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### Editorial

*"Once a bull market gets under way, and once you reach the point where everybody has made money no matter what system he or she followed, a crowd is attracted into the game that is responding not to interest rates and profits but simply to the fact that it seems a mistake to be out of stocks. In effect, these people superimpose an I-can't-miss-the-party factor on top of the fundamental factors that drive the market. Like Pavlov's dog, these 'investors' learn that when the bell rings—in this case, the one that opens the New York Stock Exchange at 9:30 a.m.—they get fed. Through this daily reinforcement, they become convinced that there is a God and that He wants them to get rich."*

This is a Warren Buffett quote from November 1999. Back then, Buffett was dismissed as a has-been. Someone who wasn't up with the new technology and didn't understand the extraordinary potential of the Internet. We know what happened soon after.

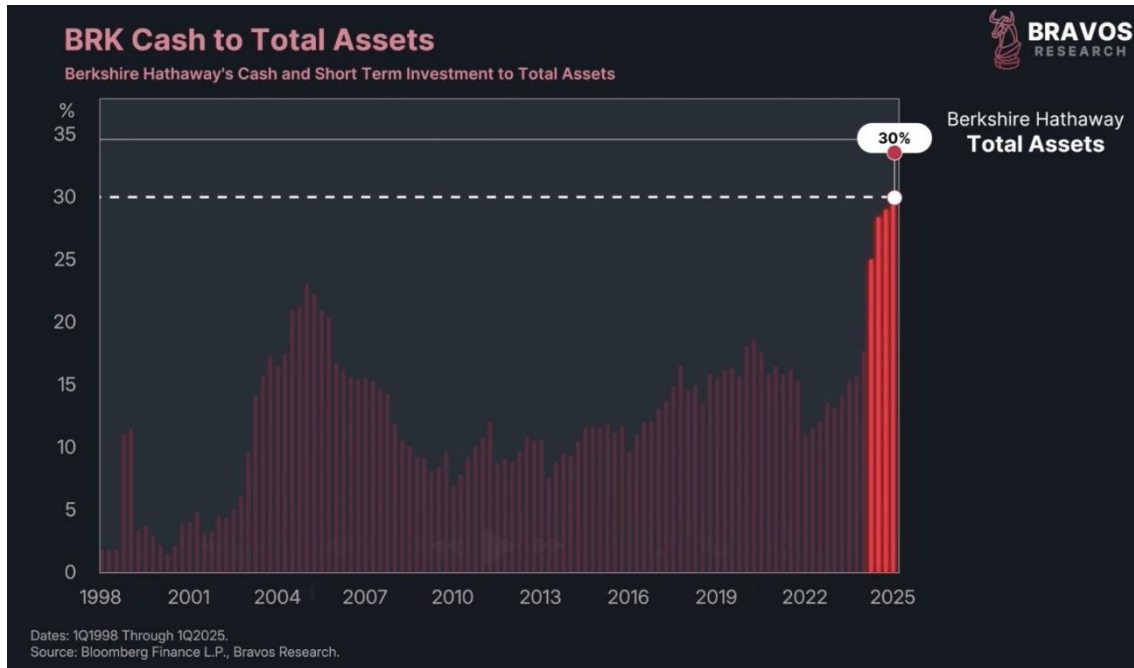
Fast-forward to today and he's receiving similar jibes.

The quote above was published on LinkedIn this week and it got the following response from a former Managing Director of Merrill Lynch and Morgan Stanley in Australia:

*"That's ironic quoting Warren Buffet [sic]. The man most wrong in 2025 and still sitting idle on \$300bn of cash."*

The MD was wrong in at least one respect: Buffett's Berkshire Hathaway is actually holding *US\$344 billion* in cash and cash equivalents. That's up from *US\$109 billion* at the end of 2022. If the current cash pile was a company, it would be the 20th largest in the S&P 500.

Berkshire's cash as a percentage of total assets stands at 30%, the highest percentage in its history.

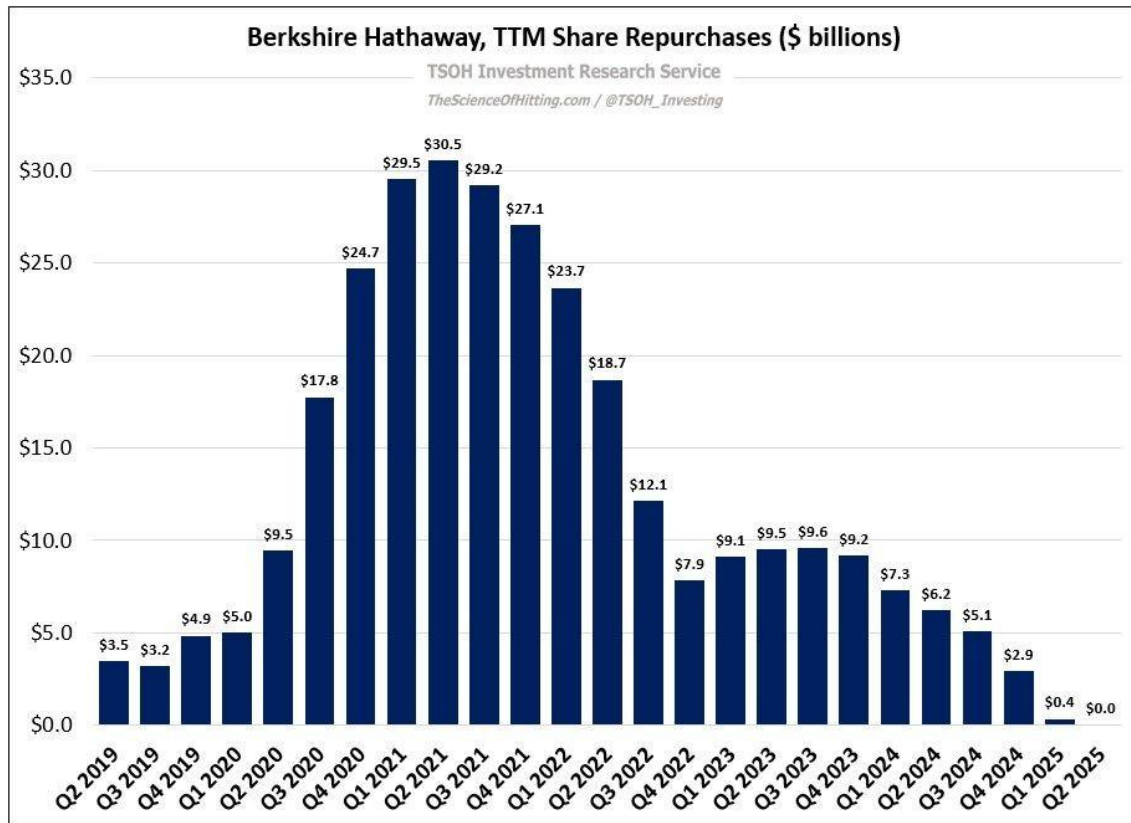


Second quarter results from Berkshire this week also showed that Buffett continues to be a net seller of stocks.



Source: FT.

And for the first time in a long while, Berkshire isn't repurchasing its own stock, indicating that Buffett thinks his company isn't cheap anymore.



It's clear that Buffett isn't in love with current market valuations and he's waiting for a "fat pitch" to deploy his immense cash pile.

That fat pitch could come soon. One of Buffett's largest companies is rail operator, Burlington Northern Santa Fe. He acquired it for US\$44 billion in 2010 and with net profit of US\$5 billion last year, it would be worth close to US\$100 billion now. Burlington dominates freight rail in Western USA along with Union Pacific (NYSE: UNP).

Recently, Union Pacific announced an US\$85 billion merger with Norfolk Southern (NYSE: NSC). Given Norfolk's dominance of east coast US rail freight, it will create a transcontinental rail force.

The other major east coast rail freight operator, CSX (NYSE: CSX) is undoubtedly now 'in play' and Burlington would be an obvious potential suitor.

Though a deal would make strategic sense, whether Buffett thinks it's additive from a value standpoint is debatable.

He certainly has the cash to splash on CSX, whose current market capitalization is US\$66 billion.

The problem for Buffett is that he would know that time is ticking to deploy his cash.

He's stepping down as CEO at the end of this year, replaced by Greg Abel. Buffett will stay on as Chairman of Berkshire and will undoubtedly still have a large role to play, though Abel will have the final say on company matters.

Even if Berkshire chooses to take over a company that is as large as CSX, it will still leave a lot of cash on the firm's balance sheet. Surely, stock repurchases and possibly dividends - which Buffett never paid - are on the agenda in the not-too-distant future.

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## Will we ever see another Warren Buffett?

This got me thinking about Buffett's legacy and whether we'll ever see another investor like him.

His investing record is one of the greatest ever. Since 1964, Berkshire Hathway has returned 5,500,000%. A \$10,000 investment in 1964 would be worth about \$550 million today. That compares to a ~39,000% return for the S&P 500 over the same period. In other words, Buffett has outperformed the S&P 500 by over 140x from 1964 to today.

Sure, Buffett's best years were in the 60s and 70s, and his outperformance has diminished, especially this century. However, that can be mostly put down to the size of the assets he's ended up managing at Berkshire. It was much easier to make a return on the US\$66 million in assets that Berkshire had in 1965 compared to the US\$1.16 trillion in assets it has today!

There are plenty of investors who've achieved similar annual returns to Buffett, but no one has done it over such a long period and with a large stash of assets.

Will we ever see another investor like Buffett? We undoubtedly will. Even now, there are investors that are achieving extraordinary returns and the question is whether they have the appetite and skills to sustain it over a 60-year period as Buffett did.

However, the next Buffett is unlikely to be like the current one. That's because markets evolve and investors need to evolve with them.

One of Buffett's great strengths was his ability to adapt. He went from being a deep value investor in the 50s and 60s to more of a 'growth at a reasonable price' type investor from the 70s onwards. And he invested in Apple when he had previously put tech stocks in the too-hard basket and outside his circle of competence.

### His biggest legacy

Buffett's biggest legacy may not be his investment record.

Think about if Buffett achieved the same returns yet never spoke publicly about his investments and process.

He would still be spoken of as an investment legend, albeit a mysterious one.

This hints at what may be his greatest legacy - teaching. Buffett's ability to communicate the complex world of investing in ways that ordinary people could understand may be what he's most remembered for.

It's as a teacher of investing that we may never see the likes of Buffett again.

\*\*\*\*

Though Buffett has sold down a chunk of Apple, the company remains Berkshire's largest listed investment. However, **Platinum's Jimmy Su** questions Apple's competitive edge as [innovations in AI](#) threaten to make the iPhone obsolete.

In my article this week, I look at the best way to [get rich and retire early](#).

**James Gruber**

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## Also in this week's edition...

As markets rip, **Roger Montgomery** sees speculative froth emerging and suggests now may good time to [strategically rebalance your portfolio](#).

Meanwhile, **Daniel Taylor** and **Ben Zhao** from **Man Numeric** ask whether today's expensive AI stocks are the next market leaders or just another bubble waiting to burst? They look through history to see [whether today's tech valuations make sense](#).

Which generation had it toughest? It's a loaded question but **Mark McCrindle** [delves into the data](#) to find an answer.

