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Editorial

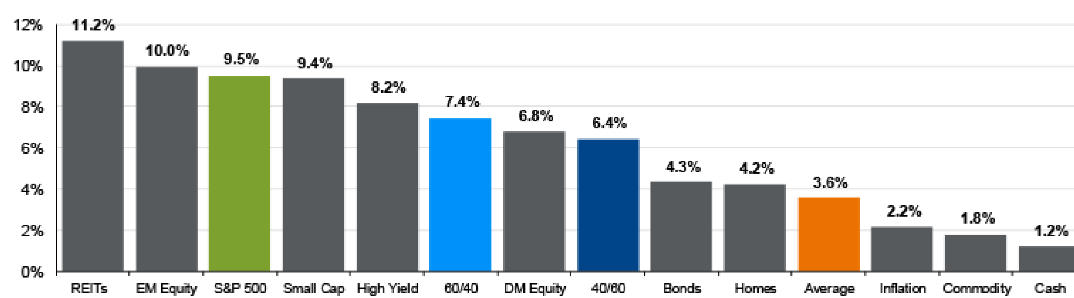
Anyone who has played sport at a competitive level (is there any other?) knows how much emotions can swing during a game. In the course of a couple of hours, the mood can jump from optimism when your team takes an early lead, to frustration as the opposition equalises, to elation as you score again, to exasperation and fear as the other team takes control.

It's the same with investing in volatile markets. A fall of 30% may incite fear of further declines and even an assessment of future plans, pushing some to sell in panic. Then a recovery of 20% drives optimism and FOMO and jumping back in ready for the ongoing rise. This down 30%, up 20% is the actual experience of millions of investors in 2022. Now every analyst in town has a view on whether we've seen the bottom.

One of the most famous phrases in investing comes from **Sir John Templeton** who said,

"*Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria.*"

The bull market died after the post-pandemic euphoria at the end of 2021, and the carcass rotted for six months, but then we have seen a strong recovery since mid-June. Anyone trying to guess whether a new bull is galloping should check the latest chart from **JP Morgan** with 20 years returns across asset classes. It demonstrates that equities and REITs were the place to be, so investors are obviously looking for entry points into the stockmarket. But look at the orange bar. The 'average investor' achieved poor returns due to bad timing of entry and exits, buying in euphoria and selling in pessimism.



Source: J.P. Morgan Asset Management's Guide to the Markets for 3Q 2022.

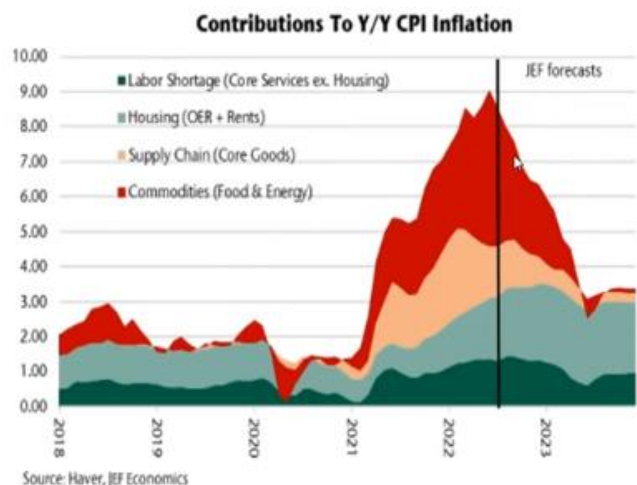
Markets can be even more perverse as when things are bad - rising inflation and interest rates, wars, pandemics - stocks can rally when data shows conditions are not quite as bad as expected. Witness the reaction to the fall in the US CPI from 9.1% to 8.6% in July. News articles were quickly written about how inflation had peaked and it was off to the races.

Not so fast. **Campbell Harvey**, Head of Research at **Research Affiliates** in the US, gave a fascinating 10-minute video about the inflation outlook following the release of the July inflation number. Harvey points out that the US CPI depends on the size of the monthly number dropping out of annual statistic. You can see below that 0.48% dropped out and 0.01% came in, causing the optimistic fall in inflation. But for the next two months, the drop of the August 2021 number in September 2022 is only 0.21%, then 0.27% the following month. Even if inflation is a highly optimistic 3% per annum or 0.25% per month from here forward, the reported CPI will stay around 7.5% to 8.5% for the rest of 2022. This is at a time when markets are rallying because inflation is expected to fall quickly. Harvey makes other good points about the slow impact of the cost of 'dwelling' which makes up 32% of the CPI, where big rental increases have not been fully captured yet.

Date	CPI Level	% change monthly	12xmonthly	% YoY	Notes
2021-06	271.70	0.93%	11.1%	5.4%	
2021-07	273.00	0.48%	5.8%	5.4%	**dropped in August release (july to july)**
2021-08	273.57	**0.21%**	2.5%	5.3%	dropped in September release (aug to aug)
2021-09	274.31	**0.27%**	3.3%	5.4%	dropped in October release (sept to sept)
2021-10	276.59	**0.83%**	10.0%	6.2%	dropped in November release (oct to oct)
2021-11	277.95	**0.49%**	5.9%	6.8%	dropped in December release (nov to nov)
2021-12	278.80	**0.31%**	3.7%	7.0%	dropped in January release (dec to dec)
2022-01	281.15	0.84%	10.1%	7.5%	
2022-02	283.72	0.91%	11.0%	7.9%	
2022-03	287.50	1.34%	16.0%	8.5%	
2022-04	289.11	0.56%	6.7%	8.3%	
2022-05	292.30	1.10%	13.2%	8.6%	
2022-06	296.31	1.37%	16.5%	9.1%	
2022-07	296.28	**-0.01%**	**-0.1%**	**8.5%**	**August 10, 2022 release**
2022-08	297.02	0.25%	3.0%	8.6%	September 13, 2022 release
2022-09	297.76	0.25%	3.0%	8.5%	October 13, 2022 release
2022-10	298.50	0.25%	3.0%	7.9%	November 10, 2022 release
2022-11	299.25	0.25%	3.0%	7.7%	December 13, 2022 release
2022-12	300.00	0.25%	3.0%	7.6%	January release

His final message is a warning about inflation optimism:

"The point is, this (dwelling) inflation has already happened but it's not reflected in the CPI and it will be reflected in the next year or maybe longer. Anyone who's telling the story, 'Oh well, this is just the supply chain or geopolitical risk and we'll quickly be back at 1%, 2%, 3%'. NO. You need to look at the structure of how inflation is calculated. We are unfortunately going to go through a period of prolonged, persistent, high inflation."



How long is prolonged? The chart below shows the contributions to US inflation, and to date, all four major components have pushed up. But the **JEF Economics** forecasts of falling food and energy prices and easing of supply chain pressures shows why there is optimism about inflation falls during 2023.

In this week's articles ...

At a time when thousands of Australians retire every week, billions of dollars will soon pass between generations, and the youngest Baby Boomer can retire with a pension, the need for financial advice has never been greater. An estimated 3.6 million Australians will transition to retirement in the next decade. The state of financial advice is a minefield of complex issues, and we check why thousands of advisers have left the industry.

This week, **ANZ Bank** economists became the latest pessimists predicting price falls in housing of around 20%, with Sydney down 14% in 2022 and a further 6% in 2023. They see a recovery of 6% in 2024 as rates decline. **Dr Sam Wylie** of the **Melbourne Business School** and **University of Melbourne** looks at the past resilience of residential property and doubts such extremes are likely. Lending some support to Sam's argument is the rise in national average rentals of 14% in the last 12 months, according to property researchers **SQM**. This is attracting investors back into the market. And immigration is expected to return rapidly to prior levels bringing thousands of new buyers into the market.

The 100th edition of **Morningstar**'s podcast, *Investing Compass*, was released this week, and **Shani Jayamanne** is one of the two presenters, alongside **Mark LaMonica.** While her investing knowledge lends itself to placing her superannuation in an SMSF one day, she explains why she is not ready at this stage of her life. SMSFs continue their strong appeal, with one-third of all establishments in the last year set up by people under the age of 45. These young investors are now targets for brokers and wealth platforms.

Only one person can be **Warren Buffett** (okay, two if you count **Charlie Munger**) and few can be great investors, but everyone can learn not to be a bad investor. **Robin Bowerman** of **Vanguard** shows charts to justify some key lessons to guide investors.

There is increasing focus on private equity, especially following takeovers of companies such as **Sydney Airport**, **Spark Infrastructure** and **AusNet**. Private equity has the advantage of avoiding the prying eyes of public markets and thousands of analysts and investors, and an ability to take a longer-term view to building the business. **Chris Demasi of Ophir** makes the case for thinking about listed markets in the same way as the privateers.

The media has focused recently on many aspects of gender inequity, with progress reported on closing of the gender gaps in salaries, listed company board positions and unpaid work. However, ATO data shows big gaps remain in superannuation, and other metrics in **Fidelity**'s latest survey confirm room for improvement. **Alva Devoy** shows the charts on financial independence by gender, and identifies a role for financial advisers in addressing the imbalances.

Cuong Nguyen of **PGIM Real Estate** shows three commercial property segments with strong tenants and prospects which are performing well. Similarly, many listed property funds are trading at a discount to the value of the underlying assets, presenting what looks like an attractive entry level for long-term investors.

