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Editorial

A few weeks ago, we published an article called 'Why LICs are closing and more should follow'. The last couple of weeks have seen three important developments for Listed Investment Companies (LICs) or Trust (LITs) as issuers act to remove the unacceptable discounts that are costing investors 20% or more in some cases. In fact, large premiums are almost as bad because investors are paying far more than they should.

First up, **Steve Johnson's Forager** (ASX:FOR) announced its intention to delist. This is a critical proof point because seven years ago, Forager changed from a closed-end, unlisted fund to a LIT in a surge of optimism for the benefits of listing. Now, Forager is going back despite the tedious legal work:

> *"It is the Manager's view that investor apathy towards closed-ended investment vehicles has become entrenched and that smaller, less liquid vehicles like FOR are unlikely to trade at NAV for the foreseeable future. The Manager's current view is that the magnitude and sustained nature of the discount to NAV now outweighs the portfolio management benefits of remaining a closed-ended fund. The Manager has considered a range of additional measures to further improve the traded market price of FOR units. The Manager currently considers that the solution which will be in the best interests of FOR unitholders is likely to be the orderly transition of FOR back to an open-ended fund."*

To his credit, Johnson is risking investor redemptions to remove the discount, although many of his investors have confirmed their intention to stay.

Second and equally critical is **Magellan**'s announcement to move the closed-end **Magellan Global Fund** (ASX:MGF) to open-ended some time in the first half of 2024. We have also covered this in detail including the agitation by **Nick Bolton** regarding the option value. Magellan said:

> *"The Board of Magellan has today determined to consider a conversion of the Closed Class Units into Open Class Units, as this should, if implemented, permanently address the trading discount to NAV per Unit, while providing unitholders with a means to still transact on the securities exchange. Additionally, Magellan intends to continue to execute on the initiatives it has previously outlined that are value accretive and seek to deliver improved outcomes for unitholders.*
>
> *A conversion raises considerable complexities requiring significant work to address and Magellan will have regard to legal, regulatory and tax matters that require detailed assessment. Any conversion would be subject to a number of conditions, including member and regulatory approvals."*

As foreshadowed in our article, the conversion will happen sometime in 2024 but the Board is making no timing commitments, and in the meantime, they need to address the continuing push by Nick Bolton.

Third, **Geoff Wilson** of **Wilson Asset Management**, the most outspoken supporter of LICs with his own company championing the structure across eight issues, is marketing a $500 million to $1 billion raise for an open-ended version of WAM Leaders (ASX:WLE). Wilson rang me to explain that to participate with the big players in the large cap space, where supply is offered by brokers in IPOs and share sales, he needs a fund of a few billion, or double his current $1.7 billion in WLE. Wilson in open-ended and not LICs is a sign of the times.

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The **Indigenous Voice** vote is off-topic for Firstlinks but there is an important parallel between politicians and investment professionals. Many fund managers think the harder they work, the better their results. There's always another stone to turn over and they pride themselves on their commitment to "*working hard*" for their investors. In the office early, read emails and screens, check limitless market updates, run the morning meeting, coffee with a CEO, lunch with a client, back to the office to check the market, present a webinar, stay late. Hopefully, somewhere in there, they find time for investing, the real meat and potatoes.

Writing in *The Conversation*, **Michelle Grattan** explained that **Prime Minister Anthony Albanese** looks exhausted after his effort on the Voice:

> *"These past few weeks have also suggested Albanese will need to manage his energy better if he is to perform well for the long haul. Obviously he wanted to do all he could in the final days of the campaign. But tearing around the country, when it was clear the vote was lost, was excessive and left him looking exhausted. Leaders are stronger and tougher than the rest of us. But they are not superhuman, and they need to pace themselves if they are not to wear out, lose focus, and become frazzled and tetchy."*

It does nobody any favours when a leader or a fund manager is exhausted. Contrast most fund managers with **Warren Buffett**, who runs a company rather than a fund. He said:

> *"I insist on a lot of time being spent, almost every day, to just sit and think. That is very uncommon in American business. I read and think, so I do more reading and thinking, and make less impulsive decisions than most people in business. I do it because I like this kind of life."*

He claims to read 500 pages a day, a target few if any fund managers could match. He says that knowledge compounds so he spends perhaps 80% of his work time reading. In many work offices, it would look like inactivity.

Next time you speak to a fund manager, don't focus on their views on the economy or interest rates or inflation. These macro meanderings are mainly best guesses. Ask them how they spend their precious time and what they have read in the last week.

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US analyst **Charlie Bilello** has a reputation for creating fascinating charts like this one. The **Wilshire 5000** is an index of all listed stocks actively-traded in the US (not necessarily 5,000 companies) and this table shows the worst 9-month periods for the index between 1971 and 2023, or 52 years. They are all falls of over 21%. Amazingly, only in one of those 20 periods was the subsequent one-year forward return negative, and the average return is 27%, and always strongly positive over subsequent periods. It's an illustration of how the stockmarket can recover from the depths of despair. But it also shows 20 falls over 20% in 52 years, or one every two to three years.

Wilshire 5000 - Worst 9 Months Periods & Forward Returns (1971 - 2023)									
Worst 9 Month Periods				Forward Total Returns					
Rank	Total Return	Start Month	End Month	3-Month	6-Month	1-Year	3-Year	5-Year	10-Year
1	-46.7%	Jun-08	Feb-09	26%	42%	56%	102%	189%	372%
2	-39.3%	May-08	Jan-09	8%	23%	35%	73%	147%	309%
3	-37.0%	Jul-08	Mar-09	17%	36%	52%	91%	167%	341%
4	-34.5%	Jan-74	Sep-74	9%	36%	41%	84%	153%	392%
5	-32.3%	Mar-08	Nov-08	-16%	6%	27%	53%	132%	288%
6	-30.6%	Apr-08	Dec-08	-11%	4%	28%	52%	134%	246%
7	-29.7%	Aug-08	Apr-09	14%	20%	41%	72%	142%	315%
8	-28.6%	Feb-08	Oct-08	-14%	-7%	11%	41%	108%	250%
9	-28.1%	Nov-73	Jul-74	-5%	1%	21%	50%	90%	255%
10	-27.2%	Mar-74	Nov-74	19%	35%	36%	65%	123%	334%
11	-27.2%	Sep-08	May-09	12%	20%	23%	53%	135%	268%
12	-27.0%	Apr-74	Dec-74	25%	46%	38%	70%	135%	356%
13	-26.6%	Jan-02	Sep-02	8%	4%	26%	66%	115%	129%
14	-25.9%	Jan-22	Sep-22	7%	15%	21%			
15	-25.0%	Dec-73	Aug-74	-1%	18%	29%	62%	121%	333%
16	-23.7%	Feb-74	Oct-74	7%	22%	26%	51%	100%	318%
17	-22.0%	Oct-73	Jun-74	-25%	-18%	19%	41%	75%	236%
18	-21.8%	Feb-01	Oct-01	8%	5%	-13%	18%	53%	58%
19	-21.6%	Apr-02	Dec-02	-3%	13%	32%	58%	93%	113%
20	-21.2%	Jul-00	Mar-01	7%	-10%	3%	9%	33%	55%
Average Worst Periods				5%	15%	27%	59%	118%	262%
Average All Periods				3%	6%	12%	41%	79%	218%
Differential				2%	10%	15%	18%	40%	44%

CREATIVE PLANNING — Data as of 9/30/23 — @CharlieBilello

Martin J. Whitman founded **Third Avenue** and was a well-known portfolio manager and author, and he wrote:

"When securities prices decline, an investor's perspective can go in one of two directions. The vast majority of investors view a price decline as a loss of value. This has a basis in reality for those who are traders, those whose portfolios are financed with borrowed money, and those who have little or no knowledge about the companies in whose securities they have invested. For value investors, though, price declines frequently mean nothing more than that yields have rallied. The same securities with the same fundamentals, and without any permanent impairments of capital, have become available at far more attractive pricing than was previously available."

Which is a good segue to my article where I look at the biggest loss in my own SMSF this year. I am not a stock picker so we attach a fuller report from **Morningstar** Equity Analyst, **Alexander Prineas**. I write it more as a personal investor, why I bought the stock and why I'm hanging on although it's fallen out of favour. It's a daily dilemma for every fund manager somewhere in their portfolio.