**Capital Group's Haran Karunakaran** thinks that with central banks treading carefully and growth softening, things may finally be turning for bonds. He suggests higher yields and negative equity correlations make the case for renewed allocations to [global fixed income](#).

What's driven up housing costs? **Cameron Kusher** cites [eight key factors](#), including skewed migration patterns, banking trends and housing's status as a national obsession.

Lastly, in this week's whitepaper, **Magellan** explains why [infrastructure should be part of your portfolio](#).

**Curated by James Gruber and Leisa Bell**

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## The best way to get rich and retire early

James Gruber

Recently I got this question from a reader: "I'm 25 and am wondering whether shares are the best avenue to getting rich enough to retire early." My answer was "no" and here I'll elaborate on the reasons why.

First, let's run through how much money you need to retire early. If you ask 100 different people, you're likely to get 100 different answers on this issue. Here's my take on it.

My definition of 'rich' is this: having enough that you don't have to worry about money. You are free not to work and do with your time as you wish. You can go on nice holidays when you like. You can live comfortably and say yes and no to things as you please.

Others may think of being rich differently. They may want a mansion. Or the latest Ferrari. Or own a yacht and spend six months living on it in the south of France each year.

Taking my definition of being able to live comfortably and not worry about money, how much would you need to retire early?

I ran a lot of numbers on this but it's more complex than you might think. It depends on your time frame, circumstances, location, needs, and the time value of money.

To give you some idea though, a Praemium and Investment Trends report found that there are 690,000 high-net-worth individuals in Australia – defined as those who have at least \$1 million in investable assets, clear of debt and excluding their own home, business, and super (but including SMSF assets).

The issue is, this is in today's dollars. Let's say our 25-year-old reader at the top of the article wants to retire at age 50. They'll need more than \$1 million in investable assets by the time they retire as today's money buys less in future. Assume that inflation averages 2.5% over the next 25 years, the reader would need the equivalent of \$1.85 million by the time they retire.

That's not including owning a home. The median house price in Australia is just above \$1 million. Assume that by the time the reader retires, house prices go up 5% per annum. It would mean the median house would be worth \$3.4 million by the time they're 50 years old.

Add the \$1.85 million in investable assets to the \$3.4 million required to buy a house debt free and the reader will need \$5.25 million by the time they'd like to retire.

These are ballpark figures, though they can give you a rough guide for what kind of numbers are required to become rich and retire early.

It leads to the next question of the best ways to make enough money to fund an early retirement. For most of you, you're not going to get there by working nine to five. You might – but you'd be in a distinct minority.

Most people must find other ways to make enough to retire early.

### **Can shares make it happen?**

I've worked in equities in different capacities for a few decades and have a natural bias towards them. However, even I think that shares alone can't make you rich in a relatively short space of time. That's because shares work best over very long time frames that allow for compounding to work its magic.

Let's run some numbers. Say you have an iron will to get rich and retire early, and you put \$20,000 of savings into the share market each year for 25 years. Let's assume that you put that annual \$20,000 into an ASX 200 ETF that will earn 9% per annum. Can shares get you to an early retirement?

That's doubtful because it would only get you to \$1.7 million in total assets in 25 years' time.

Of course, if you can earn more than the average broad market share ETF, then you can speed up the journey to early retirement. Doing this requires skill, possibly taking on more risk, and undoubtedly having some luck. I recently wrote of [9 common investment strategies](#) used to beat the market.

However, shares alone aren't likely to get you to an early retirement.

### **How about property investment?**

Given residential property has returned close to 10% per annum for decades, surely investing in real estate with leverage can get you to an early retirement. I'm going to take the contrarian view that residential property could be one of the poorest returning asset classes in future decades and one of the least likely to get you to your 'early retirement number'.

Why do I say this? Because housing is already so unaffordable and Australians are so indebted that it is going to cap any increase in prices. I think it's part of the reason that despite recent interest rate cuts, property prices aren't bouncing hard. And it may also be why rental price growth is tepid despite rental vacancies being near decades-long lows.

Basic math supports the argument for tepid growth ahead. If we assume that wages increase by 3% per annum over the next 25 years, it would be optimistic to believe that house prices will increase by +5% a year. It would mean the national house price to income ratio of 9.7x – already the second highest in the world – increasing further from here.

With pathetic rental yields and the prospect of low capital returns, I can't see many people retiring early via residential property investments. What was once a sure thing is now anything but.

Of course, there are other forms of property investment – retail, office, industrial, storage, healthcare and so on. Some of these have potential though you'll need a lot of upfront capital and the skills to make it work.

### **What about having your own business?**

This gets us to what I consider the best way to earn enough to retire early: having equity in a business (hopefully 100%).

Take a look at this list of the world's richest people:

- |                                      |                                       |
|--------------------------------------|---------------------------------------|
| 1. Elon Musk – US\$401 billion       | 6. Jensen Huang – US\$155 billion     |
| 2. Larry Ellison – US\$300 billion   | 7. Sergey Brin – US\$151 billion      |
| 3. Mark Zuckerberg – US\$267 billion | 8. Steve Ballmer – US\$149 billion    |
| 4. Jeff Bezos – US\$246 billion      | 9. Warren Buffett – US\$144 billion   |
| 5. Larry Page – US\$158 billion      | 10. Bernard Arnault – US\$143 billion |

*Note: as at August 1. Source: Forbes*

What do you see on this list, besides a lot of money and egos? What these ten people have in common is that all of them own equity in a business or businesses. That's how they've generated their wealth.

The same goes for the top 10 wealthiest people in Australia:

- |  |  |
|--|--|
| 1. Gina Rinehart – A\$29 billion             | 6. Cliff Obrecht and Melanie Perkins – A\$12 billion |
| 2. Harry Triguboff – A\$19 billion           | 7. Richard White – A\$10 billion                     |
| 3. Mike Cannon-Brookes – A\$18 billion       | 8. Anthony Pratt – A\$9 billion                      |
| 4. Scott Farquhar – A\$18 billion            | 9. Bianca Rinehart and siblings – A\$8 billion       |
| 5. Andrew Forrest and family – A\$16 billion | 10. Frank Lowy – A\$8 billion                        |

*Note: as of February 2025. Source: AFR.*

The downside of owning a business is that it involves taking outsized risks compared to investing in shares and property. After all, 20% of new businesses fail in the first year in Australia, and 60% of them are gone after year three.

Because of this, it's much easier to own a business when you're young and broke than when you're older and married with three kids.

Put simply, while business ownership is the best way to retire early, it isn't for the faint hearted.



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## Are there other ways to get rich?

I've gone through the three main ways to get rich enough to retire early. It doesn't mean you have to do one of these exclusively. You could have your own business and invest excess cash in shares and property. Or you could have a good-paying job, have a side hustle, and invest spare cash in the stock market.

And potential investments aren't just confined to shares and property. For instance, there are alternative assets like hedge funds, private equity, and venture capital that can offer the potential for decent returns.

### It requires a certain mindset

While the means of getting rich and retiring early are important, just as crucial is the mindset to reach your financial goals. Being in the finance industry, I've known wealthy individuals. If I had to narrow down the two most important qualities that these people share, it would be these:

1. A singular focus on getting rich
2. A willingness to take risks, often large ones

A lot of people say they want to be rich and retire early but they don't really mean it. That's because they don't have the relentless focus that's required to make money. The rich that I know are obsessed with making money and the best means to do so. It's all they think about 24/7, often to the detriment of everything else, including their families.

The second point is that the rich aren't afraid to make outsized bets on things. They have little fear of failure. Their attitude seems to be that they can always come back after a fall.

That's not normal. Most people are risk averse and are unwilling to make one bold move, let alone many of them.

In sum, before you embark on the journey to get rich and retire early, you need to look earnestly in the mirror and decide whether you have what it takes to make it happen.

*James Gruber is Editor of Firstlinks.*

## Boom, bubble or alarm?

### Roger Montgomery

Following double-digit gains in 2023 and 2024, the first half of 2025 has witnessed another robust equity market performance, with the S&P 500 hitting record after record highs, driven by mega-cap tech and AI companies. Cooling inflation, positive earnings surprises, and optimistic corporate guidance have fuelled the rally.





[Source: Morningstar](#)

The S&P 500's ascent can be attributed heavily to the gains of tech giants like Nvidia, which boasts tangible earnings, double-digit growth and a forward P/E below 40. Microsoft also just shot the lights out with its latest earnings report. Revenue was up 18% year-over-year to US\$76.4 billion, beating estimates by US \$2.6 billion. Azure, its cloud powerhouse, grew 39%, outpacing guidance, while Microsoft Cloud now accounts for 61% of revenue, up four percentage points from last year.

This is sharply distinguishable from the pre-revenue start-ups that dominated the dot.com bubble of 1999.

But there are warning signs.

Take declining volatility as an example. At the time of writing, there have been 25 consecutive days without a move in the S&P500 of more than 1%. The market's calm doesn't sit well with Trump as president of the United States, tariffs to be reintroduced and the historically more volatile August-October period nearing.

Meanwhile, speculative exuberance in short-dated options, massive trading volumes being attributed to retail trading of penny stocks, and two-day 80% gains in profitless meme stocks suggest the market is morphing from boom to bubble.

Speculative signs include unprofitable Russell 3000 stocks tripling in value, leveraged ETF assets hitting \$135 billion, and companies pivoting to bitcoin. High-profile spending, like Jeff Bezos's €50 million wedding, and doubled penny stock trading volumes reflect exuberance.

With the gains concentrated in a few names, investors should be mindful of the extent to which others are implying an indefinite, undisturbed north-easterly growth trajectory for the earnings of those tech mega-caps. A tech sector stumble (remember China's DeepSeek?) could trigger market-wide turbulence.

And valuations are stretched. The S&P 500 is at 22 times forward earnings versus a historical average of 18, and the inverse of the PE, the earnings yield, is 4.5% and near a two-decade low relative to real yields.

Elsewhere, the United States is on an unsustainable fiscal path, with its national debt rapidly approaching US\$37 trillion.

As hedge fund titan Jeffrey Gundlach recently observed, for the last four decades, when the S&P 500 dropped more than 10%, the US dollar index typically rose. This time, when the S&P 500 fell nearly 20% in April, the dollar fell. The atypical divergence suggests growing market unease about the U.S. fiscal situation.

Moreover, the yield curve is steepening, with the U.S. 10-year Treasury yield rising even as the Federal Reserve began cutting interest rates in September last year. Historically, rate cuts have led to lower yields across the curve, but again, perhaps reflecting anxiety about US debt untenable interest expenses, the 10-year yield has risen.

A core issue is the ballooning cost of servicing the US national debt. The average coupon on U.S. Treasuries has surged from below 1% to nearly 4%, with trillions in bonds maturing and being reissued at higher rates. Bonds issued in 2009 or 2020 with coupons as low as 0.25% are now being replaced at 4.25% - a 400-basis-point increase that exacerbates the budget deficit.

With the national debt climbing US\$37 trillion, markets are starting to believe there's going to have to be something creative such as quantitative easing that targets long-term Treasuries, especially if yields on long bonds rise above 5%.