This week's White Paper comes from **VanEck** on the sector concentration in the Australian equities index, exacerbated by a small universe of stocks. These factors should be considered by investors whose portfolios are dominated by Australian stocks.

Five charts show predicaments facing financial advice

Graham Hand

There has never been a greater need for personal financial advice and advisers, but much of the industry is in turmoil. Although 'digital' advice aspires to replace person-to-person contact, it is a long way from meeting all but simple investment needs. Full service financial advice involves not only investing but budgeting, retirement planning (including superannuation), insurance, taxation, social security, estate planning, mortgages, even lifestyle coaching. Nearly all of the 700 Australians who retire every day, the majority with a pension account from a superannuation fund, would benefit from obtaining financial advice.

The Financial Services Royal Commission of 2017 to 2019 was a disaster zone for the reputation of financial advice. Advisers and licensees were exposed day after day by the Commission's legal team, with little attempt by witnesses to defend their businesses. Subsequently, the major banks ran up the red flag and substantially exited personal advice, paying billions of dollars in compensation on the way out. Their dreams of vertically-integrated wealth management delivering multiple products to clients were in tatters.

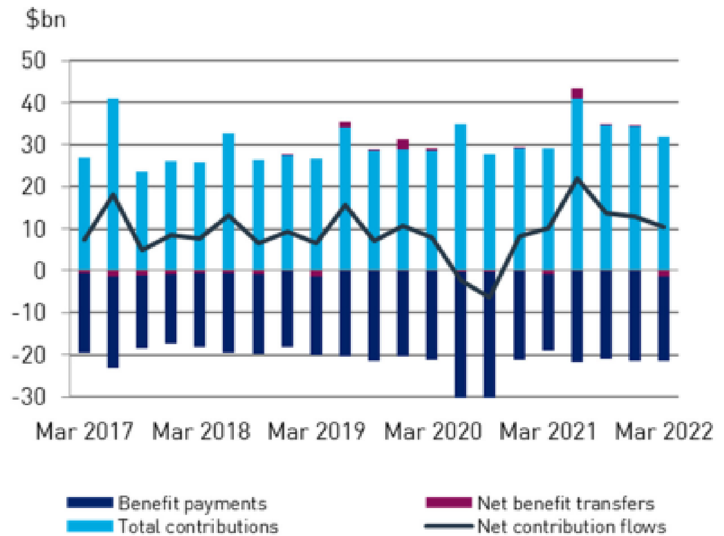
Demand for advice services

Why is an industry with such obvious consumer demand in trouble? Government enquiries and trade publications have devoted millions of words to this question, and we can only scratch the surface here. In its *2021 Financial Advice Report*, Investment Trends estimates that although 1.8 million people receive advice

each year, that represents only about 10% of adults. A further 12.6 million have unmet advice needs and 3.2 million want advice but are discouraged by the perception of high costs and inadequate investible funds.

Consider the need in superannuation advice. Retirees have a vast array of alternative ways to make contributions, withdraw money to live on and invest their retirement savings. Superannuation is expected to reach almost 250% of GDP by 2060, according to the 2021 Intergenerational Report, with annual withdrawals rising from the current 2.3% of GDP to 6%. With annual super inflows of $120 billion and a total pool of $3.4 trillion, even if we ignore all the other aspects of personal financial advice, the need to maximise the efficiency of this pool to fund retirement is obvious.

Quarterly Benefit Payments and Contributions from Superannuation



Source: [APRA Quarterly Superannuation Highlights](), March 2022 (released 4 May 2022).

The table (right) shows that every quarter in recent years, Australians withdrew about $20 billion from super, offset by $30 billion in contributions, a net addition of $10 billion every three months. While these flows will switch with an ageing population drawing large pensions, the balance in super will depend substantially on market movements. Superannuation is expected to exceed $10 trillion by 2040 according to Deloitte, making the shortage of financial advisers an even greater unmet need.

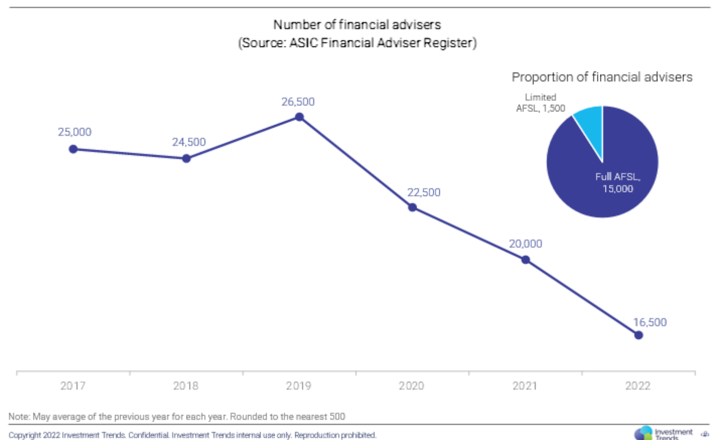
Let's consider four more charts that show the current state of financial advice.

1. Financial advisers leaving the industry

In less than five years, the number of financial advisers has almost halved and is expected to fall below 15,000 by the end of 2022. There are weekly announcements in the trade media of advisers leaving firms of all sizes, particularly from large dealer groups. For example, Wealth Data reported last week: *"A lot of movement this week across several licensees indicating that the adviser market is still volatile. Net change of advisers (-24)."*

Here is the latest data from Investment Trends, reproduced with permission.

The number of financial advisers continues to fall, with an increasing number (25%) of advisers expected to leave the industry in the next five years



2. Reasons for financial adviser exodus

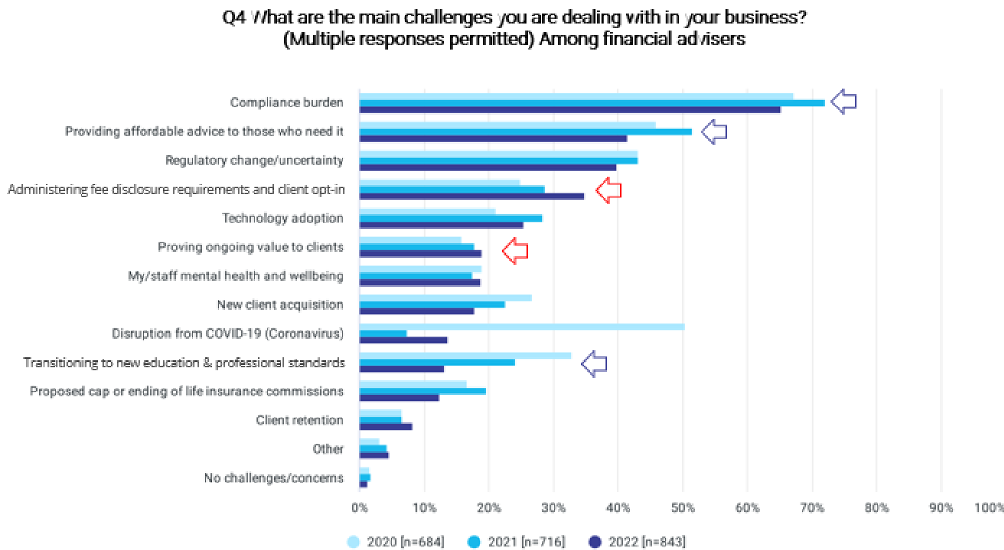
A new client cannot drop into a financial adviser's office and ask a single question that should take half an hour. The initial discovery required to accept a client is more onerous than visiting a new doctor.

When asked about the main challenges facing a financial advice business, the 'compliance burden' is identified by two-thirds of advisers. This is despite many years of attempts to streamline operations, such as automated Statements of Advice (SOA) and developments in the sophistication of software designed to make an adviser's administration burden easier.

Other areas of concern relating to the work burden, as shown in the chart below, include:

- Regulatory change and uncertainty
- Administering fee disclosure requirements and client opt-in
- Technology adoption
- Transitioning to new education and professional standards

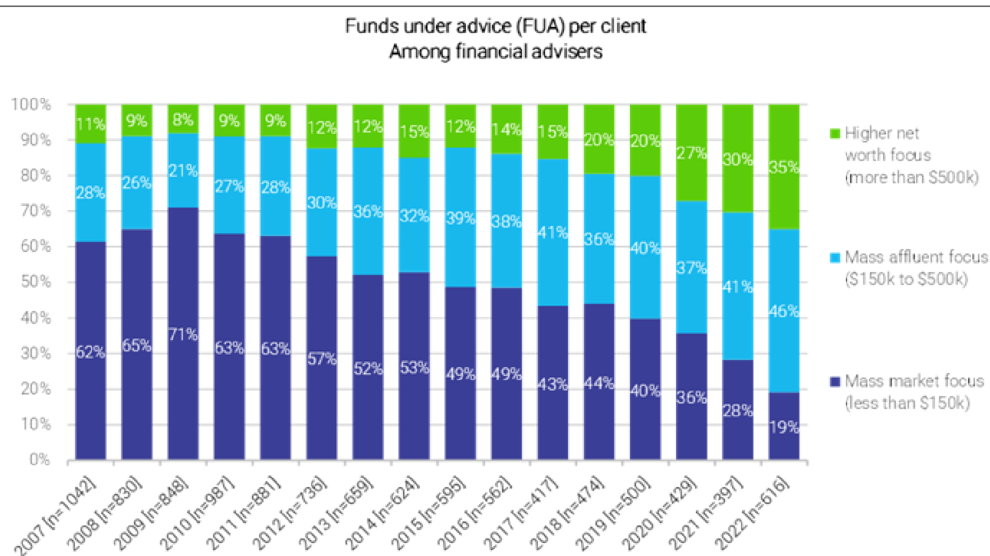
It is also worrying that 'My/staff mental health and wellbeing" ranks highly.



