing assessment.

d) National Commission of Audit

The National Commission of Audit proposed in 2014 that from 2027-28, the threshold for the inclusion of the principal residence in the age pension means test should be set at the indexed value of a residence valued at the time of writing at $750,000 for couples and $500,000 for a single pensioner.

e) Rice Warner

In 2015, Rice Warner recommended a threshold of $1.5 million for the principal residence and up to $500,000 for all other assets (including superannuation) to be eligible for the age pension. Those with more valuable homes would need to borrow against the property to reduce their net equity position to $1 million.

f) Centre for Independent Studies

Cowan and Taylor (2015) advocated including the entire value of the principal residence in the age pension assets test. This was part of a three-pronged approach which also included legislating for a default reverse mortgage product to be offered by banks but guaranteed by the Australian Government, as well as deeming income from the reverse mortgage product and including it in the age pension income test.

10. Senior Australians encouraged into more appropriate housing

Some older people stay in their houses because if they sold and moved to a cheaper place, their pension would decrease. The *Decisions of Older Australians* Report says:

"The exemption from the age pension test creates an incentive for over-investment in principal residences, discourages downsizing and generally reinforces the perception that the family home should not play a role in the retirement funding mix. In effect, by giving home ownership a special status, the means test distorts and constrains the range of accommodation and retirement income choices of older Australians. The exemption is also inequitable - it favours home owners over non-home owners, who are typically less wealthy and possibly in greater need of assistance."

OECD Report on Australia

The OECD released a report on the Australian economy this week, saying:

"Tackling structural factors that might skew Australian household balance sheets towards residential property investment could reduce vulnerabilities and improve household wellbeing."

Specifically, the OECD suggested excluding inherited properties from the capital gains tax discount system in the absence on an inheritance tax.

But here is the OECD clincher (page 41 of the Survey):

"Age pension payments have risen more markedly than other social benefits, such as those for the unemployed. In addition, the prolonged boom in house prices have inflated the wealth of many pensioners without impacting their pension eligibility given that the value of the family home above a modest threshold (AUD210,500) remains outside the means test. Half of the government's spending on the age pension goes to people with assets more than AUD500,000. Indeed, the recent Retirement Income Review highlighted that the distribution of age pension expenditures is much less skewed to lower wealth quintiles than other payments."

Take our short survey ...

There are clearly two sides to this argument, and we include a survey to allow everyone to put their case. All results and comments will be published (subject to avoiding abuse). There is a strong case for introducing the change gradually to allow people to plan and adjust their retirement decisions.

Regardless of personal views on this change, we all know that where a good policy runs into politics, it's usually the latter that wins. But while a couple worth $2 million might not be 'royals', they do not need social welfare.

Please complete this short, two-question survey on age pension eligibility to gauge opinion on this topic: https://www.surveymonkey.com/r/KVWBW7R

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

Sean Fenton on marching to your own investment tune

Graham Hand

Sean Fenton is the Founder and Chief Investment Officer at Sage Capital, an Australian equity long short fund manager. Sage Capital has been nominated for the Rising Star category in the Zenith Fund Manager of the Year Awards 2021.

GH: Sage invests a little bit differently with a 'market neutral' fund that aims to generate returns independently of the direction of the overall market. It balances long and short positions, while your equity fund can also short stocks. Have the last 12 months of strong equity markets been particularly difficult for shorting?

SF: When we think about shorting, we're not necessarily just looking for stocks that might go down or fall in absolute value. Because we're a long/short fund, anything that we short is essentially reinvested back into the longs. With our absolute return fund or market neutral fund, the longs and shorts are balanced so that our stock selection drives returns.

In our equity plus fund, when we're shorting, we're actually taking extra-long positions. We might be 30% short but we're 130% long. That means the decision on shorting comes down not just to stocks that are falling but stocks that are underperforming the index. That's the key to generating active returns.

In any market, a whole range of stocks are underperforming and some are outperforming and our focus in shorting is on finding underperforming stocks. So while the market has been rising strongly, it's still been a great environment for active management with some things going up and some going down.

GH: In your equity plus fund, are you able to measure how much of your return has come from your longs and how much from your shorts?