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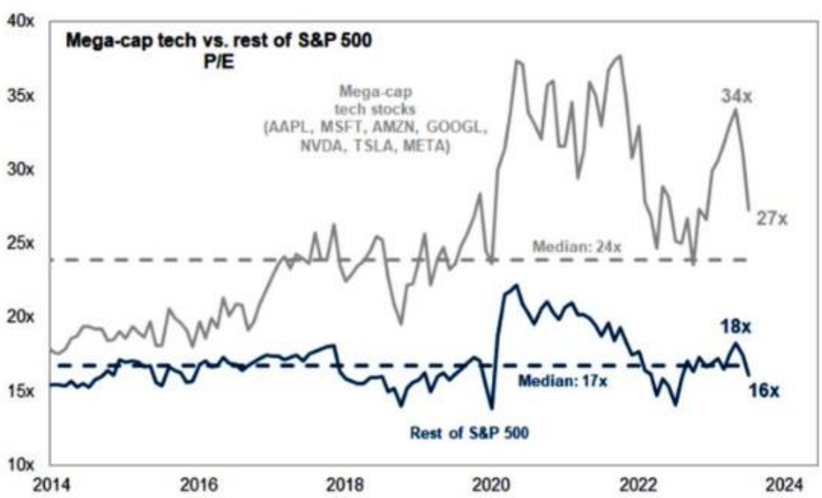
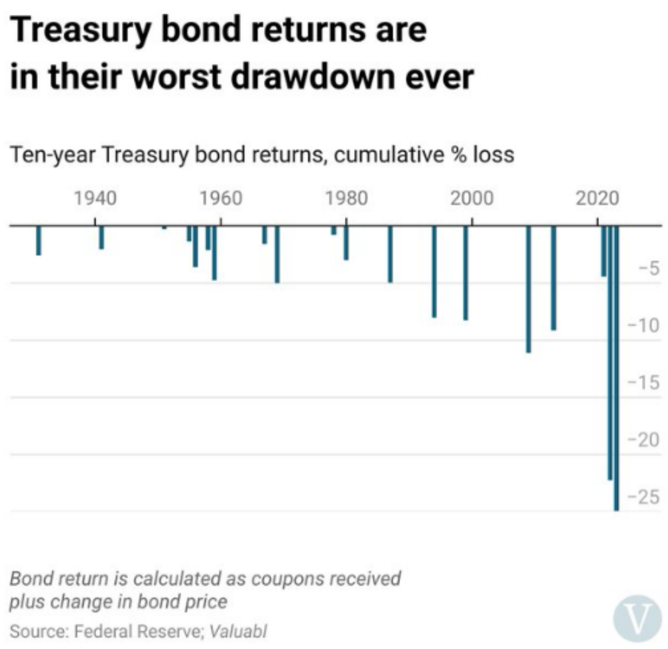
When we focus on the potential future moves in the US S&P500, and the likelihood that returns will be lower in coming years due to high Price to Earnings (P/E) ratios, we need to separate the Magnificent Seven tech stocks trading at a P/E of 27 and the other 493 stocks at a P/E of 16. No wonder the Australian stock market can't keep up with the US market driven by these seven.



Source: Goldman Sachs Global Investment Research

Investing times have changed following a 40-year rally in bond rates until 2020. Nothing shows this more than the losses on the most important bond in the world, the US 10-year bellwether, against which other assets are priced, including the discount rate used in valuing companies. We are investing during the worst drawdowns (losses).



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Finally, a quick word on crypto as it's back in the headlines as other assets struggle. This is when promoters jump on the future potential, the need to allocate a proportion of a portfolio to crypto, the currency of the future. This week, the **Australian Taxation Office** (ATO) reminded SMSF trustees of the resources available:

> *"Investing in crypto can be complex and risky so we recommend trustees seek financial advice before investing and read both MoneySmart and the our SMSF investing in crypto assets page.*
>
> *You can also check out our short crypto myth busting videos:*
>
> - *SMSFs investing in crypto – reminds you of your regulatory obligations you need to meet when investing in crypto assets*
> - *Lost access for my crypto – provides details of how your SMSF may be able to claim a capital loss in situations where you lose your password or your crypto is stolen."*

Graham Hand

Also in this week's edition...

Meg Heffron has looked at the draft legislation published earlier this month for 'Division 296 tax' and doesn't like what she sees. This is the proposed new tax on members with more than $3 million in super, the 15% tax on part of their super so-called 'earnings' each year. Meg says even the promise to allow these members to carry forward any losses has a few quirks.

APRA is investigating bank hybrid securities to better secure bank capital and the broader financial system, with special emphasis on retail investors holding hybrids. **BondAdviser's Charlie Callan** and his team examine what could eventuate from the investigation and the implications for current hybrid holders.

At Firstlinks, we have regular articles on how to build wealth for your retirement, yet there's a lot more to retirement than that. Leaving work can lead to a loss of identify if there's a failure to craft a new life and it's a big shock for many retirees. **Jon Glass of 64 Plus** and previously well known to many readers as the CIO of **Media Super** offers his tips on how to best prepare for retirement.

Who thought bonds could be sexy again? Investors have been piling into them despite the asset class heading for its third straight down year. Given the yields on offer and the prospects for an economic recession, the lure of bonds is understandable. **Van Eck's Cameron McCormack** has a primer to help investors decide which bonds may be best for them.

Is a recession on the cards, though? **Talaria Capital's Hugh Selby-Smith** thinks so. It's unusual for an Australian fund manager to be pessimistic on the market outlook but Hugh details why he's on red-alert and what investors can do.

Morningstar's Peter Warnes is in a similar camp to Hugh as he predicts a protracted global recession starting mid next year, in the latest *Wealth of Experience* podcast. The podcast also features **James Gruber** on the investment art of doing nothing and **Graham Hand** on tax-free super.

Trend-following strategies have been around for some time, though they still don't receive a lot of press. **Man Group's Kit Cherry** thinks these strategies should be part of an investor's arsenal as they provide diversification benefits and can help protect downside risks to portfolios.

Leisa Bell unveils the results of last week's Firstlink's survey on inflation. The survey generated some intriguing data, including reader experience of worst inflation than the official data.

And lastly, in this week's White Paper, **Neuberger Berman** has its fixed income outlook for the fourth quarter on this year.

Curated by James Gruber and Leisa Bell

Meg on SMSFs: negative earnings and the $3 million tax

Meg Heffron

In a monthly column to assist trustees, specialist Meg Heffron explores major issues on managing your SMSF.

There's not much good news when it comes to the draft legislation published earlier this month for 'Division 296 tax'. This is the proposed new tax on members with more than $3 million in super – 15% tax on part of their super earnings each year.

Even the promise to allow these members to carry forward any losses (years when negative earnings cause their super balances to go backwards) has a few quirks.

Let's consider some realistic examples

To illustrate how this works, let's use the example of Lesley with $5 million in super at 30 June 2025. Her super increases to $5.45 million during 2025/26 (the first year of the new tax) despite taking $100,000 in pension payments during the year. For the purposes of the new tax, Lesley's 'earnings' will be $550,000 (her balance at the end of the year ($5.45 million) plus withdrawals during the year ($100,000) less the $5 million balance at the start of the year).

At 30 June 2026, 44.95% of Lesley's balance is over $3 million ($2.45 million out of $5.45 million). That means the tax for Lesley to pay for 2025/26 is 15% x 44.95% x $550,000, ie approximately $37,000.

Imagine behind the scenes, one of the big drivers for the change in Lesley's balance during 2025/26 was a property that started the year valued at $2 million and increased to $2.4 million. This made up $400,000 of the earnings figure, the rest came from growth in other assets and income from both the property and other assets.

Let's say the property drops in value the following year, back to $2 million. In fact, Lesley's whole super balance goes backwards. The fund's income and growth in other assets wasn't enough to compensate for the big drop in the property's value. At 30 June 2027, Lesley's super balance is only $5.11 million, again, after withdrawing $100,000 in pension payments.

The ATO will calculate that 'earnings' for the new tax are negative in 2026/27. The amount will be a 'loss' of $240,000 ($5.11 million plus $100,000 less $5.45 million = -$240,000).

This $240,000 will be carried forward and used to reduce Lesley's super earnings in future.

Sounds good so far (ignoring Lesley's extra tax of $37,000 for 2025/26).

But then what might happen?

What if, the following year (2027/28), Lesley's fund sold the property for $2 million (ie, the value never recovered). Lesley used this opportunity to withdraw a lot from super and at the end of the year, 30 June 2028, her super balance was less than $3 million. If Lesley's super balance never rises above $3 million again, there will be no opportunity to use the 'losses' carried forward. They are specific to Lesley. There is no opportunity to pass them on to another member of the fund. They are also not refundable.

The net result for Lesley is that most of the earnings in 2025/26 ($550,000) came from the increase in value of the property ($400,000). But that increase disappeared the following year. Lesley has ended up paying tax on something that never actually materialised.

In fact, life could be even worse

Take Chris whose balance at 30 June 2027 was $2.9 million. In 2027/28, Chris inherited his spouse Kate's superannuation ($2 million) which he used to commence a pension (no withdrawals were made in 2027/28). Catastrophic investment returns mean that Chris's total super balance at 30 June 2028 is only $4 million and he has suffered a $900,000 loss.

Chris can see that he'll be subject to Division 296 tax in the future now that he has inherited Kate's super and it would be reasonable to assume he could at least carry forward this loss. Unfortunately not. Losses can only be carried forward by people who have more than $3 million in super at the start of the year.

In fact, look at what happens if Chris's super recovers the following year. Let's say it goes from $4 million to $4.8 million after taking out his $100,000 in pension payments in 2028/29. His 'earnings' for Division 296 tax will be $900,000 (ie, $4.8 million plus $100,000 less $4 million).

Since 37.5% of his new balance of $4.8 million is above $3 million (ie, $1.8 million out of $4.8 million), he'll pay Division 296 tax on 37.5% of the $900,000 earnings amount, resulting in a tax bill of over $50,000.

From Chris's perspective, all that's happened is that his super balance has recovered to where it was when he first inherited Kate's super, but he'll be taxed on that recovery.

A flawed proposal

And finally, indulge me in one small rant.

The Government consistently refers to this measure as increasing the tax rate on earnings from 15% to 30% on super balances over $3 million. It implies that the existing super fund rate (15%) can be added to the new 15% is completely disingenuous. They are applied to entirely different income amounts (only one includes unrealised capital gains, for example). It's a bit like adding a player's 100 runs in a cricket game to their 2 home runs in a game of baseball and saying they scored 102 runs in total. They're both runs but no-one would ever consider adding them together because it's meaningless.

The Government is absolutely within its rights to increase the taxes paid by the wealthiest superannuants. But it's a shame the method that's been chosen (which will – by default – include unrealised capital gains) is fundamentally flawed.

Meg Heffron is the Managing Director of [Heffron SMSF Solutions](), a sponsor of Firstlinks. This is general information only and it does not constitute any recommendation or advice. It does not consider any personal circumstances and is based on an understanding of relevant rules and legislation at the time of writing.