3. Adviser focus on wealthier clients

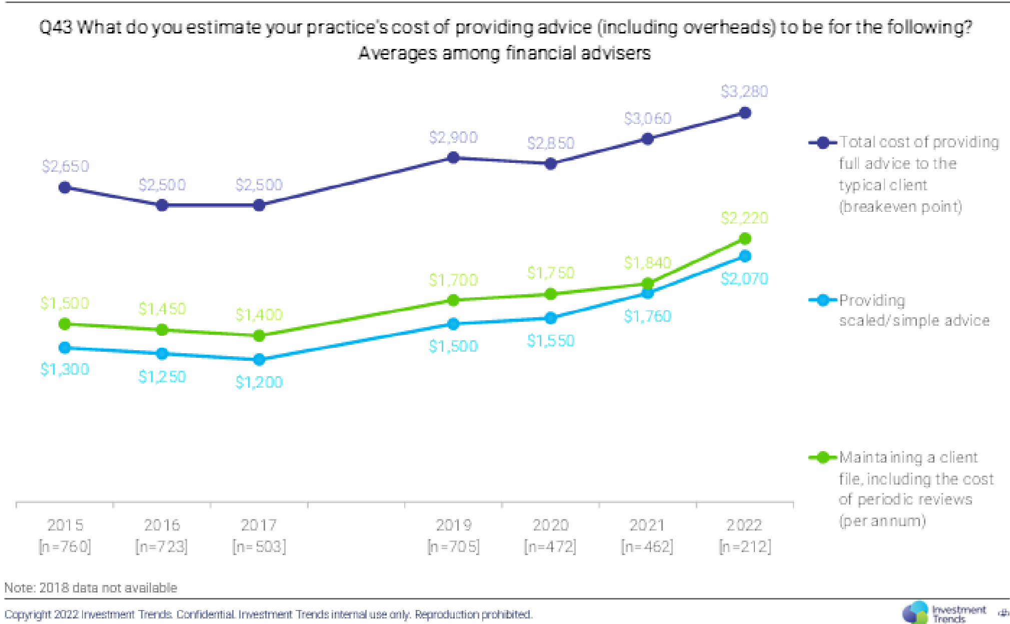
A major concern above is the inability to provide affordable advice to those who need it, as the administrative and cost burdens force advisers to focus on wealthier clients.

The chart below shows the top category of clients with funds under advice (FUA), sometimes called investible assets, with more than $500,000 has risen from 9% of clients in 2011 to 15% in 2017 to 35% in 2022. The 'mass market focus' with less than $150,000 in FUA has fallen from a high of 71% in 2009, 28% as recently as 2021 and only 19% in 2022. Financial advice revenue models vary but some firms that specialise in high value advice will not take a new client for annual fees of less than $30,000. In some businesses, 1% of FUA is a common model, so a client with $1 million pays $10,000 a year plus extra in the first year of establishment. Others agree a flat fee for ongoing advice.



4. The cost of providing financial advice

Related to the need to find high value clients is the rising cost of providing financial advice, which is estimated to have increased from $2,500 per client to $3,280 over five years. Financial advisers and their staff are professionals, and while not quite in the league of most lawyers and architects, expect to charge their services at around $250 an hour or more. That makes an initial 10 hours of SOA work and reporting to a new client at least $2,500.



What are some other issues facing the industry?

Financial advisers face a continuous onslaught from changing regulations, such as FoFA, DDO, LIF and the RC (don't worry what these all stand for), and now there's QAR.

a) Quality of Advice Review

The new Government is continuing the Quality of Advice Review (QAR) started by Senator Jane Hume in the previous administration, to assess how the regulatory framework can deliver better outcomes for consumers. Michelle Levy is the main reviewer, and her report is due to Treasury by 16 December 2022. She recently told an SMSF Association Technical Summit that she was surprised by the level of adviser fear relating to the regulators, ASIC and AFCA.

"I am actually taken somewhat aback and, maybe I shouldn't be, but there's a real concern that very minor breaches or very minor things are going to lead to very serious consequences. If you look at the cases that ASIC has actually brought, they are in the main quite serious issues so that surprises me and that's a hard one to solve. How do you address fear? It's obviously having a big effect on what people do."

At the same forum, the Financial Planning Association's CEO, Sarah Abood, also said that an "environment of fear" exists in the financial advice industry.

"It's very much the case that advisers are literally terrified of forgetting a page of the SOA or something of that nature. Advisers and dealer groups have a genuine fear that their businesses will be destroyed and that their PI insurance will be broken because of something like that."

Advisers are responding by designing their systems in case they need to defend their advice in a courtroom. Everyone must interpret regulations and AFCA decisions and decide how to respond, when they would rather focus on serving clients.

Future advice availability will be further limited as many financial advisers are close to retirement, and the training grounds provided for young advisers at major banks no longer exist. Many older advisers could not be

bothered with the new exams, standards and regulations and there are not enough younger people coming into the other end of the pipeline.

b) Digital, online and robo-advice

Many have come and few have succeeded in providing some form of online financial advice. Names that have left the industry include GigSuper, Brightday, Zuper, Super Prophets, Human Super, FairVine, BigFuture, Clover and McMahon Super. There has been some success in what is better called 'digital investing' than 'digital financial advice' because it is far from full service. The offer asks a few simple questions to identify a basic risk appetite, then clients are placed into a suitable portfolio with competitive fees. This article is not the place for a full review of these stuctures but Stockspot, Raiz, Spaceship and Pearler among others are finding enough support to sustain their businesses.

With the major banks showing no aspirations in this space, it is left to the likes of Vanguard to bring institutional capabilities. Vanguard's submission to the QAR calls for a "scale of regulatory compliance" to enable more Australians to afford advice, ranging from lightly-regulated protection for limited advice through to full service comprehensive advice based on current safeguards. Vanguard hopes to fit its model into these scales, including digital advice allowing technology to deliver advice to the masses.

c) Mandatory education and standards

Faced with the challenge of making financial advice more of a 'profession' with standards and qualifications beyond obtaining a simple diploma, the Morrison Government introduced mandatory education standards. Now in Opposition, former ministers admit the rules were poorly executed and contributed to the increase in the price of advice and thousands of advisers leaving the industry. There was a requirement for an approved university degree by 2026, but the new Albanese Government will exempt advisers with 10 years of experience and a good regulatory record. There is also a contoversial code of ethics where many advisers dispute the wording.

The new Government has promised to remove the regulatory burden on advisers, but is likely to wait for the results of the Levy Review before major changes. Exams and standards will remain but how difficult they will be and who needs to pass them is yet to be decided.

Cries from the heart

The daily reporting of dire problems facing financial advice plagues their trade media, with a steady stream of comments showing ongoing frustrations. Consider this post to the *Professional Planner* newsletter by a financial adviser responding to an article about 100,000 fewer Australians receiving advice every year:

"What an absolute mess! This is what happens when you have people at the wheel who have no idea what they are doing. They should hang their heads in shame instead of gloating over the size of their RC payday.

The regulator has focused so much on what doesn't matter (product) and nothing on what really matters (advice and people). They've listened too much to the noise and not enough to the professionals. If the money they spent decimating the industry had been spent on the conduct of the minority then the right people would have been targeted.

Now a large number of good advisers have left this industry and a lot more will go when the retrospective education standards are enforced.

Advice costs have spiraled, people have been pushed into products based on price and the net benefit to the naïve end user is confusion, disengagement and asking the trusted adviser to please explain what the hell has happened.

Soon, they will have no one to ask other some dimwitted actor on an escalator."

Sums it up. People need financial advice, and better to go to a qualified, experienced professional than a finfluencer (there's another story!) who is more skilled at gathering an online audience than covering the complexities of a seasoned adviser.

Let's finish on a more optimistic note. There are thousands of good financial advisers helping millions of Australians. Most who remain in the industry have moved with the times, are dedicated to better outcomes for their clients and have invested in their businesses and systems to make them sustainable. After too many difficult years, it's time to stop the denunciations.