A valid observation being made is that long-term US Treasuries are losing their status as a "flight to quality" asset. Instead, gold is emerging as a safe-haven asset, and this is reflected in central banks accumulating gold, and retailers like Costco stocking it but selling out.

The problem is that stock market investors are once again taking a long time to notice the paradigm shift. Instead, they're piling in on a FOMO-inspired momentum bet that history shows always overshoot ahead of a painful reset.

A possible positive, of course, is that debt would be a problem for the U.S. if it were the only country burdened by it. Debt however is a global issue, so investors are right to consider diversifying globally as well as trimming winners in equities and reallocating to funds or securities in other asset classes with less exposure to public markets.

More than any other time in the last four or five years there's an urgency for vigilance and strategic diversification, not only because geopolitics and economics are uncertain but because market valuations are becoming stretched, evidence of bubble like irrational exuberance is emerging and Trump is still at the helm of the United States, and history says the biggest drawdowns have occurred when Republican presidents are in the Whitehouse.

I am not advocating selling out of stocks, not by any stretch, but it may now be a good time to consider bringing forward any planned rebalancing and using some advised tactical asset allocating to redistribute profits to markets with less exposure to public markets.

*Roger Montgomery is the Chairman of Montgomery Investment Management and an author at [www.RogerMontgomery.com](http://www.RogerMontgomery.com). This article is for general information only and does not consider the circumstances of any individual.*

## A perfect storm for housing affordability in Australia

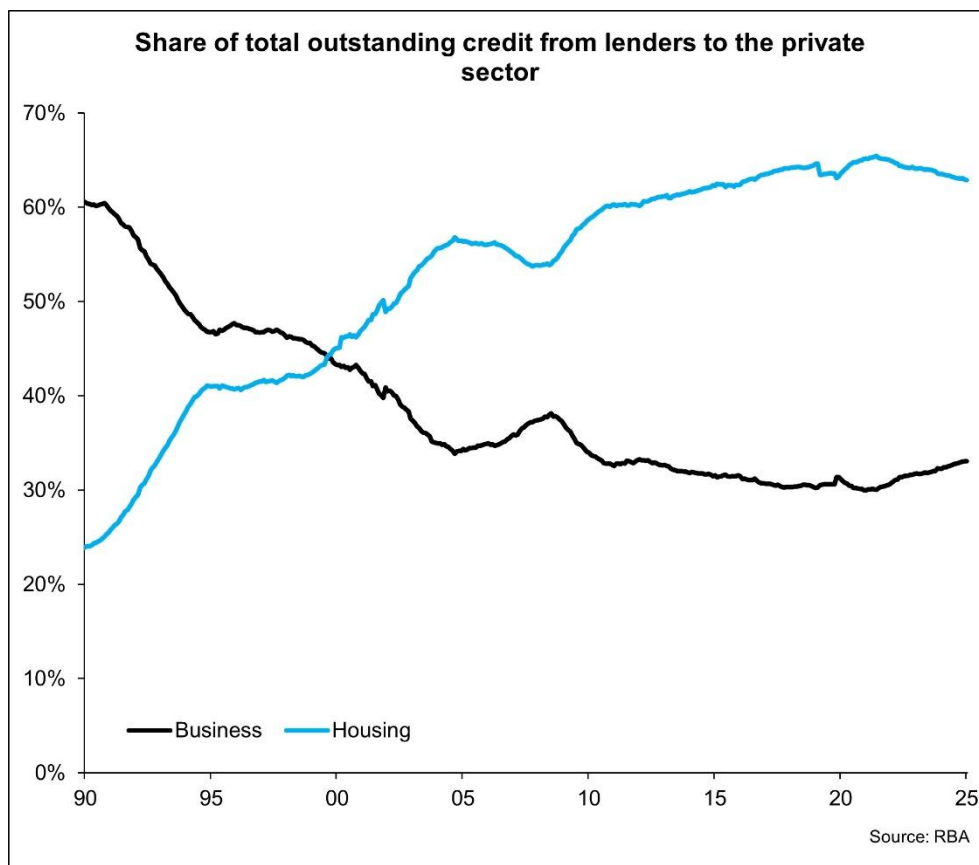
Cameron Kusher

I don't think anybody in Australia would disagree that the cost of housing is expensive. It's always been hard to enter the market for the first time, but housing costs have rarely been as significant relative to incomes as they are currently.

Over recent decades there have been many factors which have conspired to make housing expensive. I am going to unpack what these factors are and how they have led to the eye-watering housing costs we have today.

### Lending preferences

After Australia fell into a deep recession in the early 1990s, lender's lending preferences have shifted away from business lending and towards residential property lending. Keep in mind, many small businesses are financed by the equity in residential properties, so the increase in housing costs has enabled people to create new businesses but they have increasingly relied on housing equity to fund those businesses rather than business credit.



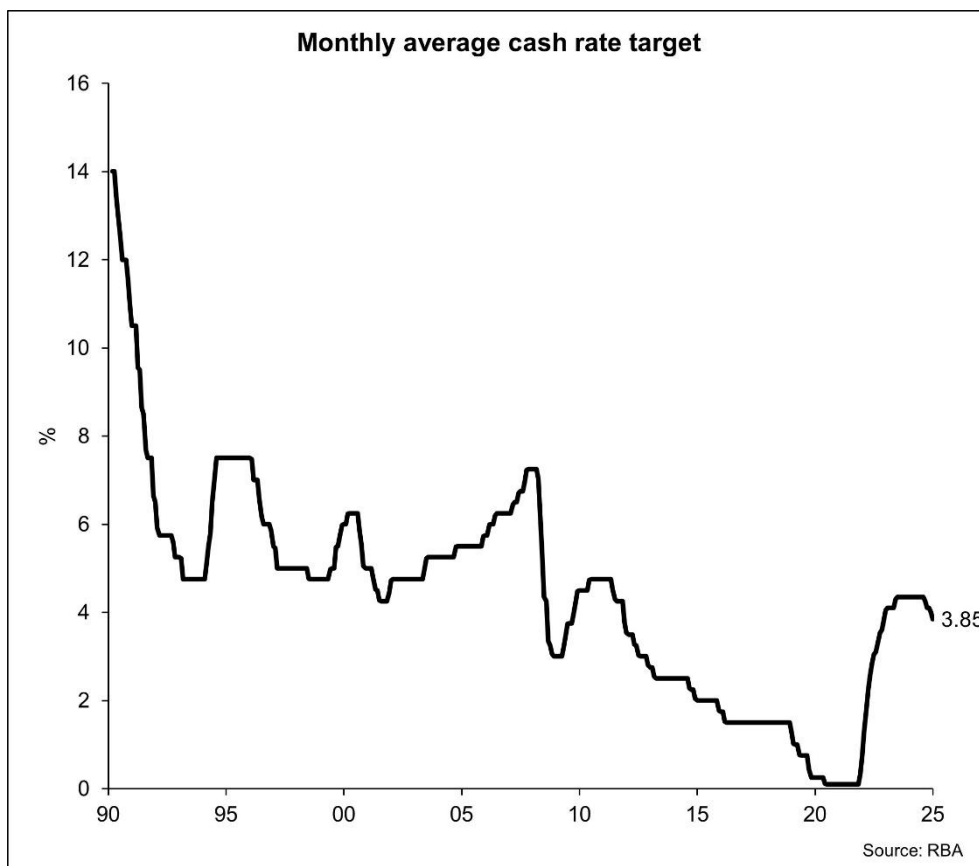
At the start of the 1990s, just as the recession hit, around 60% of all outstanding credit to the private sector was lending for business. Fast forward to today and around 62% of all outstanding credit to the private sector is to housing.

With the history of lower defaults resulting in relatively lower risk for lenders, it is no surprise that lenders over recent decades have shown a strong preference to lend to housing rather than business.

The byproduct of this freeing up of finance for housing has been increased demand for housing. It has increased how much households can borrow for their mortgage and contributed to higher housing costs.

### **The long ongoing fall in interest rates over the past 35 years**

Lower interest rates result in an increase in borrowing capacities and over recent decades these lower interest rates have ended up being capitalised into higher property prices.

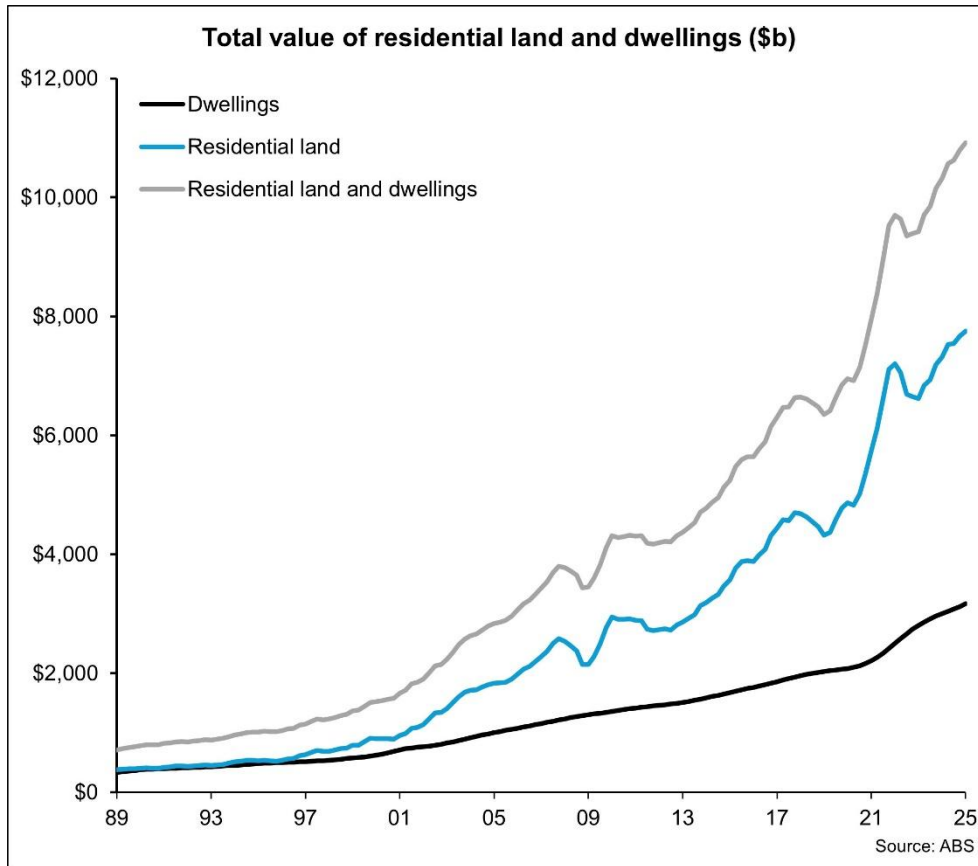


While there have been some periods since 1990 where interest rates have increased, the long-term trend over the period has been a decline in interest rates. As interest rates have trended lower, borrowing capacities have increased, banks have been willing to make more credit available to home purchasers, and this has pushed prices higher.

### **Financialisation of shelter**

I don't necessarily think the financialisation of shelter is something that has just occurred in recent decades, but I sense it has been exacerbated recently.