For more articles and papers from Heffron, please click here.

What's next for bank hybrids?

Charlie Callan

On 21 September, the Australian Prudential Regulation Authority (APRA) posted a media release seeking feedback on improving the effectiveness of Additional Tier 1 (AT1) capital in a potential bank stress scenario. This has come about in the wake of the Credit Suisse hybrid write-off in Switzerland, as APRA is "*concerned that AT1 capital instruments would not operate as originally intended due to certain design features and market practices*". APRA noted that "*AT1 has not been effective in absorbing losses*" before the point of failure noting that Credit Suisse continued to make discretionary hybrid distributions "*despite incurring sustained losses and facing an uncertain profitability outlook*".

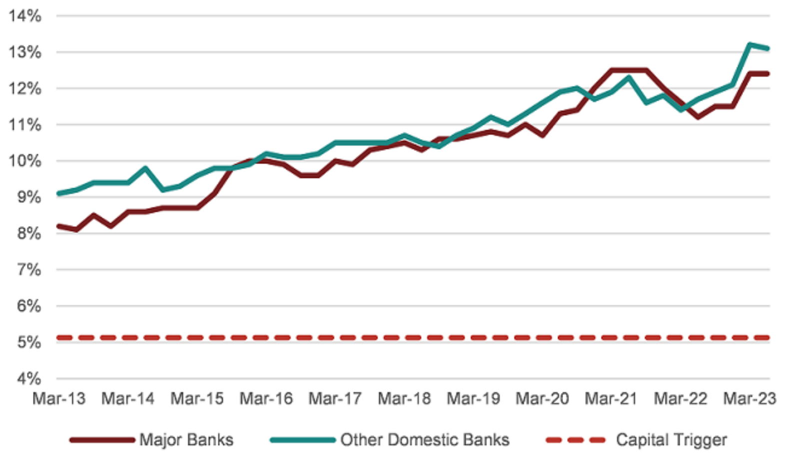
AT1 hybrids are perpetual and convertible bonds that pay discretionary, non-cumulative coupons to investors, designed to protect depositors and senior creditors where the bank or insurer (the issuer) experiences severe stress through conversion to equity or complete write off. These securities, as well as common equity and Tier 2 instruments, form the regulatory loss-absorbing capital of a bank. Despite the complexity of these instruments, the domestic AT1 investor base is not dominated by institutional investors and almost entirely listed on the ASX. The typical buyer, in our view, is clients of private wealth and private banking firms.

Three possible options

APRA is exploring three potential options to make AT1 capital more effective in absorbing losses:

1. changing the design features to ensure AT1 capital absorbs losses earlier in a stressed scenario,
2. making changes to the level or mix of regulatory capital requirements to reduce the reliance on AT1 capital, and/or
3. shifting the AT1 investor base away from domestic retail investors.

Historical CET1 Ratio – B4 & Other Domestic Banks



Source: BondAdviser, APRA. As at 30 June 2023.

The **first** option would likely result in raising the capital trigger level that results in a conversion or write-off of AT1 capital, and/or limiting distributions where banks are under duress. This is currently where the Common Equity Tier 1 (CET1) ratio reaches 5.125%, in-line with international guidance and standards. Noting some countries like the United Kingdom and China have "high trigger" ratios of 7%.

Raising this capital trigger would make AT1 hybrids inherently riskier, and therefore primary issuance under this new policy would require higher credit spreads given the higher likelihood of conversion or write off. Given the major bank AT1 capital is rated BBB-, this would likely see a credit rating downgrade to sub-investment grade, which may temper demand from institutional investors.

We do not see a downgrade of the security rating as being material to the traded (current hybrids) performance, however a higher trigger will require higher spreads. Given Australian Banks have maintained CET1 ratios of greater than 8% for more than a decade, we would likely be opportunistic in allocating at higher spreads due to higher triggers.

The **second** potential option is reducing the reliance on AT1 capital as a proportion of total regulatory capital. This can be done by either :

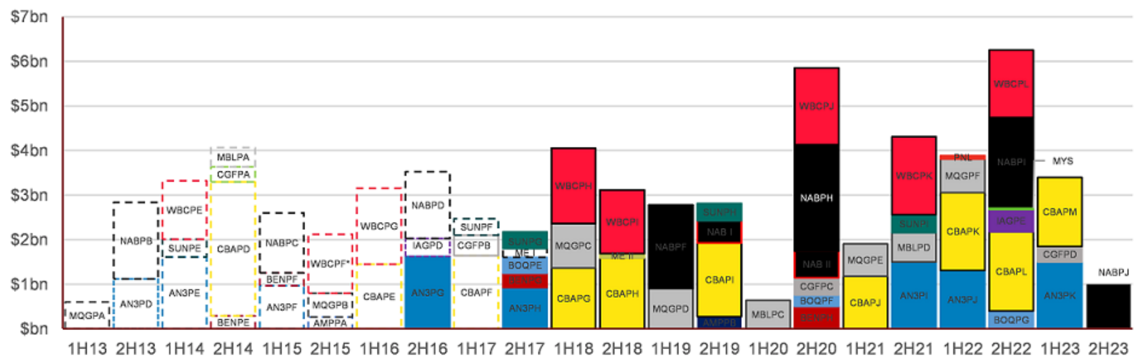
1. reducing the minimum amount of AT1 capital (currently 1.5% of RWA), and potentially increasing other capital requirements (CET1, or total capital via an increase in the proportion of Tier 2 capital), or
2. capping the maximum amount of capital that is eligible to be counted as AT1 – with excess to effectively be very expensive senior funding. The latter seems the more rational, but it is complicated.

The **third** option proposed by APRA is to hinder access from retail investors (potentially via minimum parcel sizes), effectively limiting investment to wholesale investors. Under this option, we would expect more issuers to come to market to issue AT1 capital before any introduction of retail limitations given (1) they can capture more market demand given retail would be locked out from investment once any changes are implemented, and (2) to issue AT1 hybrids at a lower cost of funding, given domestic wholesale AT1s have historically traded with higher spreads (~50bps) to more liquid ASX-listed AT1s. Tenors would likely also be longer to lock in lower spreads.

Demand for hybrids from retail has been hot over recent years, and this demand is only growing as coupon income has materially risen (the 3mBBSW increase alone has roughly increased hybrid income by $1.7 billion p.a. to local investors) and some of that needs to be reinvested. This might see increased demand for ASX-listed bonds, as well as the secondary AT1 market, as retail investors crowd in for the last dance. This would make the perfect environment for issuers to come to market with lower spreads and longer tenors before the potential new policy is implemented.

Demand may also turn to Listed Investment Trusts (LITs) which went out of fashion after numerous domestic LITs started trading at material discounts to NAV. However, this will take time given there is still more than $40 billion locked up in current ASX-listed AT1s.

Historical AT1 Issuance – Elevated AT1 Issuance During/Post Pandemic



Source: BondAdviser, Bloomberg. As at 25 September 2023.

The degree of change is key

As a general comment, APRA is likely to receive responses to this consultative process that points out the reality that retail investors hold CET1 (ordinary shares) of the banks in vastly larger volumes than AT1 hybrids and so any significant event, however unlikely, that requires absorbing losses through equity will still impact materially on retail investors, and earlier than a scenario involving the absorption of AT1.

Indeed, the likelihood of an event requiring AT1 absorption has been made remarkably remote by the solid actions of APRA over its 25-year history, and particularly in the last 10 years via bolstering bank requirements in capitalisation, funding, and liquidity.

Any of the above potential outcomes are likely to change the price and volume dynamics for AT1 hybrid issues assuming one or more are implemented but the extent of these dynamics will depend ultimately on the outcome of the consultative period which ends on 15 November 2023, and APRA's response to this process.

Charlie Callan, CFA is an Associate Director, and Ben Haseler, Ravi Reddy, and Christian Belvedere are Analysts at BondAdviser. This article is general ionformatio and does not consider the circumstances of any investor.

The biggest loss this year in my SMSF portfolio

Graham Hand

We are in a new era of investing. The 40-year rally in bond rates which underpinned rising asset values concluded in July 2020 when the bellwether US 10-year Treasury rate hit a low of 0.52%. We may never see such extremes again. Overall, that's good, because there should be a cost of debt and a reward for saving. However, the rise in the 10-year to 4.90% (at time of writing, 18 October 2023) has punished bond prices and 'bond proxies', with many US Treasury bond experts predicting 5% plus as the US seeks to finance its trillions of debt.

Five years of the 10-year US Treasury rate

Source: Ycharts.com, latest close 4.9% on 18 October 2023

While some asset classes have reacted quickly to higher bond rates, others react slowly. Every portfolio assessment should be looking at the impact of higher rates across all assets because there are pockets where the market has not fully recognised the implications. Many large companies locked in debt at lower rates and have not experienced the shock of a big increase in interest expense. Private equity has remained strong despite values thriving previously in a low-rate environment.

The US stockmarket has been protected in 2023 by the surge in the Magnificent Seven and AI-related companies, disguising the traditional connection between higher rates and lower equities. In the main index, the S&P500, the 'S&P493' is up only 4% while the 'S&P7' is up 57% in 2023 to date.

It is one thing to recognise asset values will be hit by rising bond rates but it's another to know how much. Commercial property is an example: stockmarket price punishment for listed property has been handed out, but where to from here?

The stock that has most hit me personally in the last couple of years is Charter Hall Long WALE (ASX:CLW) REIT. Its price is down 40% over three years and from $5.40 in April 2022 to a $3.15 this week. My average entry price is $4.80, although I received dividends of 30.5 cents in FY22 and 28 cents in FY23 so it is not quite as bad as it looks on price alone. The market reaction to its FY23 results and outlook was severe.