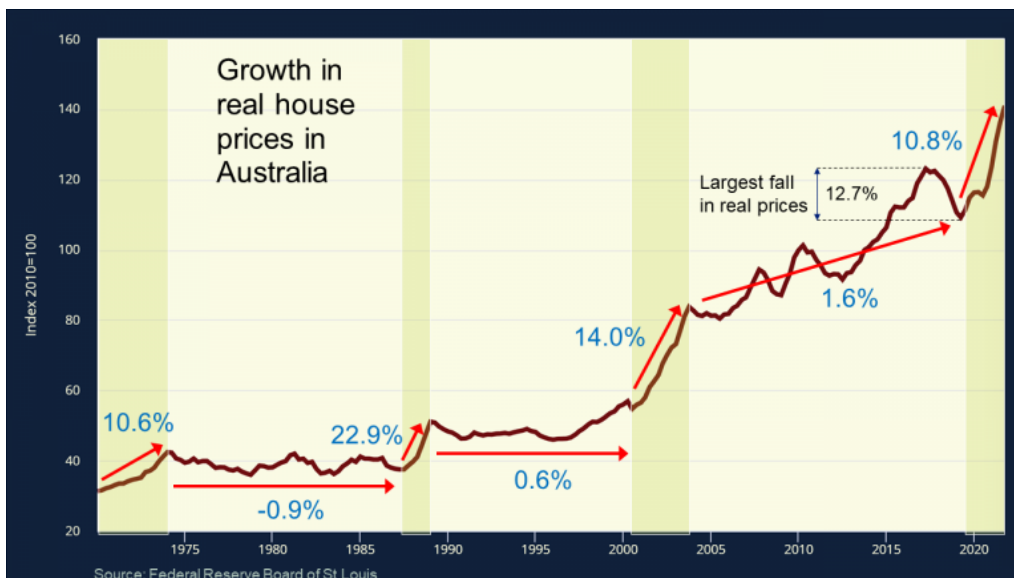
Graham Hand is Editor-At-Large for Firstlinks. This article is general information and does not consider the circumstances of any person. The charts provided by [Investment Trends] are republished with permission from their vast database available to subscribers.

House price doomsayers: Could housing prices really fall by 20%?

Dr Sam Wylie

Will house prices fall by 20% or more, as many pundits are predicting? Those predictions go against the historical record and against economic reasoning. It is more likely that house prices will suffer single digit percentage falls, and then remain flat (in real terms) for an extended period of a decade or more.

The graph below shows real (inflation adjusted) house prices in Australia from the beginning of 1970 until the end of 2021. There is an obvious pattern in the graph of house prices zooming up and then staying flat for a long period of time. That pattern is not just an accident of the data; it occurs for a particular economic reason, and the same pattern occurs in other countries. House prices in Canada, for instance, follow a strikingly-similar pattern.



How shares and houses differ in response to demand

Why do house prices evolve in an up-and-flat pattern rather than up-and-down like shares?

The difference between the housing market and the sharemarket is in how they respond to a fall in demand.

In the share market the supply of shares available for sale (the float) is essentially fixed and unchanging with the level of share prices. When the demand for shares falls, then to get back to the equilibrium of demand = supply all the change has to come from prices adjusting. Prices have to fall until some investors switch from thinking shares are over-valued to thinking that they are under-valued. There is no reduction in supply to help get back to equilibrium. All the adjustment is in prices.

The residential property market is different. When the demand for houses falls, then prices start to fall. As prices fall, the supply of houses available for sale declines because some sellers pull back from the market. Many homeowners are reluctant to sell into a falling market, or even to accept a price below the high water mark that their property had previously reached.

For instance, homeowners who were thinking of selling their home in Malvern and moving to the Sunshine Coast now delay that plan. Likewise, the empty nesters who were thinking of downsizing from their home in Randwick withdraw until prices improve.

Because supply falls as prices fall the market gets back to an equilibrium of demand = supply without all the adjustment having to be in prices. On the flip side, when demand rises after a period of flat prices, then supply

expands. It then takes a substantial increase in demand to soak up the extra houses for sale before prices start increasing.

Have you noticed how much attention is paid to the volume of sales in the market and the number of houses available for sale? Realtors know the importance of the supply data. Moreover, they know that entry and exit of sellers is a ***response*** to price changes rather than the ***cause*** of housing price changes.

What to expect

Australian house prices rose sharply from late 2020 onwards in response to the sharp fall in interest rates engineered by the RBA in response to the Covid crisis. What we should expect now is that house prices fall by single digit percentage amounts, or perhaps a bit more, but not by 20-25%. There is no precedent for those kinds of falls in Australian housing prices in normal circumstances.

Real housing prices suffered very large falls during the Great Depression of the 1930s and during WWII and its immediate aftermath. But we are not talking about depressions or world wars here.

The largest fall in real house prices since 1970 was the 12.7% decline between mid-2017 and mid-2019. A 20% fall in nominal house prices (no adjustment for inflation) over the next year would be a 27% fall in real house prices if inflation runs at 7%. 27% is more than twice the largest fall we have seen in real house prices (12.7%) since 1970. It could happen, but it is very unlikely.

However, investors should not expect real house prices to rise either for a decade or more. There might even be a slow decline in real house prices, as happened from 1974-1987. There is something to work through here and that will take a long time.

Inflation expectations

The doomsayer pundits also seem to have a misunderstanding of the role of interest rate expectations in setting house prices. Homeowners are for the most part thinking about how high, or how low, interest rates will go in the long term, not the very short term. Homeowners are not easily convinced that interest rate changes are permanent.

In 2019, the Reserve Bank of Australia (RBA) cut the cash rate from 1.50% to 0.75% by 1 October 2019, or three months before the first Covid fatality in Wuhan in January 2020. But the property market did not respond quickly. Even after the cash rate was cut to 0.10% in mid-2020 in response to the Covid crisis, the market still took its time to be convinced that the rate cuts were long term.

The same will happen in this cycle. Housing market participants will look at rising mortgage rates and think they are not obviously permanent. Rising inflation might be pushing rates up now, but inflation will fall away and then rates will fall with it.

The point is that house prices won't respond rapidly downward due to rising mortgage rates until households think those rates are higher for the long term. We can see in bond prices that the bond market thinks inflation and interest rates will fall away quickly over the next 12 months. Long bond rates have fallen significantly in recent months. The money market is expecting the cash rate to rise to about 3% and then be lowered again in 2023.

The doomsayers of 20-25% property price falls are focusing too heavily on short-term interest rates.

Other misunderstandings

There are other misunderstandings leading to these bearish predictions.

One is an exaggerated view of the mortgage stress that will arise if the cash rate goes to 3% of more. The danger of forced sales of properties adding to supply is being seriously overstated. Another misunderstanding is just how constrained the supply of new housing is in Australia.

There is no doubt that house prices in Australia have reached highly-elevated levels. The total value of the housing stock is 480% of GDP in Australia versus 180% of GDP in the US. Moreover, average house prices are more than 6 times average household disposable income, up from a multiple of 2.5 times in 1990.

Nonetheless, homebuyers and investors should be sceptical about predictions that house prices will fall by 20-25% in the next 12-24 months. There are sound economic reasons to expect that house prices will suffer much

more modest falls, and also to expect that real house prices will stay flat for a decade or more. Investors need to position themselves for a long period of low growth in house prices.

Dr Sam Wylie is Director of Windlestone Education, and a Principal Fellow at Melbourne Business School. This article is for general information only and does not consider the circumstances of any individual. Dr Wylie runs a 10-week online investment course via live Zoom, Finance Education for Investors, and the next course starts on 3 October. For enrolments, see his website.

Why I'm not ready for an SMSF

Shani Jayamanne

Editor's note: Morningstar Australia's podcast series, Investing Compass, has just released its 100th Episode. Congratulations to Mark and Shani on creating a valuable and accessible source of investment know-how.

Recently, we released an episode on our podcast Investing Compass about my decision to switch super funds. Faced with a marked increase in fees, I jumped ship to something cheaper.

A question that naturally popped up was why I didn't opt for an SMSF, especially considering their increasing popularity with investors. The ATO released figures for the 2021 financial year showing the largest increase in the number of SMSF establishments since the 2018 financial year. Why didn't I join the over 25,000 new funds established?

SMSF suitability for my circumstances

The answer requires a bit of background. I'm currently 29, and I started working full-time seven years ago. Prior to that, I worked in retail jobs part-time while I was at university with default insurances eating away at relatively small contributions. Since joining the full-time workforce, I've salary sacrificed each year since graduation to build my super balance. I've recently reached an account balance of $77,000.

I've put that $77,000 in an industry super fund that has comparatively low fees and the ability to customise my exposure to each asset class. Both features are important to me because of the length of time I have until retirement. My long-time horizon warrants an aggressive asset allocation but also higher fees will compound and negatively impact my end balance.

Both reasons, however, are also why SMSFs are attractive to investors. They allow almost unlimited investment choice, including direct equities, funds, ETFs, antique cars, fine wines, and even Swiss Chalets (although be warned, you can't enjoy them*). An SMSF is as customisable as anything in superannuation world. Most of the fees, excluding on the underlying assets, are flat fees. Depending on the balance, an SMSF may be the lowest cost option.

And it is this part of the equation that doesn't add up at the moment for me. My balance isn't enough to justify the flat fees inherent with a SMSF. A percentage-based fee model works best for my relatively small balance.

A report released by Rice Warner looked at when an SMSF made sense from a cost perspective. They found that around the $200,000 mark, it becomes competitive with industry and retail superannuation funds. At $500,000 or more, SMSFs are generally the cheapest alternative.

The cost and administrative choices

The popularity of SMSFs has expanded the choices for investors. Sensing an opportunity, fintech firms have embraced the challenge of making a no-frills alternative that is low-cost for those that want to set up a SMSF. They are hoping to replicate the successful model from the brokerage industry.