SF: We've been running Sage Capital for a couple of years but long/short funds for over 20 years. Over the long period of time, it's fairly even. In the last year, the longs were doing better than the shorts as the market was really running and the shorts were funding the long activities. That started to turn around more recently with the shorts adding more value in the process as well.

GH: You wrote an article in Firstlinks about central banks dominating financial markets and reducing the efficacy of pricing signals on stocks. Is this central bank activity making stock picking more difficult?

SF: In some ways, it's more difficult but it's also opening opportunities. It's certainly something you need to take into account in building portfolios. The role of central banks with big QE programmes and negative real rates is manifested across the world. Everything from the value of your house to crypto currencies and non-fungible tokens. It's intriguing that the value of office properties has been rising despite leasing falls and vacancies. P/E ratios have gone stratospheric in many cases, so you've got to be aware of that as a risk. You can't simply fight and say stocks are really expensive because bond yields are very low, driving that dynamic.

It is driving a poor allocation of resources across the economy and we're going to pay the price for that in low growth. But in terms of stock selection, it's a risk and we try to be neutral to that thematic. One day, maybe not too far in the future, central banks may change tack in both winding back asset purchases and actually increasing interest rates, and that will drive a new dynamic.

GH: We've all needed to recalibrate what we think is reasonable value in a whole range of assets.

SF: Yes, I've gone from thinking a P/E over 20 times is expensive to now that's cheap, and you've got to be over 50 times to raise the eyebrows.

GH: Are there other big market trends that you're backing at the moment?

SF: We've been going short iron ore as the price had become so elevated and the market wasn't particularly tight as Vale in Brazil was gradually coming back and normalising. Then China was starting to peak out as well, and now we're seeing a new dynamic where China's policy focus is more on common prosperity. They also want to reduce their carbon intensity and wind back steel production. Another dynamic is Evergrande, one of the largest property developers essentially approaching bankruptcy, so we're seeing the property cycle roll over.

On the positive side, coming out of reporting season, insurance globally and domestically is strong with more pricing power for companies. Global business insurance is seeing double-digit increases. It's good for QBE and to a lesser extent IAG and Suncorp. There's some concern about business interruption but we see some long opportunities through the insurance cycle.

GH: Have you got a couple of stocks in your portfolio that you're most confident that the market is under appreciating, where it's frustrating that you see the value but the market doesn't?

SF: Yeah, that's the bane of every investor, the stuff that the market doesn't appreciate. You've got to be careful that you're not just marching to your own tune. You don't want to sit there for years waiting for everyone else to realise that you're right.

One that's like that at the moment is South32, it's really done nothing for a long time. It's gone through a transformation and now has an interesting mix with a premium aluminum exposure but also metallurgical coal and manganese. Aluminium has been very strong lately. They're generating massive free cash flow and they're in more of an ascendancy.

GH: Any industrial stock, perhaps a value stock left behind in the growth story?

SF: An interesting turnaround is Incitec Pivot, which had a whole litany of woes on the operational side, but we look at what's happening globally, with price strength in wheat and corn and increased plantings and use of fertilisers. Some missing parts are now sorted out, but the stock's been largely ignored and put on the sidelines. So, if they can show some operational stability, with a lower Aussie dollar, we see a potential value play and a turnaround opportunity. Although Hurricane Ida just rolled over one of their plants…

GH: What about the one that got away, the stock you look at each day that was on your radar but it didn't quite reach your price?

SF: We continually reassess and don't let things get away too much but one stock where we sat on the sidelines for too long is Xero. It's a company that has a unique product, a global rollout story with accounting software in the cloud space. But it's never really generated much profit as it's continued to invest in growth, on traditional metrics it's always looks ridiculously expensive. We eventually took a position but it's one that we watched for a while.

GH: And is there one which you sold too soon, that has just kept running?

SF: James Hardie is one where we had a much bigger position a year ago. It's done very well to move higher, but we've taken profit along the way. We don't regret it but it's hard to buy back in once you have sold.

GH: Do you ever make a trade-off between income and capital growth, where you feel your portfolio needs income, but you might not get the price gain?

SF: We make holistic decisions looking at total return, with capital growth and income combined although there are different drivers. We split the market into different groups and in the growth group, there's not a lot of income being generated, it really is capital return. Whereas we've got another grouping, which we call yield, which is full of banks, where valuations are more important. And we have defensives including infrastructure and utilities, and income generation is given more weighting in those areas. But we're always looking at the trade off with capital growth.