Most people no longer just see where they live as offering them shelter, they view it as a financial asset and a way in which they can increase their wealth as the value of the property increases.



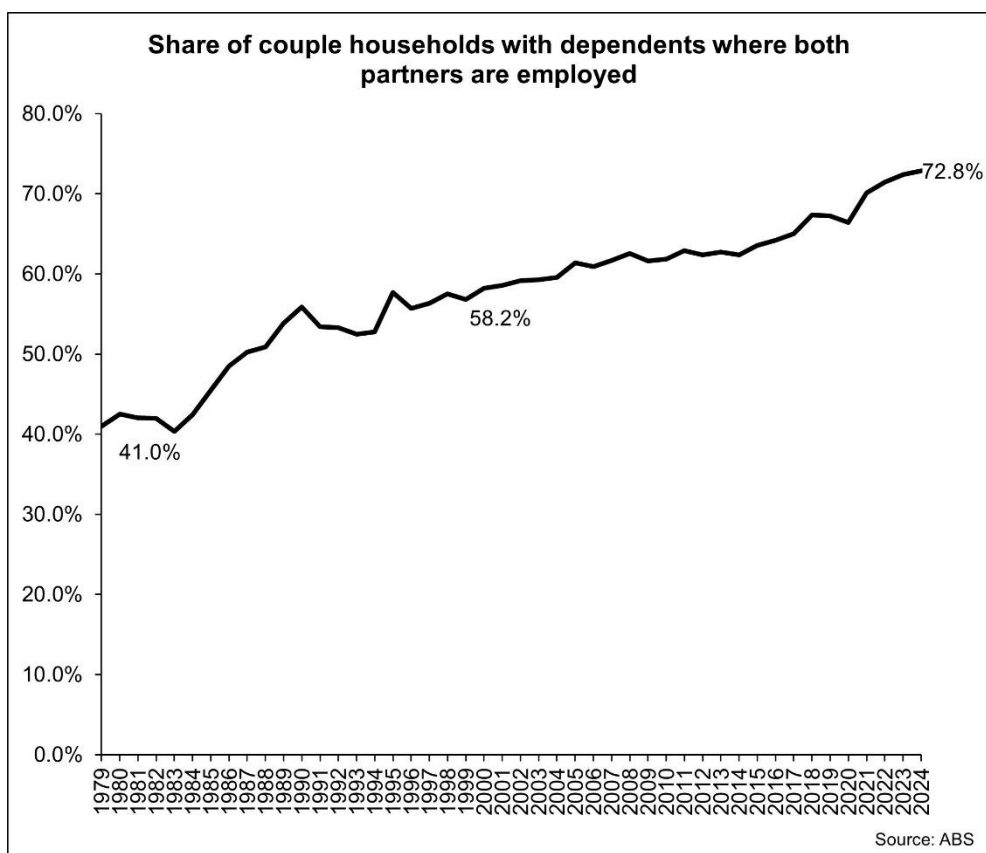
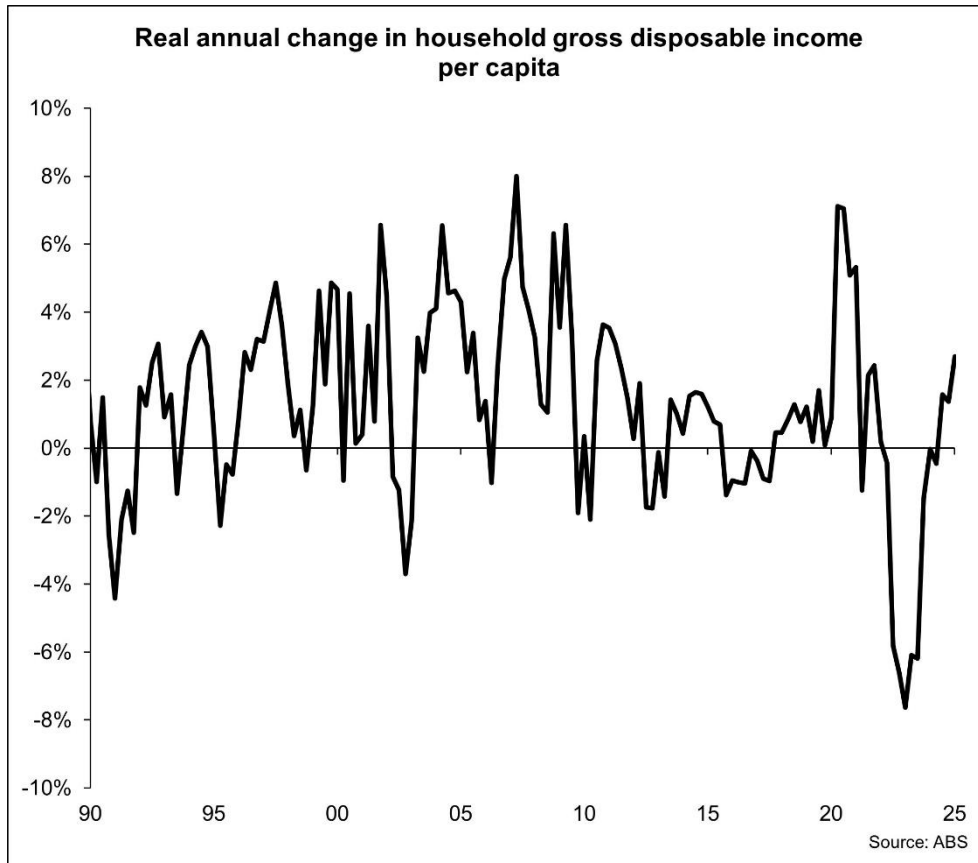
If we go back to March 1990, the total value of residential land and dwellings was \$780.5 billion, accounting for 48.7% of total household assets. Fast forward to March 2025, the total value of residential land and dwellings owned by households has risen to \$10.919 billion or 53.1% of total household assets.

Between March 90 and March 25, the total value of residential land and dwellings has increased by 1299% or at a compound annual rate of 7.8% over the 35-year period.

While increasing property values have led to higher household net worth, higher housing prices have also meant that when owners sell properties and buy a new property, they have to increasingly borrow more to do so. Having equity in the housing market has become an unfair advantage that existing owners have and brand new purchasers don't.

### **Rise in household incomes and dual income households**

Since the beginning of the 1990s, at times we've seen at times strong increases in real household incomes. As incomes have risen, we've also seen an increasing prevalence of dual income households at a time in which property prices have fairly consistently been rising.

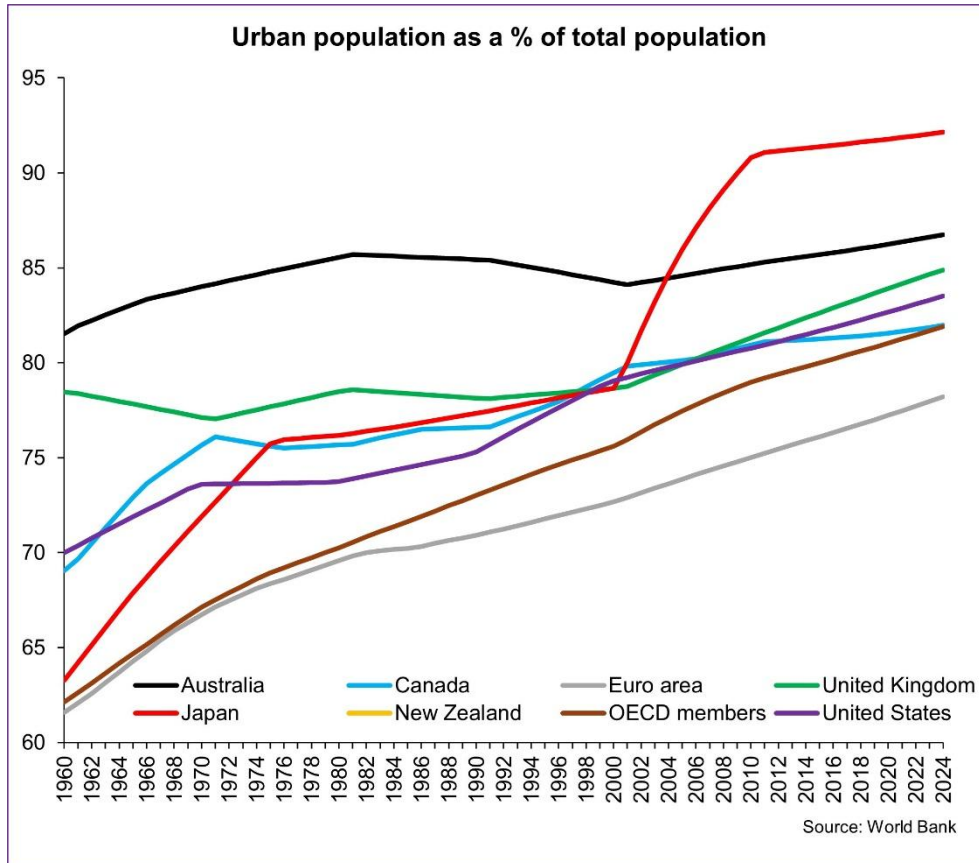


The escalation in household incomes, which appears to have been driven by an increase in workforce participation and more dual income households, has largely resulted in higher housing costs.

As a result, parents are working more, and their children are spending more time in childcare and outside of school hours care. We seem to have sacrificed time not working for higher housing costs, and it doesn't seem to be a sacrifice that most households have grappled with too much. It's just been accepted.

### A highly urbanised population

Australia has a highly urbanised population with the World Bank reporting that in 2024, 86.75% of the total population lived in an urban area.



Across the countries detailed in the chart above, only Japan (92.13%) has a higher share of its population living in areas. Across OECD member countries, the urban population makes up 81.91% of the total population.