Source: Morningstar Premium

What is Morningstar's view?

I am not an equity analyst and there is no merit in me repeating the detailed report of my colleague, Alexander Prineas. Although such details are usually available only to Morningstar Premium subscribers, the main points in Alex's research paper are attached.

When Alex updated his report on 8 August 2023, CLW was trading at $3.80 and his 'fair price' estimate was $5.10. At $3.15, it is in Morningstar's 5-star band with an estimated dividend yield of about 8.5% on a trailing 12-month period.

A few highlights from Alex's comments:

- He recognises that high debt levels and a fall in asset values of 5.8% in FY23 has left CLW with relatively high gearing at about 40% (on a look-through basis to the underlying assets and funds). Similar falls again in FY24 would push the REIT nearer to its banking covenant limits. However, the high number of leases which are tied to inflation should support the value.
- CLW is a highly-diversified portfolio across many property sectors including assets with long leases to top-quality tenants in industrial sectors with solid tailwinds, making asset sales more favourable than for other trusts.
- About half the leases are so-called 'triple-net', where the tenant pays the property outgoings. This is attractive in the face of inflation but also if the economy enters recession.

Why did I buy it and where did I go wrong?

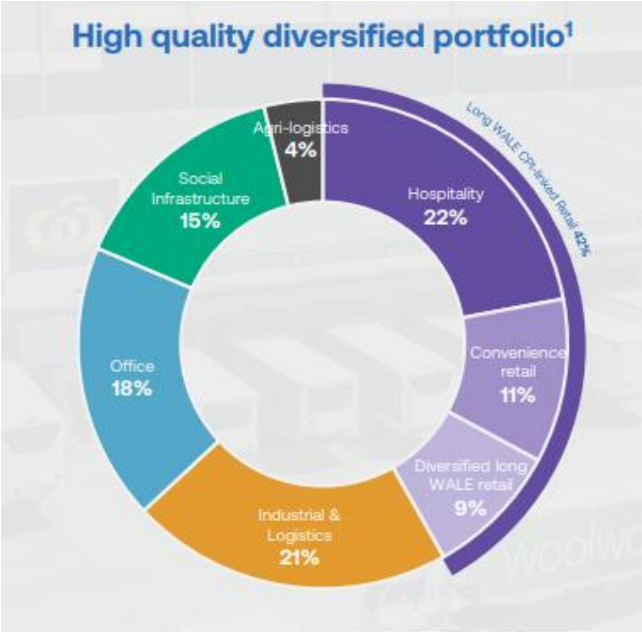
The irony is that in a difficult equity market with corporate earnings falling in a recession, I thought an investment in such a high-quality REIT would be a defensive position. There were two main miscalculations (so far) on my part:

1. I did not expect the market to consider CLW as much as a bond proxy as other REITs, given over half of its leases are tied to inflation, which has a relationship with long bond rates. As with other property trusts, CLW's share price has fallen as long-term bond rates have risen.

2. The market has also marked down the value of the assets more than I expected, despite most of the properties being in industrial rather than office sectors. According to CLW's 2023 Annual Report, the Net Tangible Assets (NTA) value is $5.63 per security versus the current share price of $3.15, a discount of $2.50 or 44% of the NTA.

The attractive features include (I thought):

- Over 80% of rents are paid by high-quality corporate tenants and government agencies which are highly unlikely to stop paying the rent. This is not a portfolio heavily exposed to individuals or small tenants.
- The Weighted Average Lease Expiry (WALE) is an attractive 11.2 years, and with almost 600 properties valued independently at $6.8 billion, the term and size seemed enough to see the trust through a business cycle and the short-term impact of rising rates.
- A portfolio with a mix of commercial assets in industrial, hospitality, social infrastructure and retail property and only 18% in offices, where the pandemic and WFH is expected to hit values.
- As insulation against rising rates, 51% of leases are CPI-linked, which gave a 7.1% weighted average increase in rentals in FY23.



Charter Hall Long WALE REIT 1. Weighted by valuation as at 30 June 2023

But the market - whatever that is these days - is unhappy. On the negative side, the 2024 distribution guidance was down on 2023, analysts are looking for proof of more asset sales to retire debt and the banking covenant gearing is 50%, still a long way to go from the current 42% but closer than a year ago.

Where to from here for me and the market?

This is not intended as a research report, I'll leave that to the analysts at Morningstar. This is the thought process of an investor wondering what has happened in a stock expected to show more resilience. Where to from here?

There's a famous saying by the great economist John Maynard Keynes that:

> *"Markets can remain irrational longer than you can remain solvent."*

There is nothing 'insolvent' about my SMSF. It's a large portfolio with no debts and the CLW position represents less than 2% of its assets. But in dollar terms, it's the biggest red number in my listed portfolio, emphasising that in the short- or medium-term, regardless of what anybody thinks about their investment thesis, the market can go elsewhere.

We'll see if Mr Market is right. He's the imaginary investor invented by the legendary Benjamin Graham in his 1949 book, *Intelligent Investor*. Mr Market is prone to swings of mood, and at the moment, he hates REITs.

Every fund manager goes through this, and there is always a reason why the market has reacted adversely. There are buyers and sellers with different views. Today, someone (or something, like a trading bot or algorithm) sold the assets of a large trust – not a speculative tech company, not a fashion label, not a product recall – with 600 diverse properties for 44% less than their most-recent valuation. There are reasons, especially rising interest rates and asset values, why they may be right.

We'll leave for another day the broader implications for the hundreds of billions of unlisted assets in Australian super funds which have not been marked to market, but in a listed market such as for CLW, there is nowhere to hide.

I don't need to sell as I'm long cash with few attractive places to invest and lots of risk in the market. I'm a long-term CLW investor, watching with interest how Charter Hall moves from the wonderful years of low rates, rising property values and rapid growth, to a period where interest costs and gearing ratios need careful management.

Graham Hand is Editor-At-Large for Firstlinks. This article is not financial advice and investors should see an investment adviser before acting on anything mentioned in this report. Graham Hand holds an investment in ASX:CLW through his family's SMSF. Charter Hall is a sponsor of Firstlinks.

Attached is an extract from a more detailed report by Morningstar Equity Analyst, Alexander Prineas. Although such details are usually available only to Morningstar Premium subscribers, the main points in Alex's research paper are attached here.

The five best ways to prepare for your retirement

Jon Glass

Over the next five years, more than 670,000 Australians intend to retire, taking the total to almost five million retirees, according to the Australian Bureau of Statistics (ABS). A check of how often the word 'retirement' is searched for on Google over the past 10 years has shown a recent and sustained spike.

We hear a lot about how to build money for your retirement and how much you will need, but there is nowhere near as much discussion about how to manage your retirement.

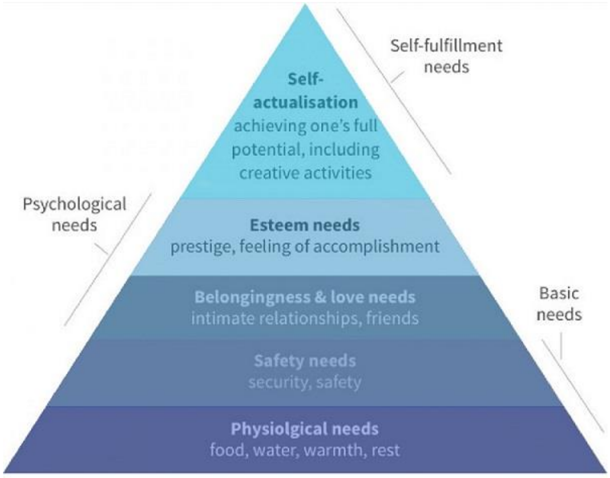
What will you do on your first day? In the second week? At the end of the first quarter? The end of the first year? These are all milestones that can bring great joy – or despair. I hear many stories of people retiring and becoming bored, so bored. Others say they are busier than ever before, with fitness, family, travel and more.

However, some 20% of retirees feel unfulfilled and 20% say they have no purpose, according to research by Henry Jones last year. What will you do? What are you going to focus on next? And how will you prepare for it? And this is not about playing more golf to improve your handicap.

The first thing about preparing for retirement is to have a discussion with your family, the people you will live with. As that person or those people will soon have you around the house more than they ever have before, will they welcome that change or will you disrupt their own routine?

Where will you find your new value? The importance of self-worth

Another key aspect of retiring is recognising that your work, your contribution, your colleagues, have (generally overall) provided you with a sense of self-esteem, or self-worth, for decades. Self-esteem is a major human need, according to US psychologist Abraham Maslow's famous *Hierarchy of Needs*. It follows others of safety and security, and community and connection, which can also suffer if you retire alone.



Many retirees tell me that once they retired, they lost their sense of self-worth that they achieved from the work that they did. "*All of a sudden that was gone,*" said one. No one even asked them for advice any more, never mind giving them something important to do. This loss of identify and failure to craft a new one can be a big shock for many retirees, especially male retirees. It even has a name: 'Relevance Deprivation Syndrome'.

Giving back

One way to generate new self-worth is to determine ways to contribute your talents, skills, knowledge or unique gifts to others. It doesn't matter if it is one person or millions. Giving back and helping people can provide a renewed sense of purpose.

Think beyond the traditional forms of giving back, such as volunteering or donating. It can be surprising how fulfilling it is to impact someone else's life in a unique way, but ensure it will also stimulate you enough.

According to research, there are many benefits to living a purposeful life, including longevity and lower risk for diseases. Full-time work typically takes up to 40 or more hours per week. What are you going to do with that time when you retire? This time cannot be replaced by golf, boating, fishing. Minding grandchildren can help the family – and yourself – if you have them, while travel can provide a good distraction.