GH: Can you give us some insights into your business, where the flows are coming from, any plans for listed vehicle?

SF: We've really been focused on the retail and wholesale market through independent financial adviser groups, we're available on a range of platforms, and we're getting good flows across different dealer groups. We don't have any short-term plans for a listed fund but it's something that we will look at to broaden that access channel. We're not big fans of LICs so a listed open-ended structure that provides liquidity without the NTA discounts has more promise. We're also setting up a structure for offshore investors.

The full unedited interview with Sean is included in this week's edition of our podcast, Wealth of Experience.

Graham Hand is Managing Editor of Firstlinks. Sean Fenton is Chief Investment Officer and Founder of Sage Capital. This interview contains general information only and does not consider the circumstances of any investor. Sage Capital is an investment manager partner of Channel Capital, a sponsor of Firstlinks. For more articles and papers from Channel Capital and partners, click here.

D'oh! DDO rules turn some funds into a punching bag

Chris Cuffe

Homer Simpson first uttered his immortal signature exclamation of 'Doh!' on a short edition called 'Punching Bag' aired on 27 November 1988. He was hit by a punching bag with his face drawn on it. ASIC's new Design and Distribution Obligations (DDO) feel a bit like that and some funds are closing to new investors rather than face the increasing administrative and compliance burden.

DDO will even change the way banks market some products directly, such as when bank hybrids are offered by mail or email letters to existing investors or shareholders.

Brief fundamentals of the DDO regime

ASIC is imposing principles-based design and distribution obligations for financial products. Issuers and distributors must introduce a product governance framework to ensure funds target the right people. It covers products which currently require disclosures to investors including issuing a Product Disclosure Statement (PDS).

The DDO regime is designed to ensure that product providers only sell their product to appropriate consumers. This means that your 86-year-old grandmother won't be subject to someone trying to sell her an inappropriate 10-year leveraged structured product. Product providers now need to provide a Target Market Determination or TMD to explain who the product is appropriate for and not engage in retail distribution without such determination.

There are some exceptions, but DDO will cover 'financial products' such as insurance, asset management, superannuation (not MySuper) and derivatives.

Many smaller funds do not have the compliance and administrative resources to satisfy these requirements, and techniques used by large issuers will also need to change.

Following are two examples of funds closing to new investors partly as a result of the DDO regime.

Third Link Growth Fund

As many readers of Firstlinks know from previous articles, such as here and here, I manage the Third Link Growth Fund, an Australian equity fund that donates all its fees to charity. Here is an extract from the letter we have sent to our investors. In short, we will close the Fund to new investors from the end of September 2021.

> "Dear investor
>
> When I first launched Third Link Growth Fund in 2008, I did so with the stated aim of closing the Fund when it reached $150m in size, which I later extended to $200m. Through the generosity of the fund managers and service providers who offer their services to the Fund pro bono, a $200m balance would allow the Fund to donate over two million dollars to charity every year without diluting investors' returns.
>
> The time is now right to close the Fund for two critical reasons. Firstly, the Fund's balance is close to our target of $200m ($197.48m at 30 June 2021). Secondly, ASIC's strict Design and Distribution Obligation (DDO) regulations are due to come into effect on 5 October 2021. They will add a costly layer of compliance protocols to the management of the Fund.
>
> While we broadly welcome regulation that makes investing easier and more transparent for consumers, Third Link Growth Fund is designed to run as leanly as possible to maximise donations to charity. The DDO compliance burden will increase our costs and decrease the amount we can donate to charity.
>
> Until the end of September 2021, Third Link Growth Fund will accept applications from new investors and additional amounts from existing investors. The Fund will close to new inflows on 1 October 2021 but continue to operate."