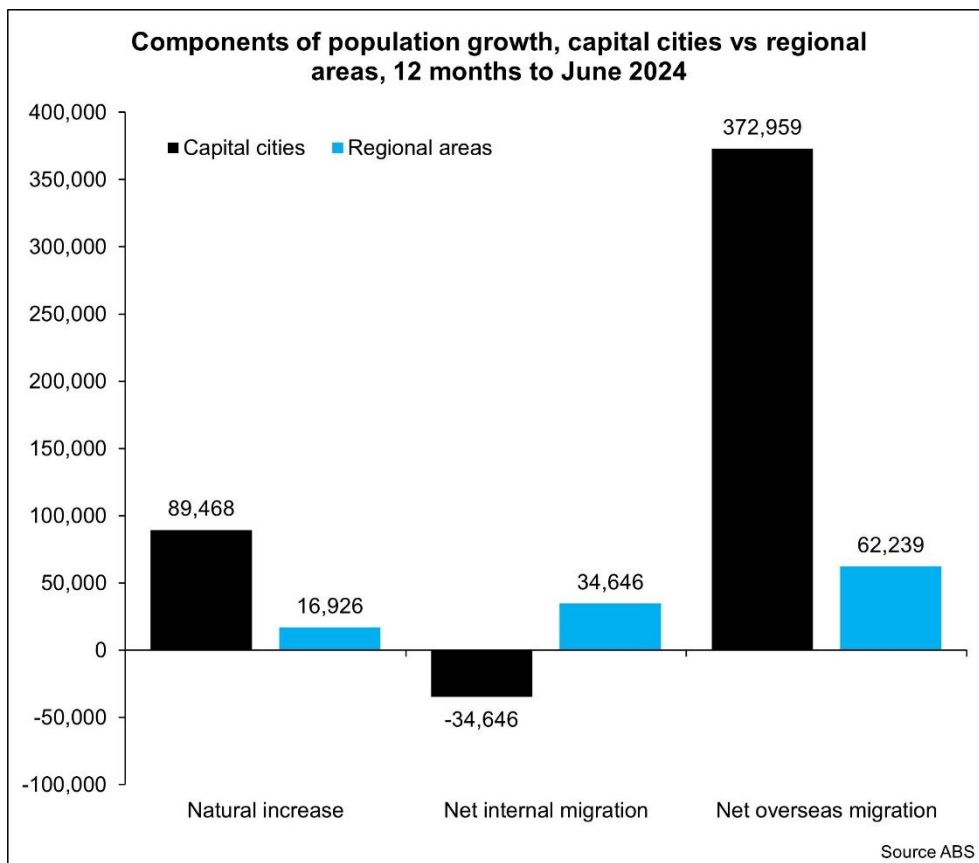
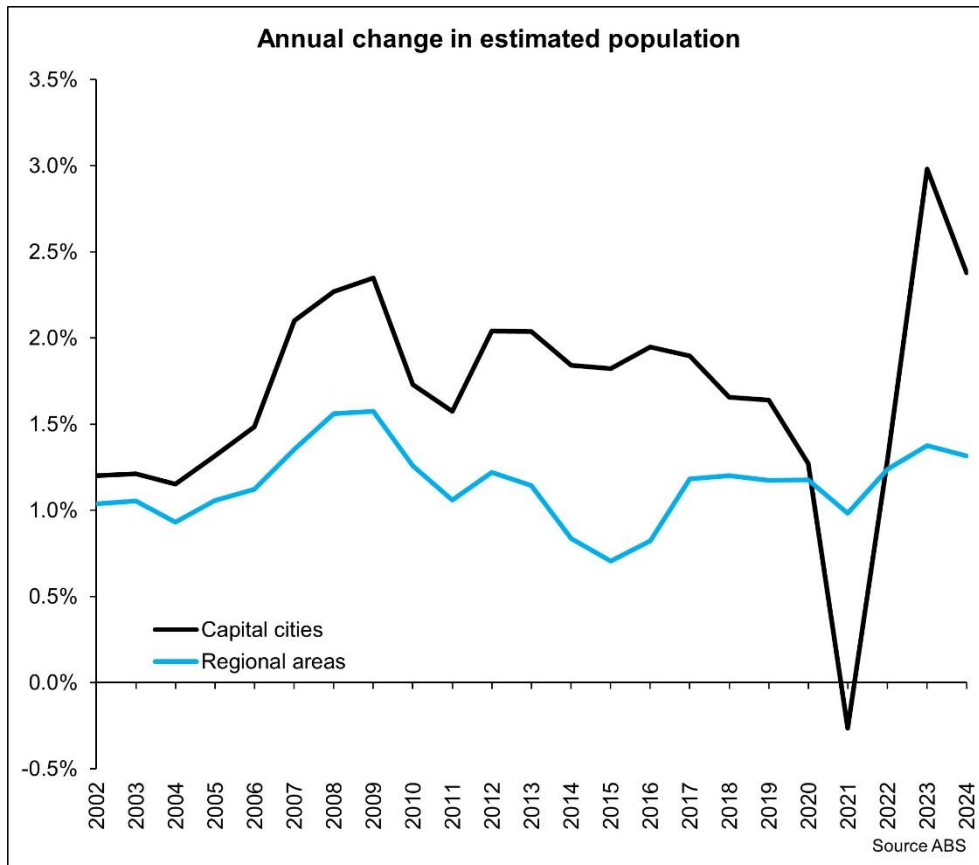
What does the highly urban population mean? In a country with a relatively low population base such as Australia and one in which we largely live in a handful of larger cities, it means there is significant competition for resources in these cities, which of course includes housing.

Residents of the major cities compete heavily for the best housing locations which increases the price of these properties. Supply of new housing in many of these areas is significantly constrained. Both by policy choices to limit new development and by preferences of existing residents to oppose new development (especially higher densities) which escalates the cost of housing.

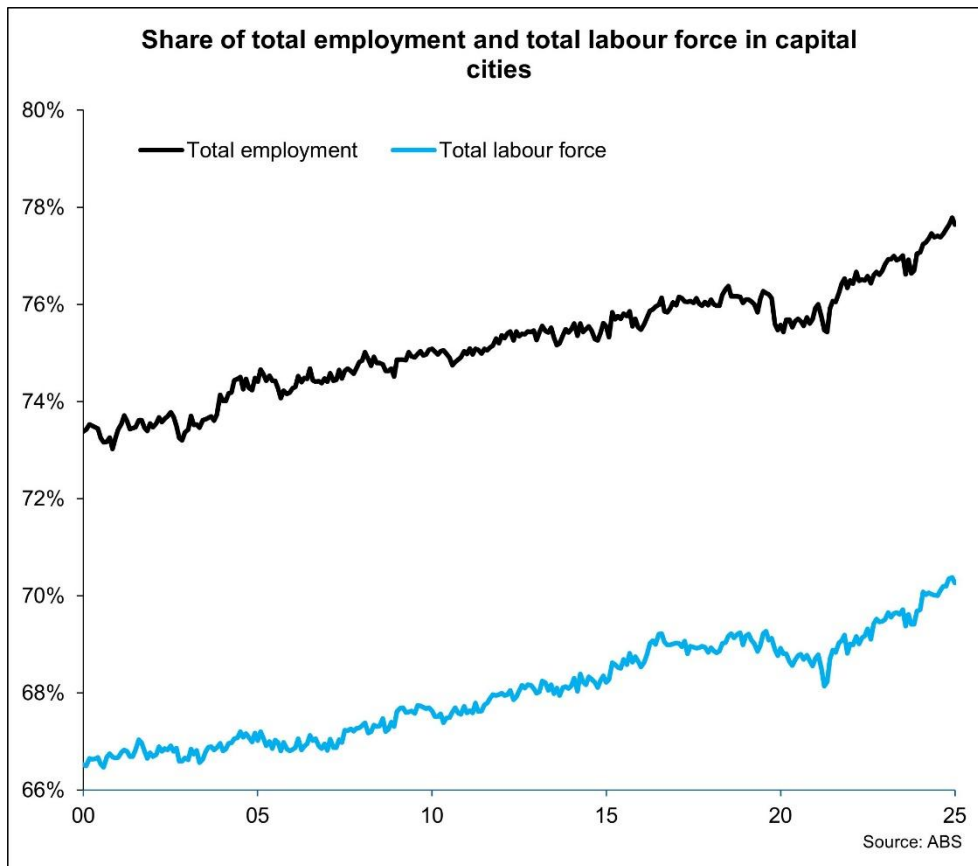
This urbanisation is not new, but it is increasing. The other point to note is that with our high rate of net overseas migration, most migrants also settle in a capital city, so it increases demand for housing and



resources in urban areas. It should be noted that some non-capital city markets are also considered urban areas (think places like the Gold Coast, Geelong, Wollongong).



With more Australians choosing to live in urban areas and a majority of migrants also choosing to settle in these urban areas (which is a long-standing trend) the competition for the constrained supply of housing leads to higher housing prices.



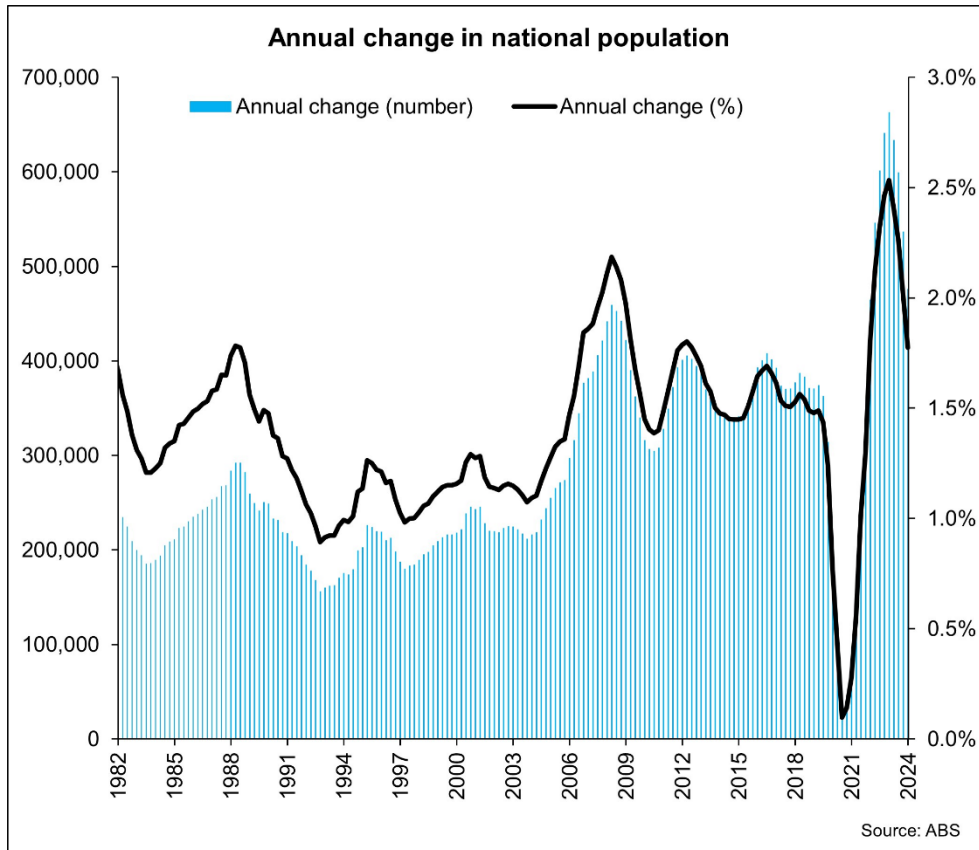
Unfortunately in Australia employment opportunities outside of the major urban areas are much less abundant. As a proportion of total employment and total labour force, capital cities have been seeing their share of both rise over time. Despite lower housing costs in most non-urban areas, the lack of employment opportunities is a significant deterrent to people moving to these areas.

Even the smaller capital cities miss out to some extent. As at June 25, 46% of total employment was in Sydney and Melbourne and 41.8% of the total labour force was in these two cities, which account for around 40% of the national population. Employment opportunities are limited outside of the largest cities, thus making these areas less desirable unless you can work in a major capital city job but do so remotely.