Having at least a rough outline of how you will spend your time is another key, non-financial consideration when preparing for retirement. Retirement can be a time to explore new interests, new passions, and a new purpose, even set new goals. But this can be scary, even overwhelming if this personal transformation is not your strength. Combating loneliness is a big deal and having people around you, outside of work, to do things with is also important, such as friends, family or people in your community.

One of the best ways to prepare for retirement is routine creation. A retirement coach can help with these challenges.

The five best ways to prepare for your retirement

Structure helps your retirement plans, following these hints:

#1 Create a reliable retirement routine
#2 Find clarity around your retirement purpose
#3 Focus on both your physical and mental health
#4 Understand your unique retirement needs
#5 Consider a retirement coach

May you smoothly transition into the best next chapters of your life.

The adage of '*You have worked hard and saved diligently for your golden years. It is now finally time to take it slow and enjoy your life*' is of little comfort if you are not mentally ready for it.

Jon Glass is former chief investment officer at Media Super, and has worked at AMP and BT and today runs 64Plus, a company coaching people nearing retirement on what to expect and how to prepare, beyond the financial.

Bond opportunities in a higher rate world

Cameron McCormack

As investors navigate a potential recession and the possibility of higher interest rates for longer, the lure of fixed income is understandable. Government bond prices typically appreciate as economies enter recession, which could help offset losses that may occur in other parts of a portfolio – namely equities (as earnings decline) and real estate (as home prices depreciate) – making bonds a key element of a balanced portfolio.

According to Reuters, Australia's $1.5 trillion in pension assets (as part of the $3.5 trillion superannuation sector) has increased its investments in local and foreign debt "*by more than $20 billion over the past year as higher yields burnished an asset class overlooked in a country where equities traditionally rule*."

AustralianSuper told Reuters it had doubled debt assets to $40 billion over the past year while Australian Retirement Trust, which manages $240 billion, lifted its fixed income allocation to 13.7% from 12.5%, according to filings.

Fixed income exchange traded products (ETPs) have continued to increase in popularity with the industry growing to $23.4 billion from $16.2 billion in 2022 in Australia. In 2023, fixed income strategies have taken the lion's share of ETP flows.

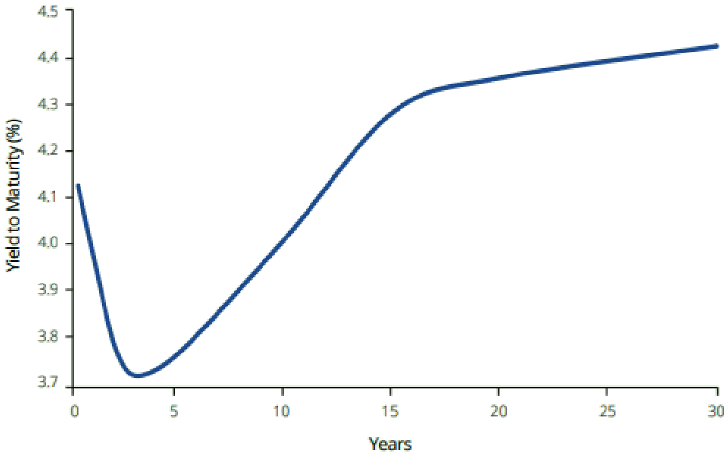
Using fixed income to play the yield curve

One way fixed income investors can add relative value to their bond portfolio is to 'play' the yield curve. The yield curve is a line that plots the yields of Australian Government Bonds (AGBs) with differing maturity dates.

The slope of the yield curve reflects the difference between yields on short-term bonds and long-term bonds. The yields on short- and long-term bonds can be different because investors have expectations, which are uncertain, that the cash rate in the future might differ from the cash rate today.

For example, the yield on a 10-year bond reflects investors' expectations for the cash rate over the next 10 years, along with the uncertainty associated with this. Because longer-term yields are more difficult to predict, their yields tend to move more than shorter-term bonds.

Chart 1: The Australian Government Bond yield curve



Source: Bloomberg, as at 31 August 2023.

The yield curve is an important economic indicator because it is a source of information about investors' expectations for future interest rates, economic growth, and inflation.

It is therefore possible for investors to take a view of the slope of the curve and position their portfolios for this.

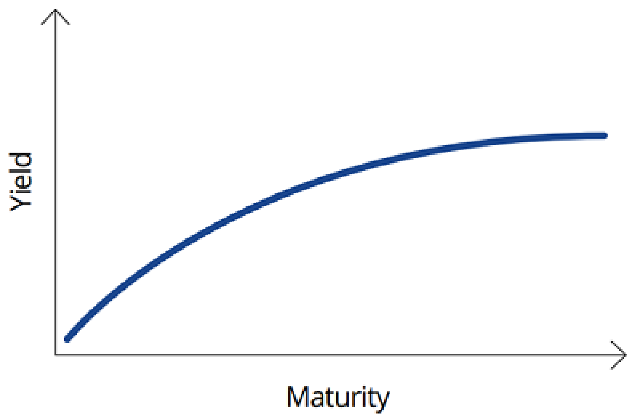
Different yields curves and what they mean

There are several scenarios that cater for a bond portfolio exposure to be either overweight or underweight the short, medium or long end of the yield curve. For example, if an investor thinks interest rates will rise, they might shorten the duration of their portfolio by using a shorter-term bond such as a 1-5 year to reduce duration risk.

On the flip side if an investor thinks interest rates have peaked, they could invest in Australian government bonds that have longer maturity dates, for example 10 years plus. The longer the duration the more bond prices increase when interest rates fall.

A 'normal' yield curve is upward sloping where short-term yields are lower than long-term yields. Typically, this type of yield curve is seen during periods of economic expansion. In this environment, investors demand higher yields on longer-term bonds as compensation for inflation and future rate rises.

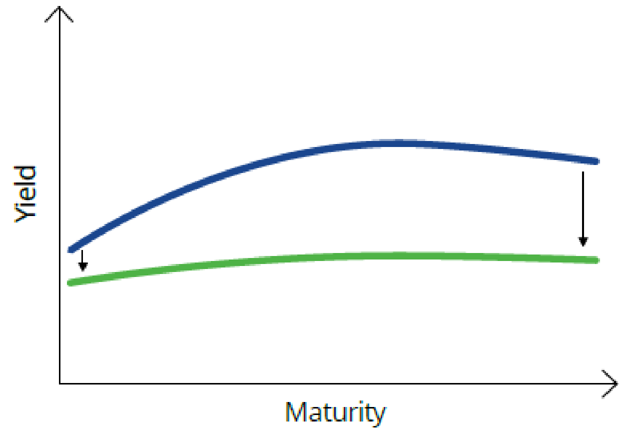
Chart 2: Normal Yield Curve



Source: VanEck. For illustrative purposes.

So, in the event bond markets forebode economic conditions and interest rates deteriorate, the long end of the curve typically decreases, resulting in a 'flattening' of the curve.

Chart 3: Normal to flat yield curve

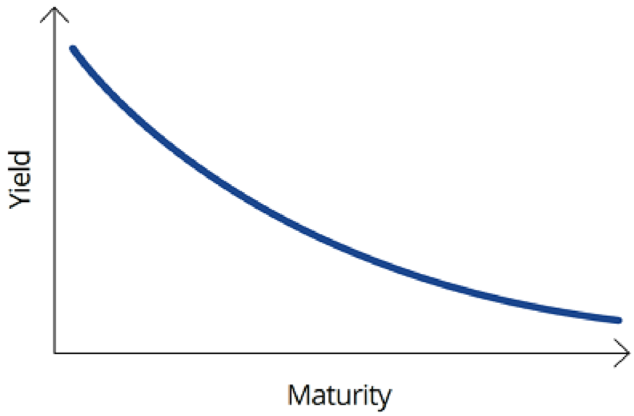


Source: VanEck. For illustrative purposes.

A more exceptional scenario is where bond markets forecast the economy to enter a recession or slowdown, such that the yield curve inverts where short-dated yields are higher than long-dated. In the US, when this happens it is often a leading indicator of an impending recession. At the least, an inverted curve may indicate that economic growth is going to slow and that central banks will need to cut rates in the near term to stimulate economic growth.

In both scenarios, investors with long-dated yield exposure benefit from bond price increases as yields fall. Investing in long-dated bonds is considered a defensive strategy as prices typically increase when forecast economic conditions deteriorate.

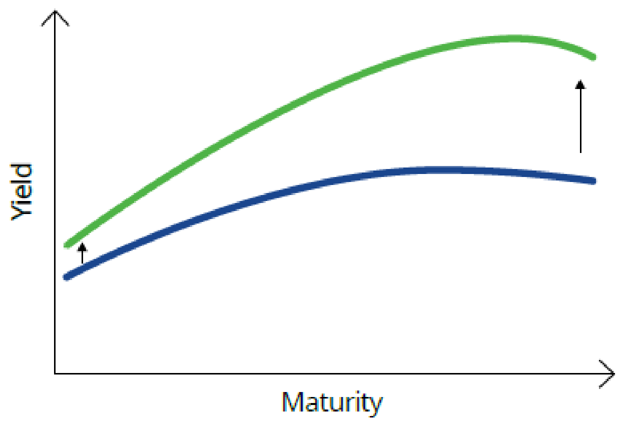
Chart 4: Inverted yield curve



Source: VanEck. For illustrative purposes.

In another scenario, the yield curve can steepen at the long end, higher than it does at the short end is known as a 'bear steepen'. Bear, because rises in yields are bad, or 'bearish', for bonds. Typically, this type of yield curve movement is associated with an environment in which investors think interest rates and economic activity are expected to rise. Shortest duration exposure is preferred here, to minimise the negative impact of rising yields on bond prices.