EGP Concentrated Value Fund

On closing his fund, Tony Hansen (Founder and Portfolio Manager, EGP Capital) advised his investors with his usual dry humour:

> "We are a retail fund and as such, the burden of compliance was already high, but in the last couple of years, ASIC has continuously added layer after layer of additional process and documentation. The latest creation by ASIC is the "Design and Distribution Obligations" (DDO), which has ostensibly been created to "assist consumers select appropriate financial products by requiring issuers and distributors to appropriately market and distribute financial products."
>
> For some reason, ASIC seems convinced that almost every consumer of financial products is an imbecile incapable of anything resembling coherent thought when they seek to select financial products. Many might well fit this description, but if we continuously legislate for the lowest common denominator, we might as well appoint Douglas Adams' Vogons to rule over us.
>
> Ben Franklin once said, "an ounce of prevention is worth a pound of cure" and I'm sure it is this noble aim ASIC pursue when they design these compliance obligations. We suspect a noble distortion of Franklin's axiom would be "an ounce of enforcement is worth a pound of compliance". Start gaoling wrongdoers for lengthy periods using the laws that currently exist and half the current red tape could be repealed.

> The burden of these costs falls to the fund, and we thought it unfair to burden the investors with layers of cost we are so philosophically opposed to. Furthermore, the time associated with complying with these rules eats into time your fund manager views as better spent reviewing investment opportunities."

And as Elstree Investment Management points out, DDO may also have a material impact on the hybrid market. Quoting from their latest newsletter:

> "Banks used to shotgun their hybrid PDS's. Shareholders, customers, and the general public would all be sent a PDS in the post or by email. This particular cohort typically provided between 10% - 40% of funding per issue. It was a really good way of raising funds, and banks didn't have to pay fees to advisors in this cohort.
>
> We think there is no way that the DDO marketing process to the public at large will be compliant with DDO by October 5 (when DDO becomes operative) so the potential IPO market for hybrids may become smaller after October 5. We're also unsure as to whether DDO will affect how banks distribute hybrids to customers who are advised. Is, for example, a bank hybrid an appropriate investment for all customers with advisors (who knows)? and ASIC hasn't provided much guidance on how a target market is determined.
>
> If we put ourselves in the position of bank and corporate treasurers, we can see them thinking; "It's going to be more difficult to issue hybrids next year and you may not be able to issue as much as you want to. In the worst case, unless we can get a reasonable outcome on our Target Market Determination, we may have material difficulties in issuing in 2022. Maybe, we should bring our issuance forward and do it pretty soon."
>
> We have seen a number of issues being brought forward. The Treasurers of Suncorp and Westpac both stated that DDO was not a reason for them to bring forward their scheduled issues but:
>
> - Macquarie was first out of the block last month with a $650 million new issue that was not replacing a maturing issue. They accepted all 'general/shareholder' applications.
> - Suncorp had a hybrid due in June 2022. They announced a $375 million+ issue last week.
> - Westpac has a hybrid which is due to be reset/redeemed in December 2021. We would usually expect an announcement around results time in mid-October. Westpac announced a $1.45 billion+ issue last week.
> - CBA has an issue resetting in October 2021 and $4.5 billion of hybrids that need refinancing in 2022. They have already done one issue this year and maybe they will upsize the October 2021 refinancing.
> - Latitude Financial Services announced an issue this week.
> - NAB has a $1.5 billion June 2022 issue that needs refinancing. They haven't yet announced whether they will be attempting to issue before the October 5 DDO deadline.
>
> The upshot is we think there might be a lot of supply coming and it's already looking like the biggest three-month issuance surge we've seen."

There is another side to the DDO regime - investor confusion and inconvenience. Many in our industry are now franticly adding questions to their application forms, as if they were not already long enough. Questions like "Is this a satellite or core investment" are guaranteed to cause confusion and angst. Not that ASIC forces product issuers to ask these questions (far from it in fact) but many will do so in an effort to show they are attempting to comply.

In the end, this legislation tilts the playing field even further towards the listed environment. Why is it that an investor with a CommSec, nabtrade or SuperHero account is deemed to be so much more discerning than their unlisted brethren?

Chris Cuffe was the Co-Founder of Cuffelinks, the predecessor to Firstlinks. He is Chairman of Australian Philanthropic Services as well as Portfolio Manager of the APS Foundation. Chris is involved with many other groups as a director, chairman and investment professional. This article is general information and does not consider the circumstances of any investors. Anyone wishing to know more about issues mentioned in this article should do their own further research.

Dividends, disruption and star performers in FY21 wrap

David Wilson

Despite straddling two of the most disrupted years in living memory, the FY21 reporting season was overall very positive.

In our analysis, around one-third of companies that we cover surprised us on the upside, around one-third delivered in line with expectation, and one-third were below expectation.