An overview from the ATO showed that the median operating expenses of an SMSF are about $4,000. Low-cost SMSF administrators are offering an alternative for around $1,000 a year. However, in exchange for the lower fee, the no-frills option comes with less support. Not only will users miss out on an annual review by professionals to ensure everything is running smoothly, but there is little capacity to answer questions.

With an SMSF, it is common to have a tax and administrative specialist plus a financial adviser for support. The accountant or SMSF specialist helps with the administration of the fund as well as ensuring that the trustees are operating in the most tax-effective way subject to super regulations. They also prepare the annual tax return.

The financial adviser may provide a review of the investment holdings and assist with compliance as part of a broader advice relationship.

It may seem counter-intuitive but there is a lot of assistance required for a 'self-managed' super fund. Usually, complexity increases with lifestage transitions (for example, operating both accumulation and pension accounts in retirement) or the addition of more trustees. The ability to have six members means that flat fees can be spread across multiple people, lowering the per-person balance required to make an SMSF cost effective. However, this also adds even more complexity. There may be four different retirement goals, trustees with four different ages, lifestages and perspectives to consider. This is where professionals may add value.

A possible move when balances are higher

I am not ready but I think an SMSF makes sense at a higher balance. To accelerate my SMSF timeline, my husband and I can combine balances and reduce the SMSF administration work and cost. He is roughly the same age and we expect to retire at the same time.

My rough guideline is to wait until I reach a balance of $250,000, which means that my husband will also contribute around the same amount.

I realise that the flat administrative and other fees such as establishing a company to be the trustee are only setting up an empty vessel. I still need to hold investments, and that means incurring brokerage to hold direct shares and management fees to access professionally-managed vehicles.

SMSFs can really add value as you approach retirement. During this transition, the flexibility and control over investments is valuable for investors that want to take a more active role in managing their portfolio. It's also useful in retirement to design a portfolio to achieve growth and support withdrawals.

Morningstar's Director of Personal Finance, Christine Benz, has written multiple articles about bucket strategies supporting retirees, as linked below. The basic premise is that they can commit to long-term holding periods for some assets to give growth and income, while holding cash to support near-term withdrawals. Not having to sell growth assets at inopportune times to fund withdrawals means making retirement savings last for longer.

SMSFs allow complete control to do this, whilst also allowing the choice to directly own unlisted assets such as residential property, a wider range of funds, bonds and alternatives.

Ultimately, the case for an SMSF at higher balances is compelling. I'm not there yet but I am anticipating an account balance that justifies the cost. Until then, I've just got to convince my husband I'm with him for love, not sharing an SMSF.

Shani Jayamanne is a Senior Investment Specialist at Morningstar Australasia.

The Bucket Approach to Retirement Allocation – Christine Benz
Retirement Bucket Basics – Matthew Coffina and Christine Benz
Listen to the full episode on Investing Compass here.

** The Swiss Chalet case is part of SMSF folklore where an SMSF purchased a Swiss Chalet and members used it for holidays and wine and dine friends and family.*

Six ways to take a 'private equity' approach in listed markets

Chris Demasi

Listed equity markets in 2022 have recovered some of the losses from the first half of 2022, but looking ahead, it is difficult to see how investors can be optimistic about the rest of the year. War, lockdowns, commodity and product shortages, decades-high inflation, rising interest rates and recession concerns don't instill hope in share markets.

But abandoning listed equities would mean missing out on the opportunity to make substantial gains in the long run. Investors in this market need to adopt the right investment approach, which means taking a cue from private equity investing.

Private equity funds invest in businesses that are not publicly traded, often acquiring entire companies that they hold for years before selling. The best private equity managers, like Blackstone, KKR and Carlyle Group, who collectively manage almost US$2 trillion, have doubled investor capital every five or so years over the course of several decades.

There are six key elements to adopting a private equity investing approach in public markets.

1. Take a long-term view

Firstly, private equity funds take a long-term view. They typically acquire whole businesses and sell them to realise profits after five years on average, though that can sometimes extend to 10 years or more.

In contrast, analysis conducted by Reuters has shown that the average stock holding period is now less than six months and has become even shorter in recent years. Private equity is concerned with value creation over long horizons rather than outguessing traders over short periods.

Holding period of stocks over time

Source: NYSE, Reuters

2. Focus on business fundamentals

Private equity focuses on improving business fundamentals to drive value over the long term, much like the owner of a business – because they *are* owners of the business. [LINK: Market correction: Don't panic. Act like a business owner]

Over time, growth and operating performance drive earnings power and multiply business values. Carlyle Group recently disclosed that 80% of its long-term fund returns were driven by growth and operating improvements at portfolio companies, with leverage and market timing making just a small contribution.

On the other hand, public market investors too often become entranced by daily stock prices, taking them as an indicator of success or failure which can constrain long-term performance.

3. Prioritise absolute returns

Private equity funds do not pay attention to market indexes or benchmark comparisons. Rather, they concentrate on what their investments will be worth years into the future and aim to deliver strong absolute returns.

Public market investors can become slaves to relative returns over short horizons, which limits their ability to make investments in great long-term opportunities because they worry that share prices might diverge from market performance in the near term.

4. Ignore volatility

Private equity investors also view risk differently to many public market investors. In private equity, risk is the possibility of permanent impairment of capital or a reduction in the earnings power of the business, as distinct from volatility of share prices.

This means that private equity investors make investments where the chance of loss over years is low and the upside is high, rather than managing for a smoother share price chart along the way. Some of the best investments over the course of history have had huge share price declines, but ultimately delivered shareholders fantastic results. [LINK: Drawdowns: Even 'God's portfolio' can't avoid them]

5. Concentrated portfolios

Private equity funds run portfolios of around a dozen holdings, which would be considered super concentrated in the public equity domain. That focus allows private equity managers to concentrate their investments in their best ideas, which may cluster in certain sectors or geographies.

Of course, many of the best-performing public equity managers have run concentrated portfolios, but most managers follow more diversified strategies which reduces volatility and tracking error to the market but also dilutes potential return. [LINK: Concentrated and Patient: How Active Investing Wins]

6. Thorough bottoms-up research

Finally, it is often said that many share investors spend more time researching their next refrigerator purchase than the stocks in their portfolio.

On the other hand, private equity investors undertake thorough research and detailed diligence of target companies and their industries. This deep bottoms-up analysis provides insight into the workings and underlying economics of the business that will drive long-term value.

Combining private and public investing

The obvious question for investors is – why not just invest in private equity funds?

Because public equity investing brings a set of advantages for investors that can't be replicated in private markets.

Liquidity

Even though daily stock price quotes can distract listed equity investors, a ready quote for shares can be a major advantage when treated properly.

If stock prices overshoot to the upside, then years' worth of returns can be brought forward, and investors can capitalise by taking profits early and redeploying the proceeds into the next opportunity. On the other hand, if stock prices fall, investors can increase their holdings in attractive long-term opportunities.

An active trading market also allows public equity investors to adjust their holdings should their thesis change or prove to be wrong, or if there are better opportunities that emerge elsewhere. These options are not readily available in the private markets.

Cheaper prices

When a private equity fund makes an investment by acquiring a publicly-listed company, it usually does so by offering the target's shareholders a control premium of 30% or more to the current share price. And if there are multiple potential acquirers interested in the same company, like other private equity funds or corporate buyers, then the premium can be bid up well beyond this mark.

On the other hand, when public equity investors make an investment, they buy a small share of a company by purchasing its stock on exchange among many other buyers, and without the need to pay a takeover premium. This represents a discount that accrues to the performance of share market investors over their private market peers.

Repeatable opportunities

While private equity investors undertake in-depth research to support their investment decisions, they often only get one opportunity to put their hard work to good use.

Once the company that the private equity firm has targeted is bought, or sold to another party, or remains unsold, much of the work comes to an end. Of course, it may be used for similar investments down the track should the opportunity arise, but even so it will never be the exact same company.

In the world of public markets, no work ever goes to waste. Rather, it has an almost infinite shelf life. If it turns out that the investor passes on the opportunity to invest in the shares of a company today, conditions or prices may change tomorrow, and the work can be used again to make an investment decision.

Capturing strong returns

While public equity markets have been tough recently, there's still good reason to believe that outstanding returns can be made by investors in listed share markets around the world.

Montaka's portfolio companies, including Amazon, Blackstone, and Spotify, are all growing their long-term earnings power and business values even as the macroeconomic environment softens, geopolitical tensions rise, and financial markets seem more volatile in the near term.

By applying the best of private equity's methods in the public equity markets Montaka's funds are staying the course in these excellent businesses, confident of achieving superior compound gains in the future.

Chris Demasi is a Portfolio Manager at Montaka Global Investments, a sponsor of Firstlinks. This article is general information and is based on an understanding of current legislation. Montaka is invested in Amazon, Blackstone, Spotify KKR and Carlyle Group.

For more articles and papers from Montaka, click here.

How to avoid being a bad investor

Robin Bowerman

Extended periods of market volatility regularly spark discussions around great investors and the traits that qualify folks to be included in that category.

This is probably because, like most things in life, no one really questions why things are going right, but everyone wants an explanation when things aren't so great.

Rather than focus on what it is to be a great investor or how we could be the next Warren Buffett, perhaps the conversation would be more useful if it was couched in terms of how we could avoid bad investing behaviours that seem to appear when financial markets are turbulent.