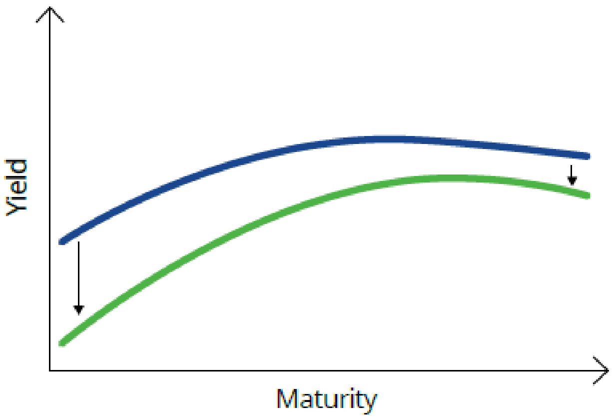
Chart 5: Normal to bear steepen



Source: VanEck. For illustrative purposes.

Sometimes yields fall, but short-term yields by more than long-term yields. This may occur in a falling-rate environment where the market thinks there will be near-term rate cuts and they will be few or temporary. The jargon for this is a 'bull steepen' (bull – because falls in yields are good, or bullish, for bonds). Exposure to the short and middle parts of the curves is preferred to benefit more from the impact of falling yields on bond prices.

Chart 6: Normal curve to bull steepens



Source: VanEck. For illustrative purposes

Cameron McCormack is a Portfolio Manager at [VanEck Investments Limited](), a sponsor of Firstlinks. This is general information only and does not take into account any person's financial objectives, situation or needs. Any views expressed are opinions of the author at the time of writing and is not a recommendation to act. For more insights on bonds, visit: vaneck.com.au/blog/income-investing/.

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Global recession looms as debt balloons

Hugh Selby-Smith

Global equity markets are facing serious and complex challenges, including expensive equity valuations, sticky inflation, high interest rates, and huge debt levels in most major economies. Whilst we think the probability is heavily in favour of a global economic slowdown, at these prices the likely long-term returns from equities are low regardless.

While high stock valuations and the cycle are the more immediate challenges, the problem of huge debt levels across developed economies is looming and could cause disruption as governments and the private sector struggle in the face of rising interest rates.

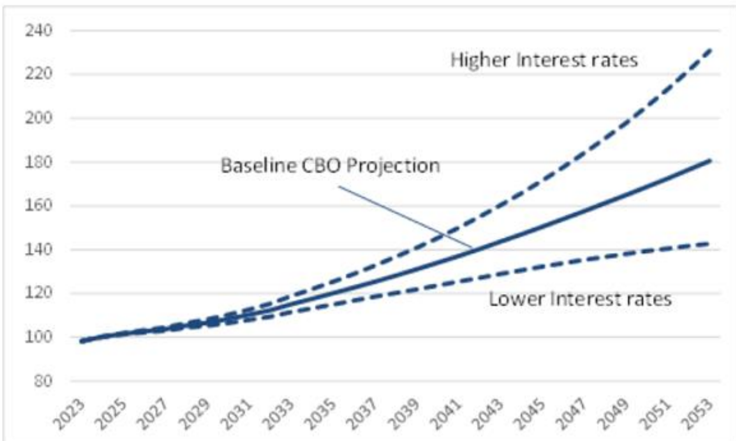
The risk is that debt to GDP levels see the numerator go up as the denominator falls. In the public and private sector, debt service ratios count as they measure the proportion of income taken up in paying interest costs. In several countries, they are at points that have historically caused problems.

The Government debt problem

Looking at the US, the explosion in fiscal spending during the pandemic drove the country's government-debt-to-GDP ratio to around 100%, close to the high recorded after World War II. Whilst forecasting a minuscule pullback in the short-term, the Congressional Budget Office (CBO) projects government-debt-to-GDP to rise to 110% at the end of 2032, higher as a percentage of GDP than at any point in the nation's history – and heading still higher in the following two decades.

Driving this deterioration will be US budget deficits which the CBO projects should average US$1.6 trillion between 2023 and 2032 or 5.1% of GDP. In 2033, the CBO sees the US deficit at an eye-watering 6.9% of GDP, which we have only seen five times since 1946. The projections below show that the US deficit could continue to deteriorate after that.

US CBO deficit projection, % of GDP (2023-2053)



Source: CBO

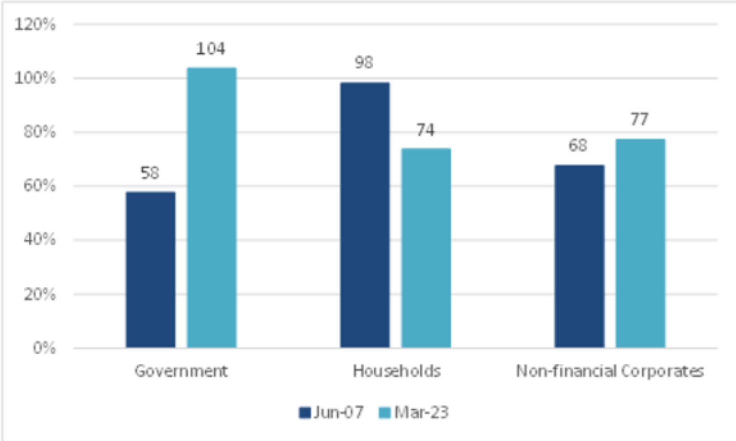
Although like-for-like comparisons between countries are imprecise, most of the world's major developed economies are similarly positioned. Japan, the UK and some countries in the EU are running significant deficits and many have high government public to GDP ratios. China has the same problem of huge government debt but some different economic characteristic.

Private debt a problem too

Public debt is not the only problem in the US and other developed nations; private debt is also elevated. In terms of debt service ratios (interest costs to income), countries like China (21.3%), France (20.5%) and Switzerland (20.6%) are at or close to their previous highs and above the 20% that risks triggering a crisis when interest rates are rising.

By contrast, the US (14.9%) and the UK (13.9%) are in better shape, although looking at debt levels in the US during the GFC, the position is worse in both the public and corporate sectors (as the chart below shows).

Debt to GDP (%) in various sectors, US



Source: BIS

Debt levels matter now

Like so much in financial markets, debt does not matter until it does. In a world of zero or negative interest rates, debt was not a big concern. The levels of debt-to-GDP and the options available to improve the ratio have been secondary considerations for most of the previous fifteen years. But interest rates have risen quickly, significantly raising the debt burden in the US and other nations.

Investors are starting to get worried. One of the most striking recent signals has come from US treasuries, where yields have moved up sharply to reach more than 4.5%. The excess return investors require for duration risk seems to be the main driver of this jump in bond yields.

History shows that governments have only a few options to counter high debt levels, with the following usually used in combination: grow the economy, cut costs and increase taxes (austerity), default on or restructure debt, and employ financial repression, usually accompanied by inflation.

In the current environment, it seems inevitable that financial repression is coming. Financial repression is an umbrella term for measures by which a government may reduce debt via transfers from creditors (savers) to borrowers, the government itself being the most important borrower in this instance. Examples of financial repression are caps on interest rates, high reserve requirements, and transaction taxes on assets. One way or another, savers will be forced to own assets that will give them low or negative returns.

However, even with this sombre outlook, we still believe there are opportunities for investors. The good news is that interest on cash means investors have a decent starting point for capital preservation and positive returns.

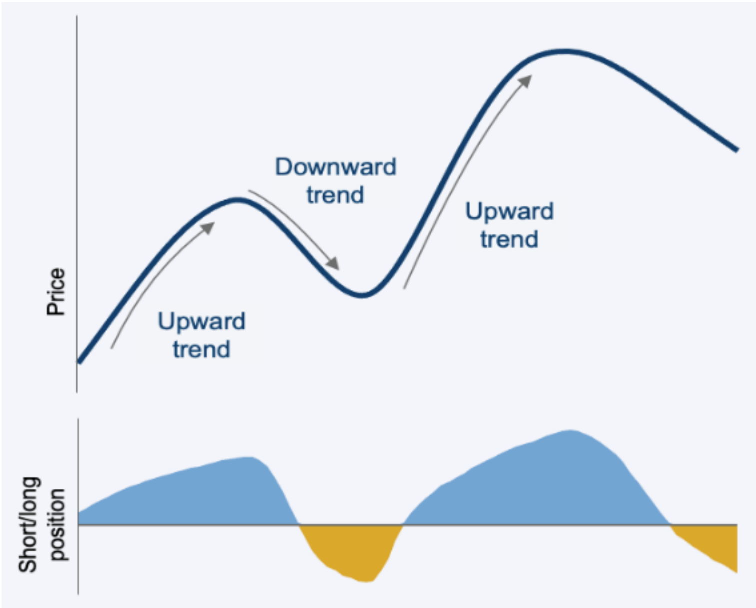
We maintain the view that investors should own different equities from those that prospered from the early 2009 low to the 2022 high. Given the growth outlook, income should be given equal emphasis with capital return at a minimum. The buffer and returns from value investing should also become increasingly attractive. Equity assets with less downside and less volatility than the overall market should be more attractive than some highly valued growth assets. They will make holding on during selloffs or even leaning into weakness easier propositions whilst still providing upside. Moreover, strong balance sheets and good free cash flow generation will become important in the debt-encumbered world in which we now live.

Hugh Selby-Smith is Co-Chief Investment Officer of Talaria Capital. Talaria's listed funds are Global Equity (TLRA) and Global Equity Currency Hedged (TLRH). This article is general information and does not consider the circumstances of any investor.

What is trend following and why do it?