Our investment approach focuses on selecting companies with strong return on equity and on invested capital, and these companies delivered superior returns overall. We saw Earnings Per Share (EPS) grow by 26% over the previous corresponding period and expect a further 20% growth in the financial year ahead.

Put simply, investors in quality stocks were rewarded by strong performance through the reporting season. We were also pleased to see that overall, Australian companies have strong cashflow and balance sheets.

Bumper dividends welcome, but not permanent

With strong cashflows and robust balance sheets, Australian companies paid out approximately $38 billion in dividends, more than twice the amount of 12 months ago (according to Macquarie research report, 30 August 2021). While this was good news for investors, we don't see it as a long-term trend. We prefer companies retain cash if they have attractive reinvestment opportunities, and if not, that cash should be returned to shareholders in the most tax-effective manner.

Miners benefited from high commodity prices and resisted the temptation to parlay that into questionable acquisitions, which they have done in the past. Banks raised provisions to cope with COVID disruption, but didn't need to use the capital. Instead, they are now deploying it into share buybacks and dividends.

Economic conditions remain strong

Of course, COVID lockdowns are impacting our two largest states, NSW and Victoria. However, there are several factors that demonstrate underlying robustness in the economy. These include:

- House price rises, and activity accelerating to higher levels
- Credit growth accelerated to 4-5% in the reporting period, and is on track to hit 7-8% going forward
- Iron ore prices still elevated although well down from recent highs
- $20-25 billion in fiscal government support for the current lockdowns
- Ongoing infrastructure spend driven by government, with many projects gathering pace now.

Inflation is a key risk, although at the moment, central banks are forecasting that price rises will be transitory. We also think that there will be sufficient productivity gains and only moderate wage growth to balance out inflationary forces. We expect central banks to be quite tolerant of inflation and slow to raise interest rates if it appears.

Australia is more than just banks and miners

The latest earnings announcement underlines the fact that Australia has a broad universe of quality companies to invest, across sectors as diverse as technology, healthcare, consumer staples and financials. We don't dismiss the banks and large mining companies but we think there is a great menu of companies with a lot to offer investors, and it is upon us as active managers to find and invest in these opportunities.

Our portfolio features a number of companies that have:

- Expanded successfully internationally – e.g. CSL, James Hardie, Domino's Pizza
- Built sound domestic businesses – e.g. Cleanaway, REA Group
- Accelerating growth opportunities – e.g. Afterpay, Wisetech, IDP Education.

We highlighted four companies we like in our February earnings season presentation, and these all proved to be standout performers in the subsequent six months.

- **Domino's Pizza:** FY21 NPAT +43%; Japan & Western Europe sales and store roll-out accelerating.
- **Wisetech Global:** FY21 NPAT +101%; Progressing on its goal "to be *the* operating system for global logistics".
- **ALS:** FY21 NPAT +35%; Growing beyond its commodities testing business into life sciences.

- **Bluescope Steel:** FY21 NPAT more than tripled; investing in its North American and Australian steel capabilities.

Another four strong performers we highlight are:

Steadfast Group – The nation's largest network of insurance brokers, used mainly by small-to-medium businesses. The company is growing consistently and delivered return on equity of 14% in the reporting period. We like its approach to sustainable growth.

Cleanaway – This is a well-integrated business providing services all along the value chain of waste management, including waste collection, recycling and landfill. It is in the process of acquiring several Sydney landfill and transfer station assets from Suez. We believe this will be earnings accretive and helps to position the company for growth.

OZ Minerals – An independent miner with strong exposure to the growing copper market, which will be a core part of the global move to Electric Vehicles. The company has a number of existing, de-risked copper mines and potential to open a new one in WA, which we believe makes it well-placed for future growth.

IDP education – This international English language testing and student placement company is a world leader in the space. Even with the challenges of Australia's closed borders, it has been able to grow the placement of students into the UK and experienced lower declines into Canada. While COVID has led to a short-term dip in earnings, our view is that IDP will continue to grow well in the long term.

We continue to emphasise Australia's ability to generate quality companies to invest in. Overall, we are pleased with the performance of our portfolio and our outlook is positive in terms of growth and returns.