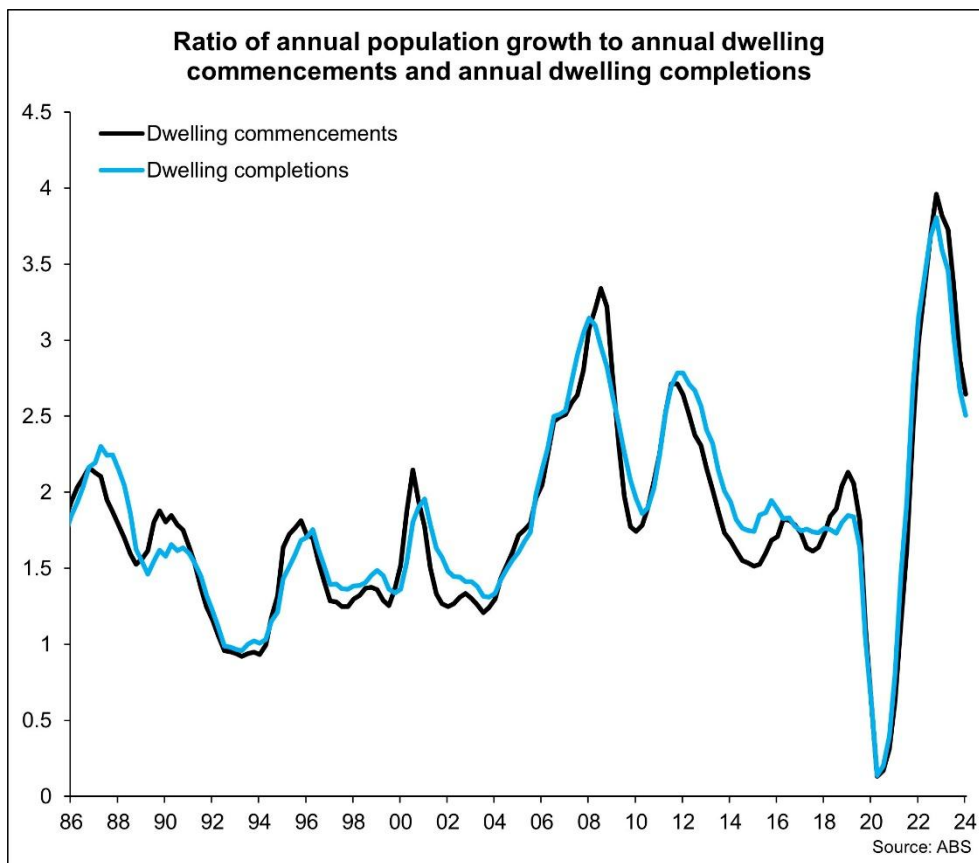
### **Population growth and migration trends fuelling demand**

When you have a growing population, you need to also be growing housing stock at a suitable rate to cater to that population growth. While Australia did see a strong supply response to a lift in population growth from 2009 onwards, this has not been the case since population growth surged post-pandemic.

Australia has been running an elevated rate of population growth since around 2007 and over the past few years we've seen record-high levels and rates of population growth. This has occurred at a time in which natural increase (births minus deaths) has been trending lower, with net overseas migration the key driver of the increase in population growth.



Having a high level of population of itself is not necessarily a problem. But it becomes a problem when the investment in infrastructure and housing doesn't keep pace with this growth which has been the experience recently in Australia.



Even though Australia had very high rates of population growth through the mid to late 2010s, we were largely building sufficient housing to cater to that population growth which was reflected in fairly stable rents and moderate home price growth over that period.

Housing supply is inelastic, which means that it isn't effectively able to respond to rapid changes in demand, particularly a rapid increase in population growth. This has been the experience since the end of 2022 with population growth lifting substantially and supply unable to effectively respond which has led to higher rents and higher home purchase costs.

Population growth fuels demand for housing and if it isn't properly managed and planned it can lead to surges in housing costs such as those experienced in 2008 and experienced again since 2022. This is especially the case when the increase in the population is being largely driven by migrants who form new households as opposed to natural increase which sees babies join existing households.

High housing costs can also contribute to a more muted supply response. Most housing in Australia is built to be sold rather than built to be rented. The impact of this is that most new housing only gets constructed once there is sufficient presales to access finance to construct. High housing costs overall and the surge in construction costs over recent years have led to a larger than normal premium for new homes. As a result of these conditions, less new housing being built as presales targets for financiers are harder to achieve as many buyers have preferenced purchasing cheaper established alternatives.

**The lack of incentives to make excess housing available and a lack of incentives for property owners to right-size.**

These are really two drivers, but they essentially complement one another. It seems an unideal situation where some people have multiple homes while others don't have any homes. The latest Census in 2021 revealed that if we just compare the number of bedrooms in the country to the number of people we have more than enough bedrooms in Australia to cater to our population, it is a case that the right people aren't utilising the right homes.

The Census shows the number of bedrooms in occupied private dwellings. If we use that data and assume a studio or bedroom apartment is one bedroom and that dwellings with 4 or more dwellings have only 4 bedrooms there was 27,821,418 bedrooms nationally for a population of 25,422,788 persons.

Most couples share a bedroom, and we know there are plenty of 5-bedroom houses out there so there is clearly more than enough bedrooms to cater to our population. These excess bedrooms reflect the fact that many Australians are living in homes which are larger than they need with extra rooms used for guests, as storage or studies.

There's nothing inherently wrong with having spare rooms but the desire to have more space than we need contributes to our high housing costs.

Furthermore, there are many couples that no longer have dependents living with them that are in houses much bigger than they need. This makes sense, people don't want to move out of family homes and a larger home is likely to increase in value more than a smaller one but we should consider ways in which we can encourage people in homes that are larger ones than they need to move into more appropriate accommodation freeing these properties up for those that need to access more space.

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## National obsession with property

This is my final reason for why housing is expensive in Australia, and it is a bit harder to quantify with statistics. Just speak to your family and friends and many conversations will drift into a discussion about housing highlighting that many Australians are obsessed with residential property.

This obsession plays out in several ways.

Firstly, as the value of our home increases we feel wealthier. However, if we want to move home whilst the value of the current property has increased, the next property is typically also more expensive, so we are taking on more debt to upgrade.

It also plays out in the desire of many Australians to own investment properties or second homes which fuels more demand for housing and can lead to higher prices.

Finally, this obsession tends to lead to people being somewhat unhappy with their current housing and constantly wanting to upgrade into something else which will typically be more expensive. We also want to be in the right school zones or in the right suburbs and plenty of people are willing to pay to do so, driving up demand and prices.

### In conclusion

There are many factors which have conspired to drive up housing costs. I'd really like to hear what you think are the main drivers or if I have missed any.

*Cameron Kusher is Director at Kusher Consulting. He has more than 20 years' experience in the Australian property sector and regularly shares his views on [Oz Property Insights](#), from which this article has been republished, with permission.*

## Which generation had it toughest?

### Mark McCrindle

For decades, intergenerational discourse has been dominated by narratives of hardship and advantage. Each generation believes they faced unique economic challenges that others simply don't understand. But what does the data actually tell us about who had it toughest?

### A financial reality check

The generational debate about who had it hardest economically is more complex than it first appears. Looking at data comparing the financial realities faced by Baby Boomers, Gen X, Gen Y, and Gen Z reveals surprising insights about affordability, opportunity, and economic challenges across the decades.

It is clear from this analysis that each generation has had to navigate a unique set of economic and social realities. From the post-war boom to the digital age, the financial landscape for young Australians has transformed dramatically. But has it become progressively harder to build a life? A look at key financial indicators for four generations at a similar life stage aged in their late teens to early thirties paints a compelling picture of shifting challenges and opportunities.

Generation	Baby Boomers	Gen X	Gen Y	Gen Z
Born	1946-1964	1965-1979	1980-1994	1995-2009
Reference year	1980	1995	2010	2025
Age in reference year	16-34	16-30	16-30	16-30
Economic shocks	<b>OPEC oil crisis (1973)</b> <b>Recession (1981-83)</b> <b>Stock market crash (1987)</b>	<b>Recession (1990-1991)</b> <b>Dot com bust (2000)</b> <b>September 11 (2001)</b>	<b>GFC (2008)</b>	<b>COVID (2020)</b>
Australian dollar (to USD)	1.15	0.74	0.95	0.65
Annual GDP growth rate	3.00%	3.90%	2.20%	1.80%
Proportion with university degree	1 in 5	1 in 4	1 in 3	1 in 2
Unemployment rate	6.20%	8.90%	5.50%	4.30%
Interest rates (standard variable)	11%	10.50%	7.40%	6%
Inflation rate (CPI)	10.10%	4.60%	2.90%	2.40%
Top tax rate	60%	47%	45%	45%
Full-time adult average weekly earnings	\$258	\$702	\$1,325	\$2,043
Full-time adult average annual earnings	\$13,500	\$36,500	\$69,000	\$106,000



Generation	Baby Boomers	Gen X	Gen Y	Gen Z
Median Sydney house price	\$69,000	\$197,000	\$643,000	\$1,497,000
House price to annual earnings ratio	5.1	5.4	9.3	14.1
Colour TV	\$600	\$500	\$1,000	\$300
% of weekly income	233%	71%	75%	15%
(hours of 38-hour week)	(88 hours)	(27 hours)	(29 hours)	(5.6 hours)
Computer	\$1,300	\$1,500	\$1,200	\$800
% of weekly income	504%	214%	91%	39%
(hours of 38-hour week)	(191 hours)	(81 hours)	(34 hours)	(15 hours)
Flight: Sydney to London return (Qantas)	\$1,200	\$2,400	\$2,200	\$2,400
% of weekly income	465%	341%	166%	117%
(hours of 38-hour week)	(176 hours)	(130 hours)	(63 hours)	(45 hours)
Tank of petrol (50 litres)	\$16	\$34	\$60	\$95
% of weekly income	6%	4.80%	4.60%	4.70%
(hours of 38-hour week)	(2.4 hours)	(1.8 hours)	(1.7 hours)	(1.7 hours)
Car (Toyota Corolla automatic)	\$4,000	\$25,410	\$22,990	\$29,270
% of annual income	29%	69%	33%	28%
(months of work)	(3.6 months)	(8.3 months)	(3.9 months)	(3.3 months)

### The foundations: Earnings and the economy

To understand the financial world of each generation, we can look at their circumstances in a reference year when they were in a similar age bracket.

**Baby Boomers:** At ages 16-34, Baby Boomers faced a high inflation rate of 10.1% and a top tax rate of 60%. Full-time average annual earnings at this time were \$13,500.



Gen X: Aged 16-30, Gen X entered a workforce with 8.9% unemployment. Average annual income sat at \$36,500, but a high standard variable interest rate of 10.5% made borrowing expensive.

Gen Y: Also aged 16-30, Gen Y (or Millennials) saw lower inflation at 2.9% and interest rates at 7.4%. Average annual earnings at this time had increased to \$69,000.

Gen Z: For today's emerging adults, aged 16-30, the economic climate is one of relatively low unemployment (4.3%) and inflation (2.4%). The average annual income now sits at \$106,000.

### **The great Australian dream**

The most striking shift across the generations is the accessibility of housing. For a young Baby Boomer in 1980, the median Sydney house price was \$69,000, which equated to 5.1 times their average annual earnings. Fast forward to 2025, and for Gen Z, that same dream carries a median price tag of nearly \$1.5 million, a staggering 14.1 times their annual income.

While Gen X saw the house price-to-earnings ratio remain relatively stable at 5.4, it was Gen Y who experienced the significant leap, with the ratio jumping to 9.3. This demonstrates that while incomes have grown, the price of entry into the property market has grown exponentially faster, placing unprecedented pressure on younger generations.