Kit Cherry

At its core, trend-following is an investment strategy that seeks to profit from markets that are showing price trends in any given direction. If prices are trending upwards, trend-following strategies will go long the market; if they are trending downwards, trend-following strategies will go short. The mechanics are a little more complicated and making a success of it comes down to things like which markets you trade, how you size your positions and how you control your risk. But that is the basic premise.



Trend-following strategies – also commonly referred to as 'momentum,' 'managed futures,' and 'CTA' strategies – have been employed for decades. While some of the assumptions that are self-evident in classical economics suggest trends cannot exist because markets are perfectly efficient and information is instantly reflected in prices (the efficient market hypothesis which was popular with academics in the '70s and '80s), the evidence clearly shows that this is not the case. Information is not instantly reflected in prices, people aren't entirely rational, trends do exist, and an edge can be gained.

Indeed, even in ancient Sumer, the cradle of civilisation, we see evidence of price trends. The discovery of a stone tablet from 5000 years ago recorded corn-prices over several years, and if you look at the time series of those corn prices you can clearly see that they exhibited strong trends.

There are many reasons why markets aren't perfectly efficient and have a tendency to trend in a particular direction. Macro regime changes are one. For example, the shift to an inflationary regime and rising rate environment over the past year and a half had a ripple effect across markets, and it took time for market participants to digest that information and its wider implications. There's an initial under-reaction and then you see trending type behaviour as markets fully reflect the news. Regime changes can also take several years to play out, as we have seen with sustained inflationary pressure and central bank reactions, or the period of quantitative easing (QE) that preceded it.

Another reason is that investing decisions are made by humans and humans are emotional beings subject to behavioural biases. The pioneering work of Nobel prize winners Amos Tversky and Daniel Kahneman showed that people often act irrationally and harbour a range of cognitive biases that influence their thinking.

For instance, they showed that we suffer from 'anchoring bias,' where we give a disproportionate amount of weight to the first piece of information received when thinking through a problem or planning a decision. Investors also have a 'loss aversion bias,' generally feeling the pain from losses twice as much as the pleasure from gains, and a propensity for 'herding' behaviour.

These phenomena lead to things like panic selling and panic buying and enable stock prices to deviate remarkably from their expected fair values at any given time. Panics, bubbles, booms, and busts, like the dot com bubble or Black Monday, arise as a consequence and create price trends.

The mechanics

There are numerous approaches that can be employed to identify trends and build trend-following models. The core building blocks tend to include 'moving-average crossover models' and 'break-out signals'. When it looks like a price trend is developing because, for example, a shorter-term moving average has broken out of a certain range, the model will generate a signal to adjust allocations.

Trend-following strategies can trade a variety of different markets, including stocks, credit, fixed income, commodities, and currencies. In fact, usually the more markets they trade the better. Trends develop in different markets at different times, and the strategy is designed to adjust its allocations to where trends and price action are happening. The more markets that can be accessed, the higher the chance of finding trends to profit from. To enable them to be nimble, they invest in highly liquid securities like futures contracts and other derivatives.

Trends can develop over a variety of time horizons, whether slower trends that manifest over a few months or faster trends that happen over a few weeks or days. The best trend-following strategies generally combine faster trend following models with slower ones – faster models can react faster to sudden price changes and are more positively skewed, while slower models tend to have a better Sharpe ratio (or risk-adjusted return) but are more negatively skewed.

A systematic approach

Most trend-following strategies take a systematic approach, using coded algorithms for the entire investment process – from cleaning and ingesting data to identifying signals, deciding which trades will be profitable and how to size trades, and executing those trades. This enables them to invest in a disciplined, consistent way, devoid of emotion and according to the principles and rigorous methods that have been pre-determined by the algorithms.

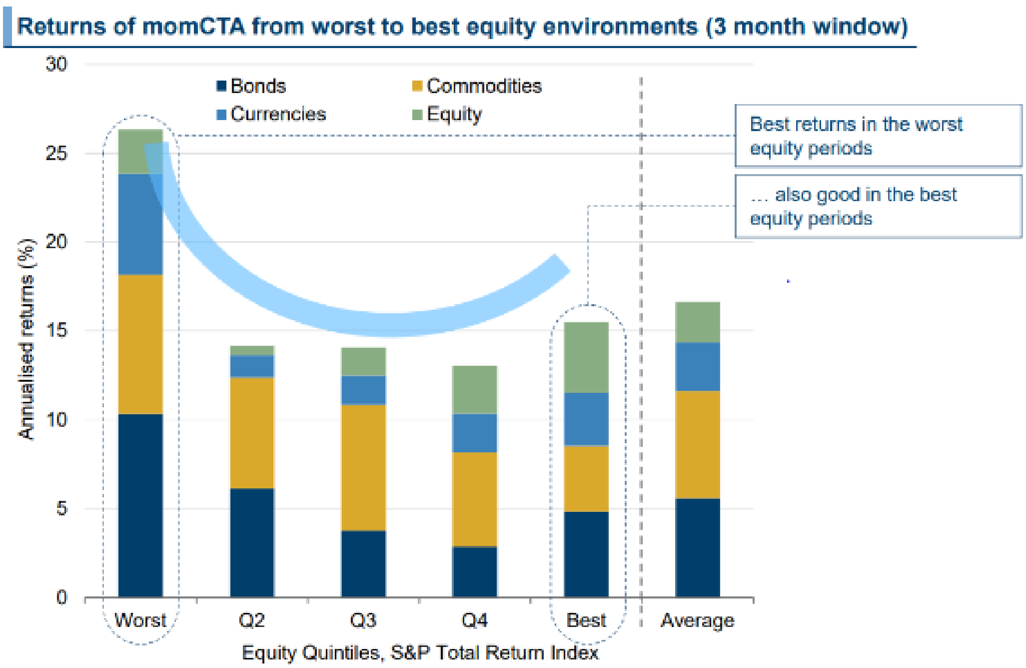
One obvious advantage of this is that it means the strategy can achieve scale. Markets can be traded 24/7 because the entire investment process is automated, enabling access to a much larger pool of markets around the globe and by extension, greater diversification (the only 'free lunch' in the investment world).

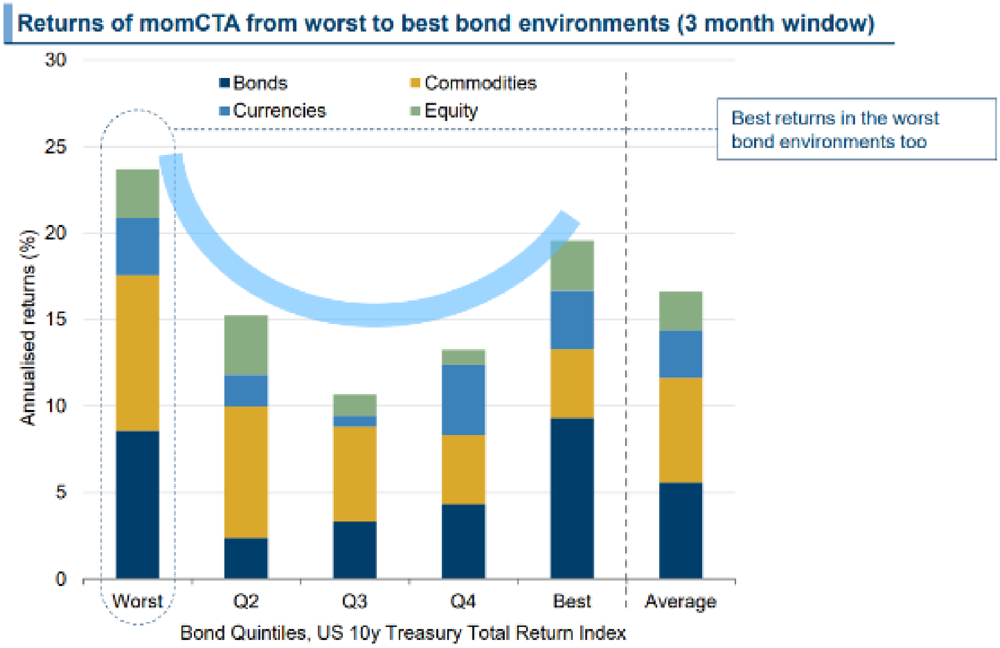
It also removes human emotion and cognitive bias from the investment decision-making process, avoiding situations where discretionary investors may exit a trade too early because of fear, for example, and not capitalising on an enduring trend. The strategy also always stays on course – whether maintaining set correlation levels between securities to ensure diversification or scaling the portfolio based on volatility and reducing risk.

How does it fit into a portfolio?

Trend-following strategies are often uncorrelated to other asset classes, which provides diversification benefits to an investor's portfolio. They have also been shown to perform best when markets are at their worst, providing what has been deemed 'crisis alpha.'

If you look at the performance of momentum strategies from 1960-2015, for example, you can see that the annualised average return for the representative BTOP50 managed futures index is highest in the best and worst periods for the S&P Total Return Index. The same is true for bond markets and can be seen in the two charts below. What's interesting is that it's even better during the worst periods than it is in the best. For example, during the 2008 financial crisis, global stock markets lost 49.3% while the BTOP index made 16.5%.[i] The same was seen during the dot com bubble and the Covid-19 pandemic.[ii]





Integrating trend-following strategies into a long-only portfolio can therefore provide important tail-hedging properties. It enables investors to participate in the upside of markets with their long-only allocations (as well as their trend-allocations) and helps protect on the downside when crises hit. Holding stocks and trend gives higher risk-adjusted returns and lower drawdowns than holding stocks or other traditional assets alone because trend-following's risk is significantly lower, whether risk is measured in terms of volatility or maximum drawdown. If you look at the Barclay BTOP50 Index (BTOP) and the MSCI World Net Total Return Index (MSCI World) between January 1987 and March 2023, you can see the BTOP50 had lower volatility (9.6% versus 14.4%) and a lower maximum drawdown (-16% versus -50%) than the MSCI World Index, while delivering an annualised return only 0.7% shy (7.0% vs 7.7%).[iii]

Perhaps the best thing about trend-following is that it doesn't *really* matter what markets are doing. By taking advantage of a feature of markets that has been observed for thousands of years, they can profit when things are going up - or down - and provide investors with strong returns, diversification, and tail hedging all in one neat package. What's not to like about that?