David Wilson is Deputy Head of Australian Equities, Growth at First Sentier Investors, a sponsor of Firstlinks. This article is intended for general information only. No fund or stock mentioned in this article constitutes an offer or inducement to enter into any investment activity. For more articles and papers from First Sentier Investors, please click here.

Coles no longer happy with the status quo

Warren Bird

A while ago, Coles ditched Status Quo and the 'Down, Down, Prices are Down' advertising. However, after a couple of years focussing on Curtis Stone and the line that 'Good Things are Happening', they've gone back to the 'Down, Down' idea.

Now it's 'Down, Down, Emissions are Down'.

If you haven't seen the latest ads on television and social media, here's a link.

It's very different to the usual supermarket promos, isn't it? They still want us to shop at Coles, but instead of it being about the benefits to the customer in terms of value in our weekly grocery shop, now we're being urged to shop there because it will help to make Australia a better place to live.

I'll leave it to Will Anderson and Todd Sampson to analyse whether this is good advertising, but my attention was grabbed by some of the specific things that are said in the Coles ad.

The big picture slogans are 'Together to Zero' and 'Better Together'. They're really just corporate speak summarising the new Coles vision and mission statements, reflecting their claim to "have the ambition to become Australia's most sustainable supermarket".

Frankly, if that's all there was, it would be very poor marketing. However, the specifics are designed to tap into some rather powerful and emotive issues about carbon emissions, waste and hunger.

No crazy guitars and big hands with pointy fingers to be seen!

Until now, the realm of ESG has been pretty much confined to fund managers and their attempt to establish credentials as ''responsible investors''. I know, a lot of readers find it hard to get excited about this subject, which can seem to be only loosely connected with the income you end up with for your retirement. And those of you who own shares directly, rather than through funds, have been able to pretty much ignore all this sustainability stuff if you wanted to.

Not any more. The Coles ad is the tip of the iceberg. They're the first example that I've seen of a major company publicly using the language of the United Nations Sustainable Development Goals (SDGs) in its strategy and advertising.

Expect to see more of it and SDGs

Frankly, ESG language hasn't ever really resonated with me either. It's always seemed to be gloomily focused on managing risks, avoiding doing damage or at least avoiding being left with assets that would be left out to dry by things like climate change. ESG hasn't sounded like something that generates great results.

I've always been a much more positive person and was working with my team in my most recent full-time role to focus our investments on things that have a positive impact while generating strong financial returns.

However, ESG is evolving into a new realm, with a new language, that has a much greater emphasis on real outcomes, on real economic and social results. That's the language of the SDGs and that's what Coles are hoping will also appeal to the consumer.

Some of you may have seen the graphic below that provides a snapshot of the 17 SDGs. They're about achieving prosperity around the world both now and well into the future, and both for wealthy and poorer countries alike. They're open to criticism, in particular whether achieving them all is even possible since some could be seen to conflict with others.

They also seem to be pitched more towards government policies than companies and their activities. However, they're all outcomes that most reasonable people would not dispute as being a list of good aspirations.

So, back to the Coles advertising strategy and slogans. How do they align with these 17 items? The mapping is fairly straightforward:

- Together to zero emissions is SDG numbers 7 and 13.
- Together to zero waste is SDG number 12, with a bit of 14 and 15 thrown in.
- Together to zero hunger is SDG number 2.
- And the overall 'better together' concept is SDG number 17.

Real or marketing?

I asked a couple of equity analysts what they thought of the Coles strategy. Is it for real, or just a marketing ploy? What impact will it have on shareholder returns?

A little surprisingly, none of them had looked at it in detail because they don't own Coles for financial reasons, not for ESG-related reasons. They did say that overall they like Coles' approach to sustainability and were positive that the company could get its own emissions down and reduce waste from the products it sells, but nothing in detail about the latest strategy.

Personally, I see it as a positive for the share price. There's growing demand from investors for real action that aligns with the SDG, while not eroding financial performance. If Coles can show investors that their strategy has legs and isn't just another 'greenwashing' exercise, then that will bring them into a lot more portfolios.

Will Coles win customers?

Of course, trying to attract customers into their stores though using the SDGs is something of a gamble. I don't think it will discourage any customers and may strike a positive chord, but really this is a fascinating experiment. Woolworths will certainly be watching closely how it goes!