Here are a few suggestions.

1. Don't time the market

It is common to hear the phrase "*time in the market, not timing the market"* bandied about but while it sounds logical, Vanguard has done analysis to back up both parts of the phrase to explain why it makes sense, rather than take it at face value.

Timing the market is hard, and here's why. To successfully time the market means an investor has to get not one but the following *five* factors right, all at the same time:

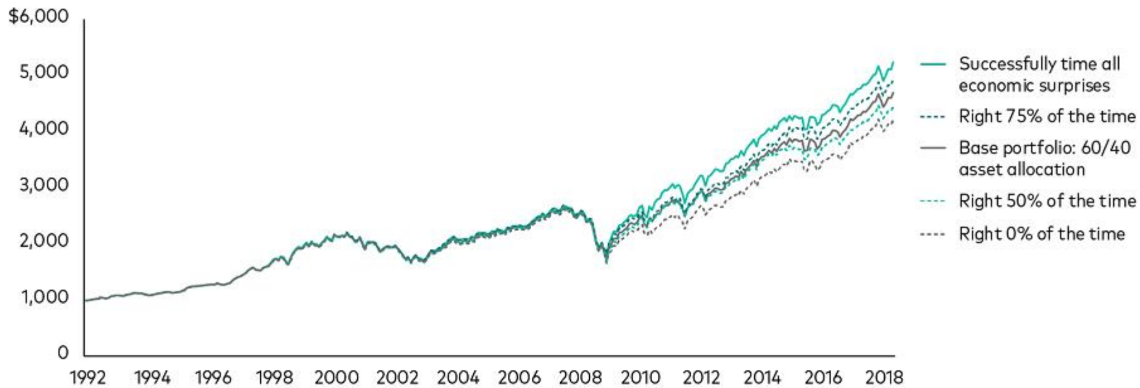
- Identify a reliable indicator of short-term future market returns.
- Time the exit from an asset class or the market, down to the precise day.
- Time re-entry to an asset class or the market, down to the precise day.
- Decide on the size of the allocation and how to fund the trade.
- Execute the trade at a cost (reflecting transaction costs, spreads, and taxes) less than the expected benefit.

To further add to the complexity of the five factors above, getting all these factors right just once is not sufficient to reap the benefits of market timing. An investor would have to do this repeatedly in order to benefit meaningfully from the exercise.

The chart below illustrates this best, showing the return of a $1,000 portfolio in various scenarios, using a traditional balanced portfolio (60% shares, 40% bonds) as the base scenario. It shows that an investor who was right 100% of the time would see a 0.2 percentage point advantage in their annualised returns over 25 years, when compared to a balanced portfolio. Getting things right 75% of the time would see an investor

better off than the base scenario at the end of 25 years by $252. And being right half the time meant underperforming the balanced portfolio.

Transaction costs were not taken into account in this analysis – meaning the returns would have been even lower had costs been accounted for.



Source: *Vanguard paper Here Today, Gone Tomorrow: The Impact of Economic Surprises on Asset Returns, November 2018. Vanguard calculations using data from the U.S. Bureau of Economic Analysis, the U.S. Bureau of Labor Statistics, Bloomberg, and Refinitiv.* ***Notes:*** *The MSCI USA Index and the Bloomberg U.S. Aggregate Bond Index were used as proxies for U.S. stocks and U.S. bonds. The chart represents the growth of hypothetical portfolios with initial balances of $1,000 as of the start of 1992, growing through August 2018. Significant changes in nonfarm payrolls were used as economic surprises. The hypothetical investors would change the asset allocation to either 80% stocks and 20% bonds in anticipation of a positive economic surprise, or to 40% stocks and 60% bonds in anticipation of a negative surprise.*

The other conundrum of market timing is not just knowing when to enter the market at the right time, but also exiting at the right time. It can be tempting to stay invested particularly during periods of heightened market volatility and when your portfolio balance fluctuates on a daily basis. But again, Vanguard analysis found that 80% of investors who sold equities and moved to cash during the COVID-19 induced volatility fared worse than those who held their nerve and stayed invested.

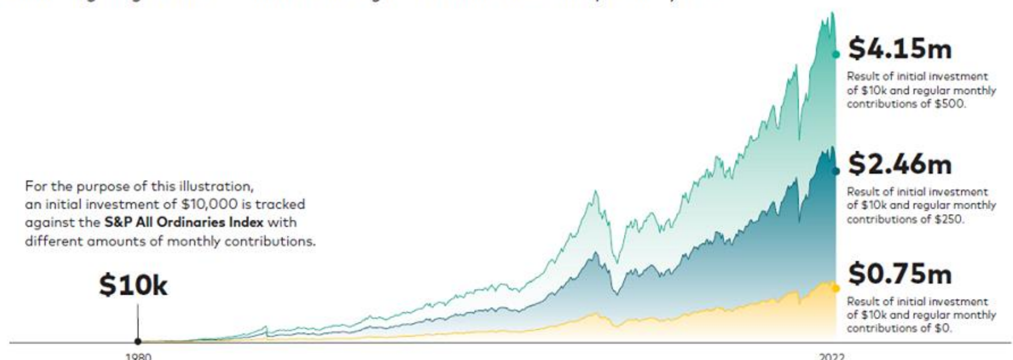
In moving to cash, those investors inadvertently locked in losses permanently and deprived their portfolios of the opportunity to benefit when markets recovered shortly.

This really brings home the point that not only is precise timing nearly impossible but also that being out of the market at the wrong time costs.

2. Spend time in the market and contribute regularly

Time in the market is simply putting the theory of compounding into practice. While past performance is no guarantee of future performance, the latest Vanguard Index Chart shows that $10,000 invested in US Shares back in 1992, and left untouched over 30 years would grow to $182,376 while the same $10,000 invested in Australian Shares would result in $131,413 over the same period.

More importantly, this chart shows that adding monthly contributions of $250 or $500 over that same 30-year period would result in a portfolio balance of almost $3 million or almost $5 million respectively.



3. Buying high and staying invested

Understandably, the thought of investing during a period of market volatility and potentially

losing money can keep any logical person from entering the market. But Vanguard looked at the worst possible scenarios in the last 50 years to see what happened if an investor invested at the worst possible time – at the peak of a market right before a dip. The table below lists the three worst bear markets in the last five decades and shows how far the market dipped before it started recovering, and the time it took to recover.

Year	Drawdown	Recovery Time (years)	10Y return from peak	20Y return from peak
1970	-61.9%	8.6	4.2%	10.8%
1987	-41.3%	4.0	6.4%	10.9%
2007	-50.9%	5.9	3.0%	3.9%**

*** Noting that this is only 15 years of data, not 20 years.*

***Notes:** 10Y and 20Y returns are annualised total returns. Calculated using data from Australian total return and price indices represented by spliced MSCI Australia (1970-1992)/ASX 300 (1992+). Daily data was used and reflects local currency. 'Bear' periods represent a period where a peak to trough drawdown of 20%+ occurs, from the starting peak to the point of recovery.*

Encouragingly, the results show that if an investor continued investing during the 1970 and 1987 bear markets, their portfolios would have returned an average of nearly 11% in annualised returns after 20 years. If an investor had entered the market just before the GFC, they would have experienced almost 4% in returns over the last 15 years, noting that those returns reflect a shorter period.

While we can’t all be the best investor in the world, we can certainly actively avoid being a ‘bad investor’ by learning from history and staying the course.

Robin Bowerman is a Principal and Head of Corporate Affairs at Vanguard Australia, a sponsor of Firstlinks. This article is for general information and does not consider the circumstances of any individual.

Vanguard Digital Index Chart: Build your own customised version of the index chart with 30-years of investment performance of major asset classes as well as key economic, social, political and demographic changes. This tool allows you to compare the growth of $10,000 invested in major asset classes over historical periods.

For articles and papers from Vanguard, please click here.

The case for closing the financial gender gap

Alva Devoy

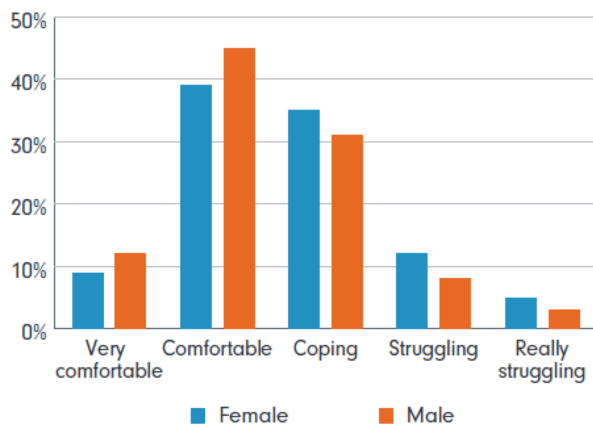
Financial inequality between men and women continues to be a significant issue in Australia. There is growing recognition that more needs to be done to achieve pay parity between men and women, as well as close the superannuation gap, to avoid leaving women to face their retirement years without enough money to support them.

However, while the unseen impact on mental health and wellbeing is also starting to be better understood, finding a solution continues to prove difficult.

But the evidence is clear. Studies show that women are more likely to suffer from financial stress than men, and that a significant number feel trapped by their financial circumstances, meaning they are unable to make important decisions such as changing jobs or leaving bad relationships (Figure 1).