### **The cost of living: From cars to colour TVs**

The story of affordability becomes more nuanced when looking at consumer goods and lifestyle costs. Here, technological advancement and global manufacturing have worked in favour of younger generations.

Technology: A colour TV in 1980 would have set a Baby Boomer back 233% of their average weekly income, or the equivalent of 88 hours of work. For Gen Z, a far more advanced television costs just 15% of a week's wage (5.6 hours). The affordability of computers tells a similar tale, dropping from 191 hours of work for a Boomer to just 15 hours for Gen Z.

Transport: The cost of a new Toyota Corolla has fluctuated. For a Baby Boomer, it represented about 3.6 months of their annual income. This peaked for Gen X at 8.3 months before settling back to 3.9 months for Gen Y and 3.3 months for Gen Z. Interestingly, the cost of a tank of petrol has remained remarkably consistent as a proportion of weekly income, requiring between 1.7 and 2.4 hours of work for all generations.

Travel: Global travel, once a significant luxury, has become more accessible. A return flight from Sydney to London for a Baby Boomer was equivalent to 176 hours of work. For Gen Z, that has fallen to just 45 hours.

### **The intergenerational challenge**

Each generation's economic experience must be understood within its broader context. Baby Boomers faced high inflation and interest rates but could access affordable housing. Gen X navigated economic uncertainty but still found reasonable property prices. Gen Y pioneered the digital economy while watching housing slip away. Gen Z inherits technological advantages but faces unprecedented housing costs.

The question of who had it toughest depends on what we value most. If homeownership and traditional wealth accumulation matter most, Baby Boomers and Gen X clearly had advantages. If technological access and economic stability are priorities, Gen Y and Gen Z have benefits their predecessors couldn't imagine.

Rather than determining a winner in the "who had it toughest" debate, the data suggests each generation faced unique challenges that required different strategies for success. The economic game hasn't become easier or harder, it has fundamentally changed.

Understanding these differences is crucial for policy makers, employers, and families navigating intergenerational relationships. Each generation's economic reality shaped their values, expectations, and opportunities in ways that continue to influence Australian society today.

The true challenge isn't determining who had it toughest, but understanding how these different economic realities created the intergenerational dynamics we see today.

### [Generational Worker Profiles Infographic](#)

#### **So, who had it toughest?**

Every generation has faced its unique economic headwinds, from high inflation and interest rates for Baby Boomers to periods of high unemployment for Gen X. However, the data points to a clear and escalating challenge for younger generations in securing the foundational asset of a home.

While Gen Z and Gen Y enjoy unparalleled access to cheaper technology, consumer goods, and international travel, the barrier to entry for housing is higher than ever before. The sheer scale of the house price-to-income ratio for Gen Z suggests that despite higher earnings and a favourable economic environment in other areas, the goal of home ownership, a cornerstone of financial security for previous generations, is now a monumental challenge.

Ultimately, defining which generation had it toughest is complex. While older generations grappled with higher costs for everyday goods and steeper borrowing costs, the fundamental building block of wealth - property - was significantly more attainable. For Gen Y and particularly Gen Z, the Australian dream is being redefined in an era where the cost of a roof over one's head has far outpaced the growth in their wallets.

*Mark McCrindle is a social analyst, demographer, author, and Founder of [McCrindle Research](#). Mark has presented keynotes and workshops in all major industries including finance, technology, health, mining, energy and education.*

## **Is the iPhone nearing its Blackberry moment?**

Jimmy Su

Apple was a serial winner over the past 15 years as personal computing transitioned from desktops to smartphones. In the 2010s, the iPhone built a large user base through the seamless integration of iOS

with great hardware design to offer users unique, intuitive and arguably superior computing experiences. Examples included:

- first to market with multi-touch input on large capacitive touch screens
- in-sourcing chip design to deliver best-in-class performance and battery life
- seamless cross device compatibility through features such as Handoff and AirPlay, and peripherals like the Watch and AirPods.

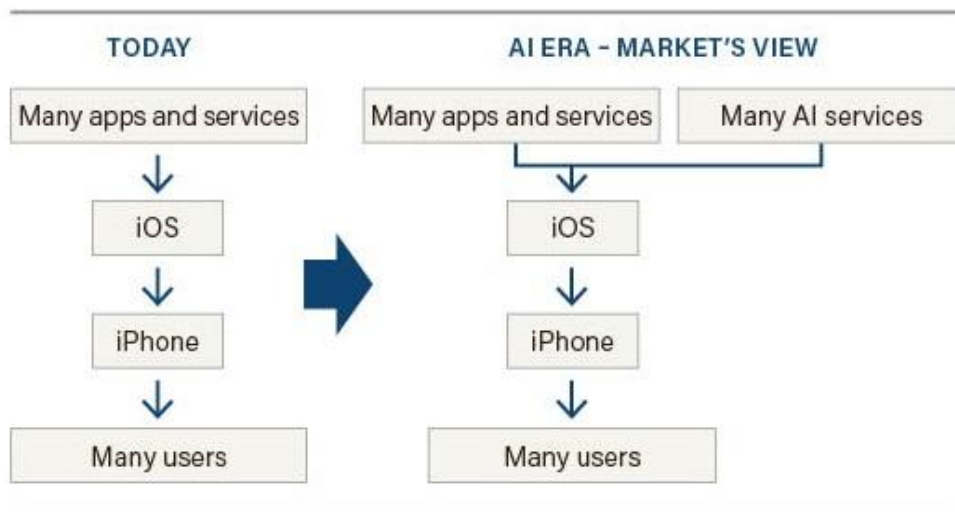
For much of the past decade, the iPhone was synonymous with the marketing tagline “it just works”.

In the past five years the smartphone market matured, phone designs converged and competitors arguably surpassed the iPhone’s hardware. As these dynamics changed, Apple increasingly relied on the iOS platform to extract value from their business in a similar fashion to many of the [demand side aggregation](#) businesses we've written about.

On the users’ side, iOS is the main way Apple lock in their one billion+ user base. Users are reluctant to switch due to inertia, the need to repurchase apps and port across contacts, photos and personal data. Apple monetises these high value users by being the ‘toll road’ for apps and service providers (see Figure 1). Google paying Apple \$20 billion a year to be the default search engine exemplified Apple’s market power.

With the rise of ChatGPT and other AI services, the prevailing market narrative assumes the status quo - AI will be another category of apps and services. Apple will be an ‘AI winner’ as the iOS platform remains the primary toll road for AI services to access high value users (see Figure 1). This view is the one likely held at Apple’s Cupertino headquarters. Apple has under-invested in Apple Intelligence and is increasingly reliant on external partnerships like ChatGPT for AI functionality.

**Figure 1: Apple’s place in the value chain – today and the market view in the AI era**



Source: Platinum

Although we remain cautious about the AI promise, ‘AI agents’ - where AI interprets and executes tasks autonomously for a user - could be the next evolution in device interactions. Rather than relying on touchscreen inputs, the interactions happen through the AI agent autonomously or via voice. Today, this

could be simple tasks such as drafting emails or scheduling meetings. But in five years' time, AI agents could book our hotel or buy toilet paper every two weeks.

In this scenario Apple's market power could weaken materially over the medium term. On the users' side, iOS' lock-in effects could weaken as agentic AI interactions increase, and touchscreen inputs decrease. There will be a tipping point.

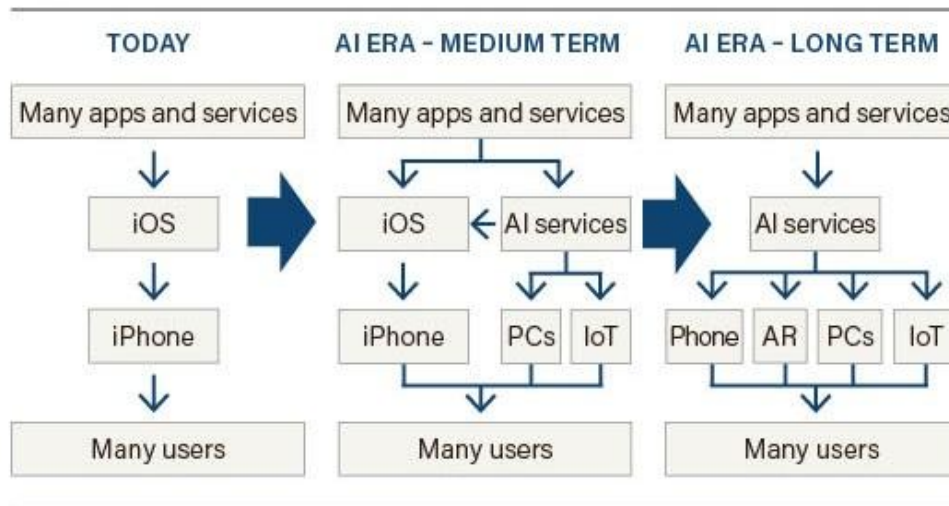
Users will accept the high switching costs of changing their operating system in pursuit of a superior and capable agentic AI experience as the value of the latter meaningfully outweighs the costs of the former.

On the apps and services side, it's likely native integration between them and AI services is on the roadmap. There's strong incentive to do so, firstly, to create a seamless and integrated agentic AI experience for users, and secondly, to create new hardware-agnostic distribution channels, bypassing the iOS toll road (see middle column in Figure 2).

The existential risk for Apple is that agentic AI evolves into the new operating system for the next generation of hardware which do not require touchscreens (e.g. Meta's Orion or Xiaomi's AI glasses). If this happens, the iOS and iPhone will be suddenly obsolete and Apple another commoditised tech hardware provider.

One only needs to remember Blackberry clinging on to the superiority of their keyboards at the beginning of the touchscreen era to see the disintermediating effects of interface changes. The right column in Figure 2 shows how the value chain could evolve long term.

**Figure 2: Our views on the evolution of the value chain**



Source: Platinum

Given these potential outcomes, Apple's relationship with ChatGPT could be them welcoming a large wooden horse through the gates of Troy.

We think Apple must develop and control their own leading edge agentic AI models, deploy them in iOS and natively integrate them with apps and services providers as quickly as possible. Doing so is expensive - xAI is reportedly burning \$1 billion a month and Meta is spending \$72 billion this year on capex. Yet Apple, which generates around \$100 billion annually in free cash flow, is one of the few companies with the resources to do it.

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## The next platform shift?

Computing witnessed three major platform shifts in the past 50 years.

- In the 1980s from mainframes to desktop PCs.
- In the 2000s from desktop PCs to desktop internet.
- In the 2010s from desktop internet to smartphones – a platform shift which Apple led.

Each transition reshaped the industry and redistributed profit pools. Leadership in the sector changed as incumbents were slow to adapt. The question becomes: Is Apple ready for the next great platform shift?

*Jimmy Su is Portfolio Manager of Platinum's International Technology Fund. [Platinum Asset Management](#) is a sponsor of Firstlinks. The Platinum International Technology Fund currently does not have long or short positions in Apple.*

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## Things may finally be turning for the bond market

Haran Karunakaran

The Reserve Bank of Australia surprised markets by holding the official cash rate steady at 4.35% last month, marking its third consecutive pause despite growing expectations of an easing cycle.