We'll eventually hear fund managers talk more about how they're measuring the impact of their investments on the achievement of one or more of these SDGs. My old shop, Uniting Financial Services, is a leader in that space and will soon be publishing its first Impact Report, but others will follow in due course.

However, I also expect that you're going to see companies like Coles talking about it. And hopefully not only talking, but doing things to contribute to these outcomes. Investors need to get used to the idea that the status quo is no longer acceptable. Capital will be deployed for the greater good, not just the private good.

Warren Bird has 40 years experience in public service, business leadership and investment management. He currently serves as an Independent Member of the GESB Investment Committee and was, until recently, the Executive Director of Uniting Financial Services, one of Australia's oldest ethical and ESG fund managers. This article is general information.

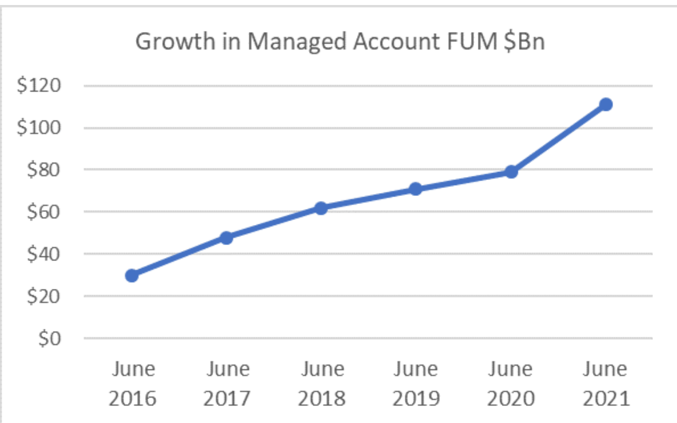
Seven factors driving growth in Managed Accounts

Toby Potter

It's hardly 'late breaking news' to say there's a lot of change going on in financial advice. Much of it is driven by regulation but the deeper impacts are due to structural change impacting many other sectors of financial services.

Managed Accounts are an important and growing part of the advice profession and IMAP's survey of the managed account market shows a total Funds Under Management (FUM) as at 30 June 2021 of $111 billion, exceeding $100 billion for the first time.

Managed Accounts servicing more advisers



Source: IMAP

Managed Accounts are delivered through two main structures – Separately Managed Accounts or SMAs, essentially a single platform managed investment scheme, and Managed Discretionary Accounts or MDAs, an agreement-based service. The former is generally a product-based approach to the delivery of advice, the latter a service-based approach.

Either type of Managed Account is created by or on behalf of the advice profession as a way of delivering more or less customised portfolios in an efficient way. How customised is a function of the technology in use and the client circumstances.

IMAP has been collecting data on managed accounts of all types since 2017 and at $111 billion they are almost exactly the same size as the ETF market. This CAGR of 21% over the past three years, if maintained, will see

Managed Accounts exceed $200 billion in 2024. Simple trend extrapolation is often a trap, but in an advised market that comfortably exceeds $1 trillion in assets, this seems credible.

We identify seven factors as driving this growth:

1. Professionalisation

Regulation, higher educational standards, the generational change of traditional advisers being replaced by younger, better educated women and men, many more independent investment consultants ... all these have led to the professionalisation of advice and portfolios built to meet client objectives with a higher probability of success.

"FUM that currently sits in SMAs would be very highly weighted to portfolios managed by advice firms as they have been looking for better investment solutions for their clients and business efficiencies. We expect this trend to continue, especially as regulatory changes like DDO provide challenges for D2C distribution of managed investments."
Mat Walker Chief Commercial Officer Praemium

Advice firms are adding resources to manage or 'commission' portfolios delivered through Managed Accounts which reflect particular approaches to investment markets. The investment consultants and research houses have been happy to meet this need and have brought far more rigour to the creation and management of portfolios than the old Approved Product List-based approach. This has allowed advisers to focus on the areas of expertise where they can personally add value for clients.

But professionalism isn't simply about education standards and compliance. It's also about operating advice businesses in an efficient manner with appropriate standards of governance, effective operating structure, sustainable revenue and cost models. Managed Accounts enable advisers to meet a continuing level of demand for advice at a time when the number of advisers is declining.

2. Wider investment choice

One of the key features of the investment landscape has been the expansion of investment options such as retail access to international shares, alternative funds or ETFs and other ETPs on the ASX and Chi-X.