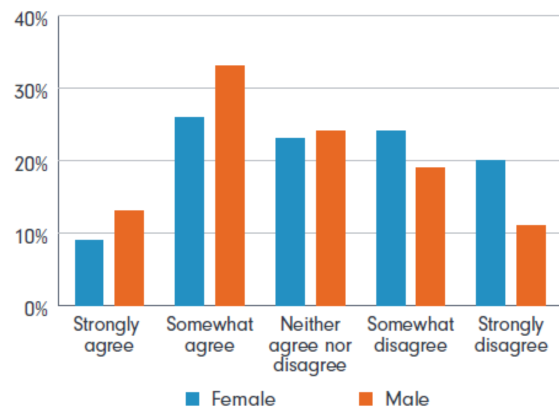
Fidelity’s own research has found that only one-third of women are free from money worries, compared to almost half of men (Figure 2). Indeed, the number of women who worry about money is higher than those who don’t. This is particularly concerning because a number of studies have shown that financial stress has a major impact on other areas such as relationships, as well as mental and physical health.

Figure 1. Status of the financial situation by gender



Source: Financial Independence study

Figure 2. Level of agreement that I am free from money worries by gender



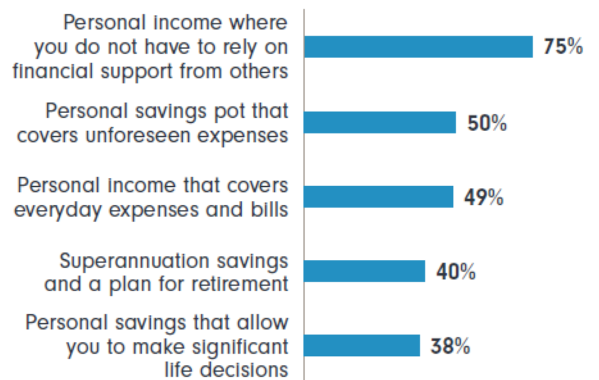
Source: Financial Independence study

Women are also more likely to feel trapped by their financial situation. When asked to define financial independence, the most common answer given by women was "having a personal income so you don't have to rely on financial support from others". But less than 60% of women say they have achieved this, compared to over 70% of men.

Meanwhile, one-in-three women say they don't have enough savings to make significant life changes (Figure 3), leaving them feeling locked into toxic work cultures and personal relationships, compared to just one-in-five men.

The research revealed several barriers preventing women from feeling more confident about their financial capabilities, including:

Figure 3. Percentage of women defining financial independence



Source: Financial Independence study

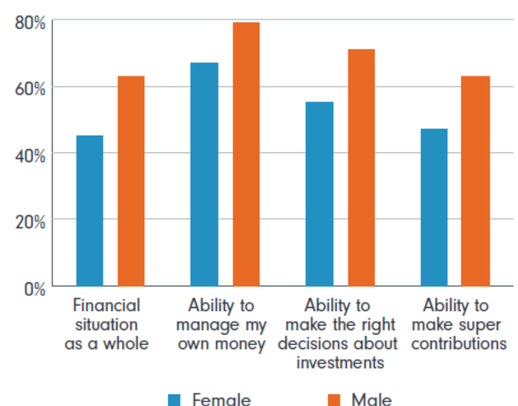
Confidence

Having the confidence to make investment decisions and take steps to manage your money is important. Lacking this confidence can leave people feeling trapped, unable to make even simple decisions about how to improve their financial situation.

Unfortunately, women are significantly less likely than men to feel confident in their financial capabilities. Less than half of women agree they are knowledgeable in financial matters, compared to almost two-thirds of men who feel they are knowledgeable.

Overall, women report feeling less knowledgeable in financial matters, less confident in their capability to manage their own money, and less confident in their ability to make investment decisions, than men (Figure 5).

Figure 5. Percent confident in financial matters by gender



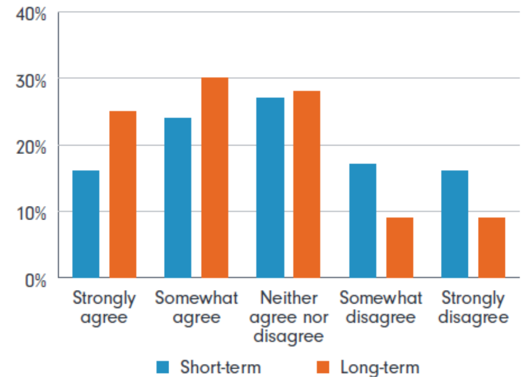
Source: Financial Independence study

Planning

The lack of confidence displayed by many women in their financial decisions also creates a psychological barrier when it comes to looking to the future and planning appropriately.

Crucially, women are less likely than men to be planning for their retirement, and fewer women are making additional personal contributions to their superannuation. Overall, 55% of women are not personally contributing to super in any way, compared to 44% of men. Of those who are making additional super contributions, about twice as many men than women contribute more than 10 per cent of income to super a year (Figure 7).

Figure 7. Level of agreement that I have a plan for retirement and I am regularly saving to super

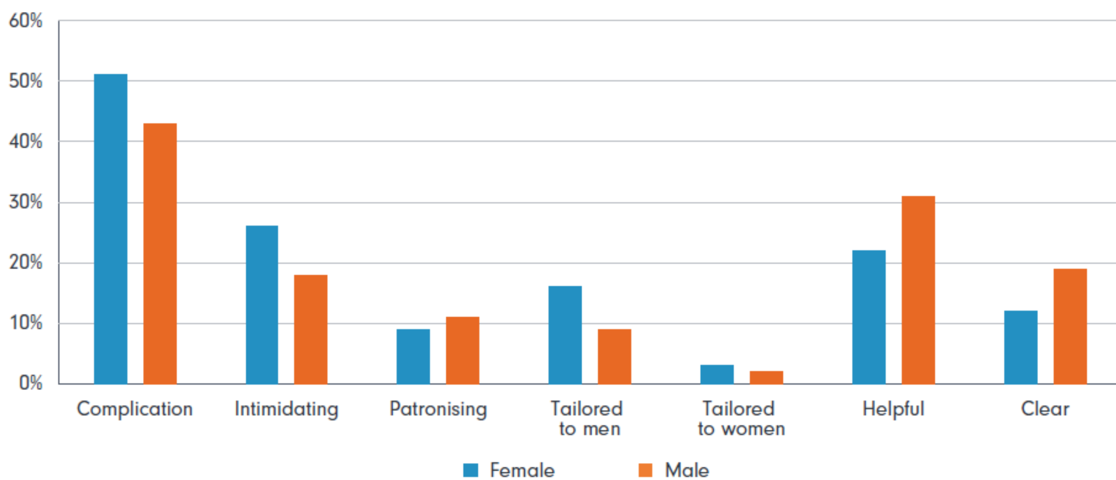


Source: Financial Independence study

Support

A majority of women are interested in using a financial planner for support and advice, but a key reason for not doing so is that they have trouble finding someone they can trust. Another reason is that they believe they can't afford professional advice. Most women also feel that financial information is more tailored to men than to women, and they tend to find it complicated and intimidating. Around one in two women say investment communication is complicated, and one in four describe it as intimidating (Figure 8).

Figure 8. Percentage of respondents' descriptions of investment communication by gender



Source: Financial Independence study

The important role of financial planners

Despite women reporting that they would like to take charge of their financial situation, and that achieving financial independence is important to them, they don't feel that they are able to get professional help to do so.

Therefore, one of the most important ways to solve the financial gap between men and women is for financial planners to address the barriers to engagement. Ensuring the information and advice they give is more accessible to women, helping them build the confidence to make financial decisions, and providing the resources to plan for the future will go a long way to closing the gap.

Indeed, research has already shown that women who use professional financial advice have higher levels of wellbeing and are more satisfied in all areas of their life. They experience less financial stress and are more confident in their financial abilities.

One way to engage better with women is through transparency. Being transparent builds trust and brings the advice process to life. This helps move the conversation towards value of advice rather than cost of advice.

Another way is to focus on guiding and supporting female clients, rather than simply telling them what to do or doing it for them. Helping women learn about the process and their options will make them more engaged and encourage them to continue in the advice journey.

Figure 12: Action plan for advising women more effectively

Most financial planners already use processes such as segmenting their client base so they can better design service offerings to meet their needs. Studies indicate that gender should also feature as a dimension in a segmentation model.

Women will often seek advice for a single, burning issue, such as paying school fees or paying off debt. Solving this problem provides an opportunity to engage further with female clients in a way that advisers perhaps haven't considered in the past.

Without such steps, the issues of financial disparity between men and women will persist. This has a serious impact on the wider community. It is critical that we recognise the specific needs of female clients and take steps to overcome the barriers they face to achieving financial independence and well-being.

Alva Devoy is Managing Director, Australia at Fidelity International, a sponsor of Firstlinks. This document is issued by FIL Responsible Entity (Australia) Limited ABN 33 148 059 009, AFSL 409340 ('Fidelity Australia'), a member of the FIL Limited group of companies commonly known as Fidelity International. This document is intended as general information only. You should consider the relevant Product Disclosure Statement available on our website www.fidelity.com.au.