Kit Cherry is a Director, Sales Strategy at Man Group, a specialist investment manager partner of GSFM. GSFM Funds Management is a sponsor of Firstlinks. GSFM represents Man AHL and Man GLG in Australia. The information included in this article is provided for informational purposes only. Man Group do not represent that this information is accurate and complete, and it should not be relied upon as such. Any opinions expressed in this material reflect our judgment at this date, are subject to change and should not be relied upon as the basis of your investment decisions.

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[i] 2008 financial crisis performance period - 1 July 2007 to 28 Feb 2009
[ii] Dot com bubble performance period – 1 Apr 2000 to 31 Mar 2003; Covid-19 performance period – 1 Feb 2020 to 31 Mar 2020
[iii] Source: Man Group, BarclayHedge, Bloomberg; between 1 January 1987 to 31 March 2023.

Podcast: Trading vs boredom, tax-free super, 2024 global recession?

James Gruber

Season 2, Episode 10

James Gruber looks at how investors are saturated with market commentary: overweight this, underweight that, or ride this long-term theme. The hardest thing is often too resist all of that and do nothing. Yet this may be the best way to build wealth in a simple, systematic way.

Firstlinks' Managing Editor, Graham Hand, also joins us to explain that many people are needlessly paying tax when they reach the age of 60 or 65 (depending on their 'conditions of release') by not starting a super pension.

And Morningstar's Peter Warnes is our resident 'uber bear'. He's turned more negative on the market outlook and is predicting a global recession by mid next year.

The podcast is also available via our dedicated website page, Google Podcasts, Apple Podcasts, Spotify, and BuzzSprout.

Please share with friends and colleagues, and a favourable rating would help spread the word. We welcome questions and suggestions at firstlinks@morningstar.com.

Grab a cuppa and settle in for our chat.

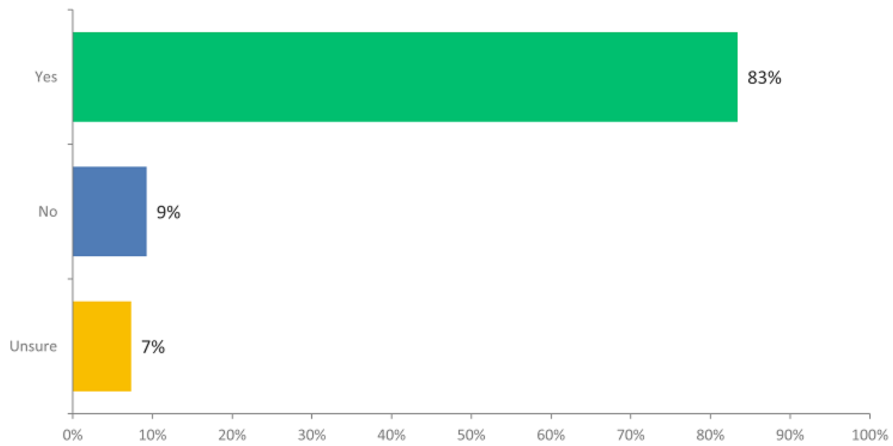
Survey results: Your personal experiences with inflation

Leisa Bell

Thanks to the hundreds of readers who shared their experiences in Australia's current inflationary environment. Here is a summary of the results and extracts from your comments.

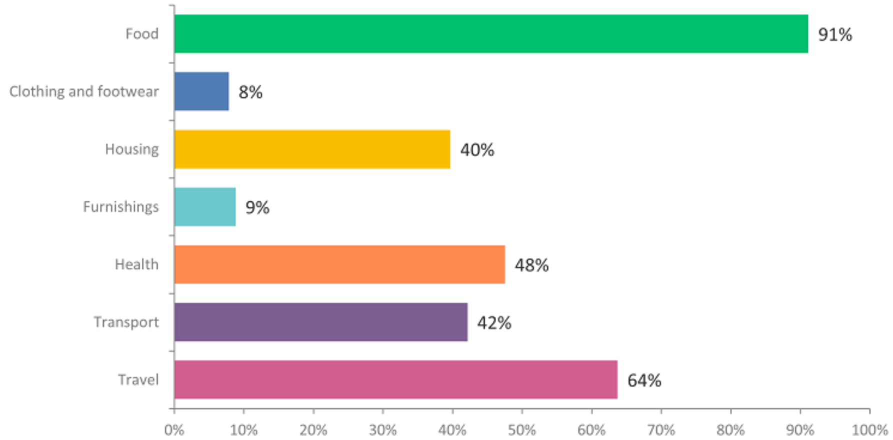
Rising living costs are keenly felt with 83% of people believing that costs are rising more than the officially-reported inflation rate.

Do you feel inflation has been higher than the official trimmed mean average of 5.75% in the last two years?

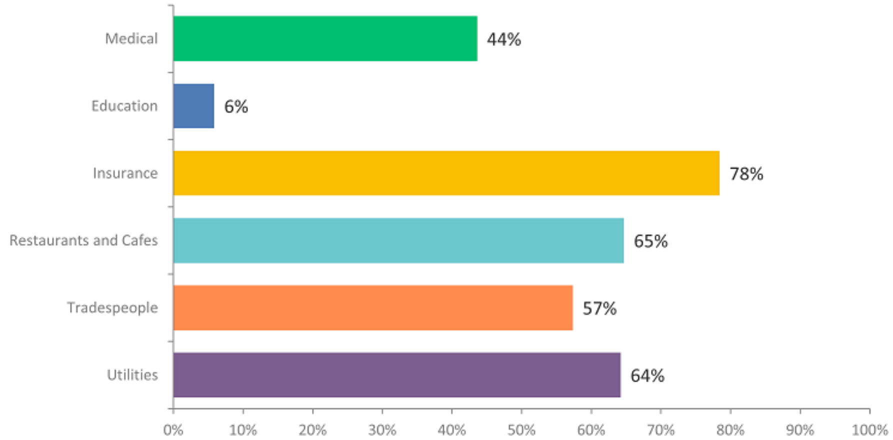


On which goods and services seem to have increased in price the most, the standout answers (selected by more than half of our respondents) were food (91%), travel (64%), insurance (78%), dining out (65%), tradies (57%), and utilities (64%).

What goods in particular seem more expensive? (multiple selections allowed)

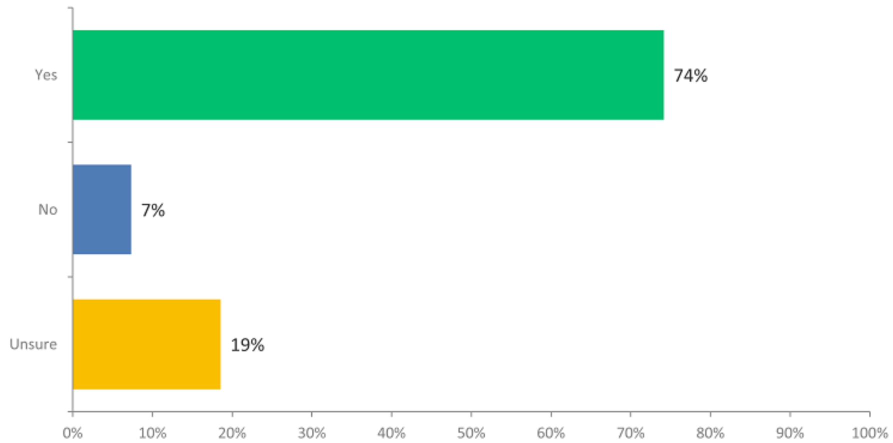


What services in particular seem more expensive? (multiple selections allowed)



Almost three-quarters of respondents believe companies are taking advantage of the high-inflation environment.

Do you feel companies are taking advantage of the inflationary conditions?



The final question asked readers to share their more quirky and unusual anecdotes and examples of rising costs and inflation. While most comments are included in the longer report linked below, here is a sample:

- We started the backyard vege plot and it's going gangbusters! We scour the neighbourhood for produce and share our abundance of navel oranges with anyone who comes near our front door.
- Restaurant wine increases out of proportion.
- An example last week, at the Grand Central shopping centre car park in Toowoomba Qld. The first 3 hours are free, however, my total time was 3 hours & 30 minutes. They charged me $2.00 for the additional 30

minutes & there was no provision to pay by cash. When I received my credit card statement I was charged $2.10. That was a 5% fee!!!!

- Lower your standard of living. Shop around & consume less.
- It is becoming increasingly expensive to use the convenience of digital payments as more and more outlets (service industry, hospitality, medical and so on) charge a credit card surcharge - and without prior warning.
- I'm not one to scout about to save 6 cents a litre, but there are noticeable mark-ups of 50-60 cents a litre at some service stations. I ask you, why?
- Fuel surcharge on transport costs.
- Restaurants adding weekend surcharges, also on holidays.
- My doctor bulked billed and then changed to no bulk billing. There was no notification. You found out after the consultation. Now the medical practice is empty but you can easily get an appointment which was not the case with bulk billing.
- Car insurance. My car is 1 year older so insured value is lower. No accidents but premium increased by over 20%.
- Restaurants adding service fees on top of menu price rises (are we now becoming the US??) and pass through of credit card charges.

Full results and comments can be downloaded here.