"Fixed interest ETF usages continues to grow quickly and now accounts for approximately 20% of all Praemium ETF FUM, with advisers and model managers now accessing granular ideas across duration or credit quality."
Damian Cilmi Head of Investment Managers and Governance Praemium

The growth in the number and value of ETFs/ETPs, with the transactional advantages, transparency, superior reporting and often lower cost these products are able to offer compared to unlisted managed funds has seen them rapidly adopted into Managed Accounts.

IMAP estimates that Managed Accounts constitute 14% of FUM invested in ETFs in June 2021.

3. Technology

As in so many other areas, technology has transformed the capability of providers to easily create highly customised services. The platforms have been in a technology race to enable licensee-based portfolio management and lower cost technology is enabling the management of directly held assets in a way which simply wasn't contemplated previously. Apart from the portfolio management capabilities, we're seeing offshore listed assets directly held by retail clients and traded economically.

As an example of the impact of technology, Nucleus Wealth, the 2021 IMAP Innovation Award winner, offers highly-nuanced individualisation of ESG preferences through Managed Accounts in a way not available in pooled vehicles.

Cloud-based services and blockchain will only accelerate this drive.

4. Regulation

Traditional advice through Statement of Advice (SoAs) and Records of Advice (RoAs) is a cottage industry, inadequately systematised, delivered on a one-by-one basis to clients. It's a recipe for compliance nightmares and breaches. The recent Westpac advice business corporate action remediation is costing around $100 million and grew out of apparently mishandling less than one corporate action on average per client per year for 14 years.

Managed Accounts enable a licensee to introduce a systematic approach to the management of portfolios, and ensure the clear allocation of responsibilities between advisers, platforms, providers and portfolio managers.

Best interest obligations are a frequently discussed topic in regard to Managed Accounts. Does 'best interest' have to mean cheaper? Actually, the correct question is "*When is a process that is more structured than traditional advice, has clear objectives, is systematically managed, is more equitable, reduces implementation leakage and enables better reporting not in a client's best interest?"* This message is starting to become apparent to clearer-thinking advice firms.

5. Competitive pressure

Platforms, investment managers, research houses and advice licensees have all felt the pressure in the past few years from their respective client bases to create and support Managed Account offerings. It's a dynamic market at work and the pressure to innovate isn't likely to let up in the near future. It's part of a virtuous circle of innovation where demand calls forth supply and supply creates demand.

6. 'Retailisation' of institutional capability

"We've been focused on bringing our institutional risk management expertise and capability into these retail portfolios. The portfolios are invested into ETFs to keep costs down and balance an increased allocation to growth assets with a systematic risk management strategy."
Victor Huang, Principal and Head of Trading, APAC Milliman

Driven by the factors we've set out above, the lines are blurring between retail, wholesale and institutional clients and capabilities. Examples include:

- A Managed Account presents the chance for a portfolio manager to offer investment managers mandates of tens or even hundreds of millions of dollars
- Use of assets listed on offshore exchanges and pooled structures such as UCITS in retail portfolios
- Consultants offer sophisticated capabilities such as dynamic risk management designed specifically to manage sequencing risk for retail clients
- Management of currency hedging for individual retail clients
- Institutional asset consultants are also active.

Capabilities which previously were available only to institutional investors or though pooled vehicles such as unit trusts are now increasingly deployed for individual accounts.

7. Price compression

All of these factors are leading to lower costs for retail clients. Advice licensees see a value add for their clients in their ability to use lower cost investment options such as ETFs and direct holdings and in putting pressure on the costs of other participants in the value chain through rebates and specific unit classes.

The price pressures on platforms have occurred for broader reasons, but Managed Accounts have contributed. As advisers feel their own margins are under pressure, expect this focus on driving down costs to continue. And as the costs associated with Managed Accounts fall relative to more expensive service delivery of individual advice through RoAs, expect this economic reality to compound.

The factors we have listed above aren't temporary and are likely to intensify. Their prediction of a $200 billion market before 2025 doesn't seem far-fetched.

Toby Potter is Chair of IMAP (Institute of Managed Account Professionals) and a Director of Philo Capital Advisers, an MDA Provider. This article is general information and does not consider the circumstances of any investor.