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Three opportunities in property in Australia and APAC

Cuong Nguyen

Although the worst of the Covid-19 pandemic has passed, its effects on the global economy and real estate markets continue as legacies of supply chain disruptions and inflationary pressures interact with a fresh source of geopolitical tensions and uncertainty. Although volatility is elevated, recent performance suggests commercial real estate in Asia Pacific (APAC) are well positioned to weather whatever comes next.

In the past year, inflation forecasts have been consistently revised upward but do not spell disaster for property values, as rents tend to keep pace with inflation over time. With real estate yields at historical lows, constructing a commercial real estate portfolio that can deliver consistent Net Operating Income (NOI) growth will be crucial to mitigating the risks associated with a transition toward a higher interest rate environment.

Real estate debt, like any income-based asset class, is highly sensitive to inflation's potential to erode returns. Investors are increasingly concerned about what a transition to a higher interest rate world might mean for real estate. Clearly, the current combination of slow growth and rising bond yields poses a threat to sentiment, capital flows and pricing, although the effect was limited during the first quarter of the year.

Key factors supporting the outlook

The outlook for the Asia Pacific economy is well supported by broad border reopenings and the strength of the region's domestic economies. Real estate demand is improving, with strong labor markets underpinning growth in office demand, and the structural demand for logistics and rental housing remains robust.

In terms of a sector snapshot, supply is struggling to keep up with rapidly-rising demand for data center capacity, thereby boosting prospects of attractive NOI growth over time. Investors remain increasingly keen on the sector, especially as they focus on digital assets and infrastructure with a view to future-proofing their portfolios.

The rental housing market is expected to grow significantly in the next decade across major Asian markets with the lack of institutional depth in markets outside Japan presenting investors with an attractive opportunity to participate in the secular growth of the sector.

In the logistics sector, opportunities for stronger and more-robust growth are expected for Australia, Mainland China, Hong Kong and Singapore. In Japan, the development of modern assets in regional markets outside Tokyo is also appealing.

For the office sector, declining vacancy and limited supply in the near term are supportive of a stronger rental-growth outlook. Nevertheless, occupier demand continues to prioritise higher-quality and centrally located offices, with prime buildings that have strong green credentials being the most sought after.

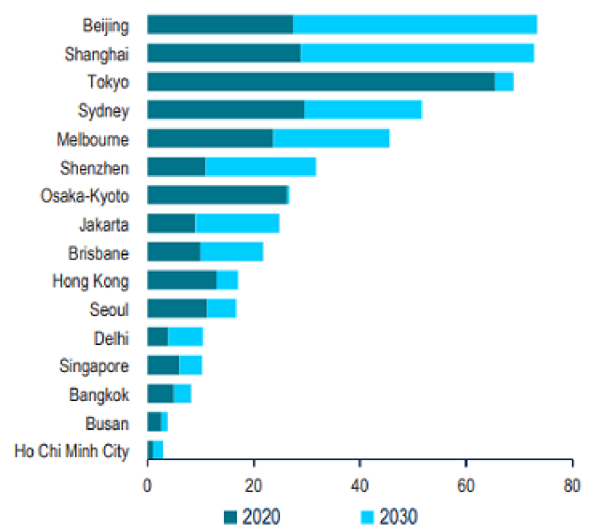
Highlighting Asia Pacific opportunities

Given our assessment of the outlook for the Asia Pacific economy and real estate market, we identify three opportunities as being among the most attractive on a risk-adjusted basis during the next 12 months.

1. Rental housing

Housing affordability has been deteriorating, with house prices outpacing income growth during the past decade. House prices in major Asian cities are now among the least affordable in the world, with the ratio of median house price to household income reaching approximately nine times in Sydney and Melbourne.

As a result of the drop in affordability, home ownership rates have been declining consistently across the region. Housing rental expenditure has been growing fast and is expected to continue rising rapidly with major cities in Mainland China and Australia such as Beijing, Shanghai, Sydney and Melbourne forecast to see their total rental markets double in size during the next decade.



Sources: Oxford Economics, PGIM Real Estate. As of May 2022.

We also expect rental housing markets to grow significantly in other regional gateway cities like Hong Kong, Seoul and Singapore which seems to support the strong secular growth of Asia's rental housing sector in the coming years. Co-living, a segment of the rental-housing sector, is also drawing strong inflows of institutional capital, which is driving investment activities in Hong Kong, Singapore and Mainland China.

2. Logistics

In the logistics sector, the outlook for rental growth is improving, and growth momentum is expected to accelerate in a number of major markets. With the supply pipeline remaining relatively limited outside Tokyo and Seoul, robust demand underpinned by broadening and secular shifts toward e-commerce will drive stronger

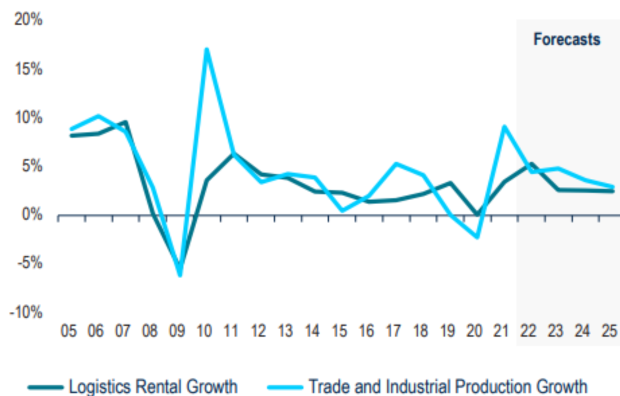
leasing fundamentals and rental growth in the Australian, Mainland Chinese, Hong Kong and Singaporean markets.

Looking ahead, the leasing fundamentals are set to shift favorably for asset owners in a number of major markets. Indeed, the latest data in the first quarter of 2022 confirms an accelerating rental growth momentum, with annualized uplift of about 13% on average in Melbourne and Sydney, and about 7% in Singapore.

As such, we continue to prefer modern logistics assets that are located within established submarkets offering good transportation links and proximity to urban residential catchments. Among logistics occupiers there is also a growing emphasis on ESG-compliant assets that offer smaller carbon footprints and that have sustainability initiatives in place.

Exhibit AP5: Demand Drivers are Improving, with Logistics Rental Growth Forecast to Pick Up in Several Regional Markets

Trade, Industrial Production and Logistics Rental Growth (% p.a.)



Rental Growth Forecasts, 2022-26 (% p.a.)

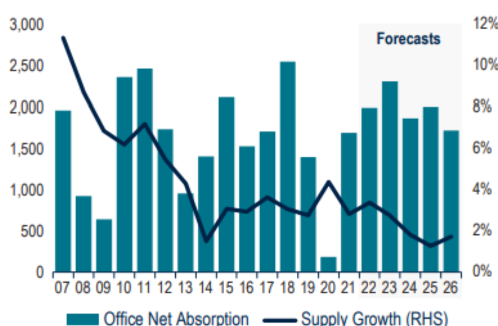
Sources: Oxford Economics, JLL, PGIM Real Estate. As of May 2022.

3. Offices

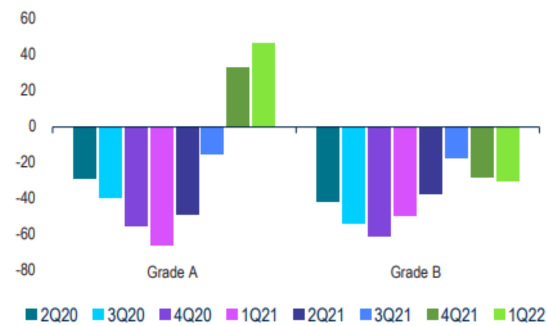
With developed Asia Pacific economies continuing to ease mobility restrictions, employment growth and office leasing demand showed sharp bounces over the past 12 months. Centrally located, well-connected offices in central business districts (CBDs) that offer amenities and proximity to clients and business partners are attracting stronger occupier demand. That trend is reflected by the latest office net absorption data in Hong Kong, Seoul and Singapore.

Exhibit AP7: Central Business District Office Demand is Turning Positive, Led by High-Quality Buildings

Asia Pacific Office Net Absorption (thousand square meters) and Supply Growth (% existing)



Australia Central Business District Office Net Absorption by Grade (thousand square meters, seasonally adjusted)



Note: Australia central business district office net absorption figures comprise Melbourne and Sydney.
Sources: JLL, PGIM Real Estate. As of May 2022.

With supply remaining tight in most markets leasing fundamentals are turning supportive of a stronger rental growth outlook for CBD office across the region. Data on effective rents in the first quarter of 2022 implies an

annual growth rate in the range of 10% in 2022 for a number of markets, including Singapore, Hong Kong, Seoul and Sydney. In addition, we strongly believe in green buildings' premium and outperformance. Office space with certified green credentials offering energy efficiency will likely draw stronger occupier demand and achieve higher occupancy rates and stronger rental uplift in the longer term.

Final comments

Undoubtedly, risks around cyclical sectors have increased, making life more challenging for investors in Asia Pacific. The key is to manage threats to the economic outlook by shifting emphasis toward defensiveness and focus on structural growth. Recent events such as rising inflation and interest rates, supply pressures, renewed Covid-19 challenges and geopolitical tensions mean the focus is on assets in sectors and markets like those above that deliver dependable cash flows and in which demand is structurally supported by favourable underlying trends.

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