With inflation now tracking comfortably within the RBA's target band and consumer confidence weakening, many market participants had priced in a rate cut. The RBA's decision, therefore, reinforced a broader theme playing out in global markets: central banks are proceeding cautiously.

### Bonds are in better stead

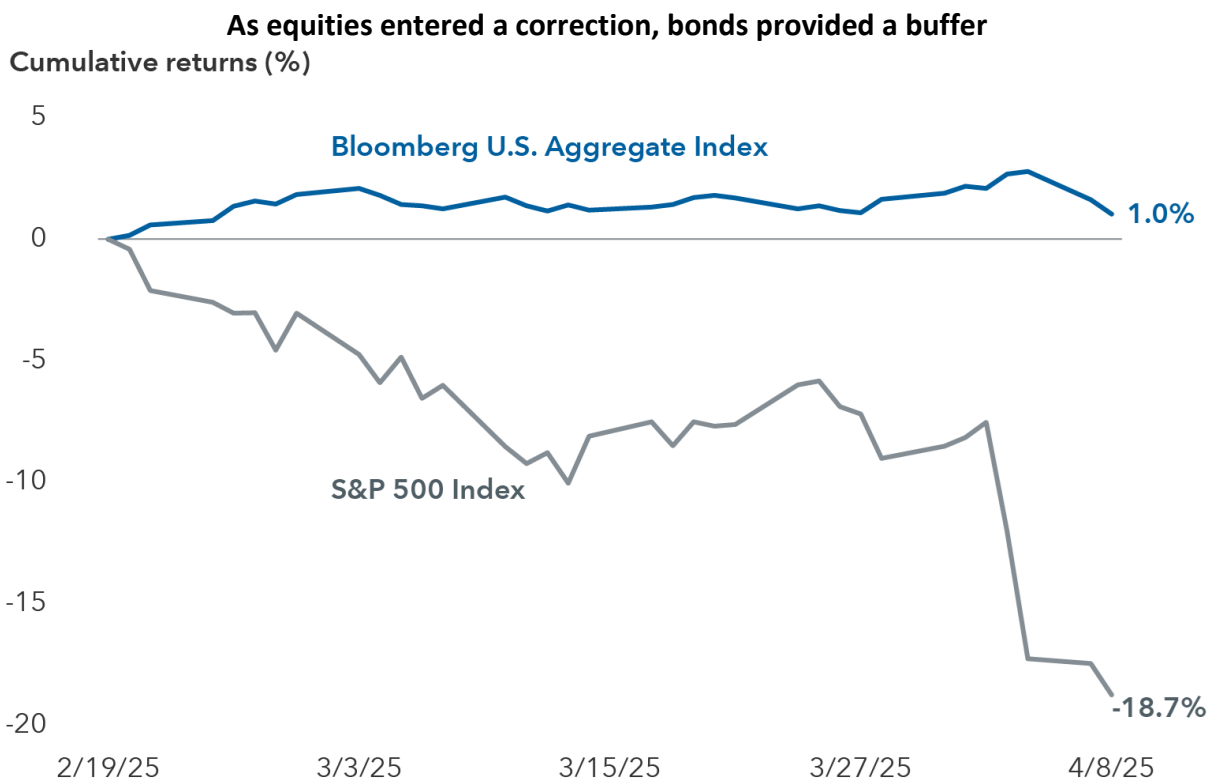
After a relatively volatile period in fixed income markets, albeit one where returns from global bonds have been strong, especially credit, global bonds are entering the second half of 2025 in a stronger position. Amid an environment of softening global growth, evolving inflation dynamics, and heightened geopolitical and policy risks, global bond markets appear poised to deliver compelling income and relative stability.

US economic activity is moderating, with consumer spending and labour market strength slowly easing. This softening, combined with persistent uncertainty over tariffs, immigration policy, and geopolitics, has many investors reconsidering their portfolio allocations. In this setting, bonds are regaining their status as a core diversifier and income engine.

For bond portfolios, balancing return potential with downside protection is key. Many investors are tilting toward higher-quality credit across sectors and issuers, as the current market environment does not sufficiently reward taking on excessive credit risk.

Despite the recent pause by the US Federal Reserve, rate cuts remain possible. As of June 2025, the Fed kept its target range at 4.25% to 4.50%, but market expectations suggest modest easing by year-end. If growth data disappoints, intermediate-duration bonds could benefit meaningfully.

The steepening of the US yield curve has also drawn attention. While shorter-term yields have eased, the 10-year Treasury yield climbed to 4.39% in June. This signals the market's acceptance of a higher long-term cost of capital and some lingering inflation concerns—but it also provides a more attractive income base for long-term investors.



*Past results are not a guarantee of future results. Source: Bloomberg. As of 8 April 2025. A correction is defined as a price decline of 10% or more (without dividends reinvested) in the S&P 500 Index with at least 75% recovery.*

One of the most promising developments is the re-emergence of the negative equity-bond correlation. Earlier this year, as the S&P 500 corrected by nearly 19% from its February peak to its April low, the Bloomberg US Aggregate Bond Index rose 1%. That traditional diversifying behaviour is particularly valuable in a period marked by policy and market unpredictability.

Globally, policy divergence is creating select opportunities. In Europe, Germany's fiscal expansion and the stronger euro are helping suppress inflation, giving the ECB more scope to cut rates. In Japan, yield curve steepening caused by bond market dislocation may trigger a pause in further Bank of Japan tightening as they respond to supply-demand imbalances.

Within securitised markets, mortgage-backed securities (MBS) offer attractive risk-adjusted returns. Higher-coupon agency MBS provide competitive yields with lower duration risk. Their liquidity and resilience in past downturns make them particularly appealing in today's environment. Value can also be

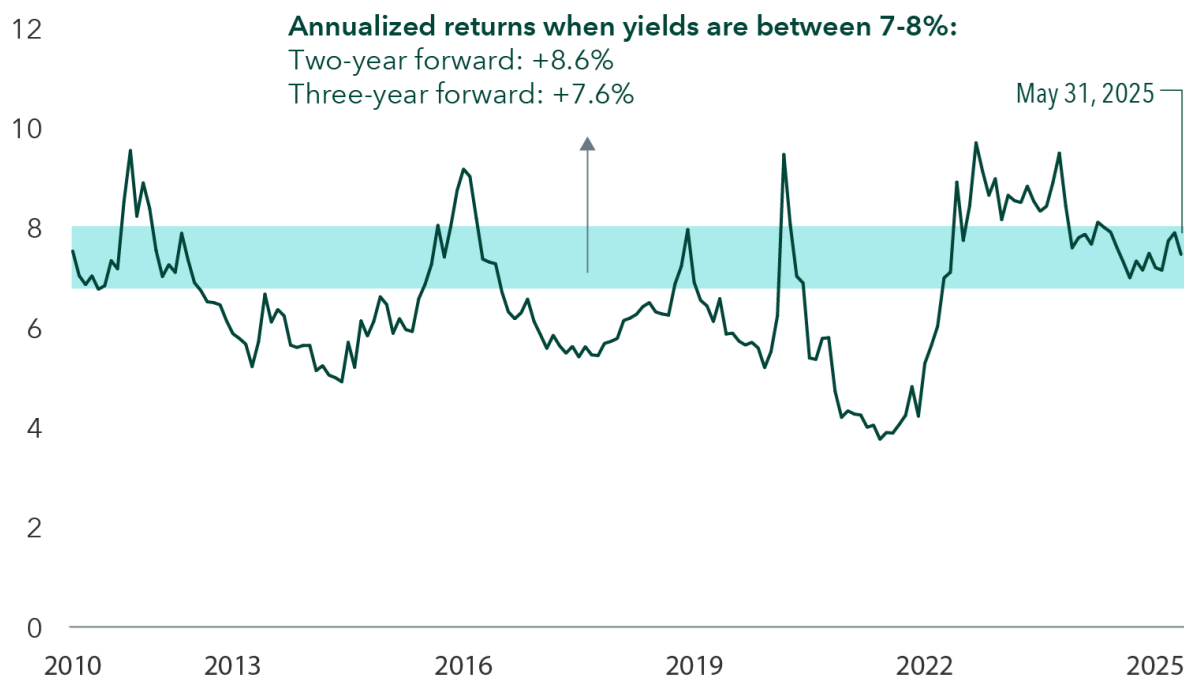


found in certain subprime auto and commercial mortgage-backed securities that offer strong structural protections and income potential.

Corporate bond markets are holding up well. Investment-grade issuers continue to improve credit quality by reducing debt, and many high-yield companies have stable cash flows and reduced refinancing risk. In today's market, yields between 4% and 8% across quality credit segments offer a strong starting point for long-term returns. Even if spreads widen, the elevated income helps cushion total returns.

### High-yield bonds posted strong returns at current yields

Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index (yield to worst)



Sources: Bloomberg Index Services Ltd. As of 31 May 2025. Average forward two-year and three-year returns are annualized.

Emerging markets are also worth watching closely. Declining energy prices, easing inflation, and weaker global growth have many EM central banks shifting toward looser policy. A reduced reliance on foreign capital, in favour of more stable domestic investor bases, makes these markets less prone to the shocks experienced in prior risk-off episodes.

The macro backdrop continues to favour bonds. Higher starting yields, better diversification properties, and potential for price appreciation if central banks ease more quickly than expected make a strong case for global fixed income.

This is the kind of environment where active management matters—navigating regional dispersion, credit selection, and curve positioning will be critical to capturing value while managing risk.

With all of these dynamics at play, the second half of 2025 may represent an ideal time to re-engage with global bonds—not as a defensive afterthought, but as a core source of durable income and strategic value.



*Haran Karunakaran is an Investment Director at [Capital Group \(Australia\)](#), a sponsor of Firstlinks. This article contains general information only and does not consider the circumstances of any investor. Please seek financial advice before acting on any investment as market circumstances can change.*

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## The wisdom of buying absurdly expensive stocks (or not!)

Ben Zhao, Daniel Taylor

Are today's expensive AI stocks the next market leaders – or just another bubble waiting to burst?

History seems to be repeating itself and in relatively short order. The recent rally has led to a sharp increase in the number of companies valued at over 10 or 20 times their annual revenue.

Companies with an enterprise value-to-sales ratio (EV/sales) greater than 10 now account for over 20% of the MSCI World index, levels not seen since the dotcom bubble. The question now is whether these inflated valuations can create lasting value or are destined to unravel under pressure.

We first looked at this [in late 2020](#) as the FAANG<sup>1</sup> stocks surged, warning that these kinds of stocks were likely to underperform. And for a while, that call was correct. From 2020 through 2022, this group of stocks lagged significantly.

### Is the AI rally a new internet bubble?

But thanks in part to the AI revolution, the past two years have seen a dramatic reversal, with extreme valuations coming back. This comeback surprises us in today's environment of normalised interest rates and persistent inflation. It's one thing to justify these valuations when US 10-year Treasury yields are below 2% – when money is cheap, it's easier to imagine a glorious growth-filled future. But with yields now around 4.5%, the justification becomes much harder to swallow.

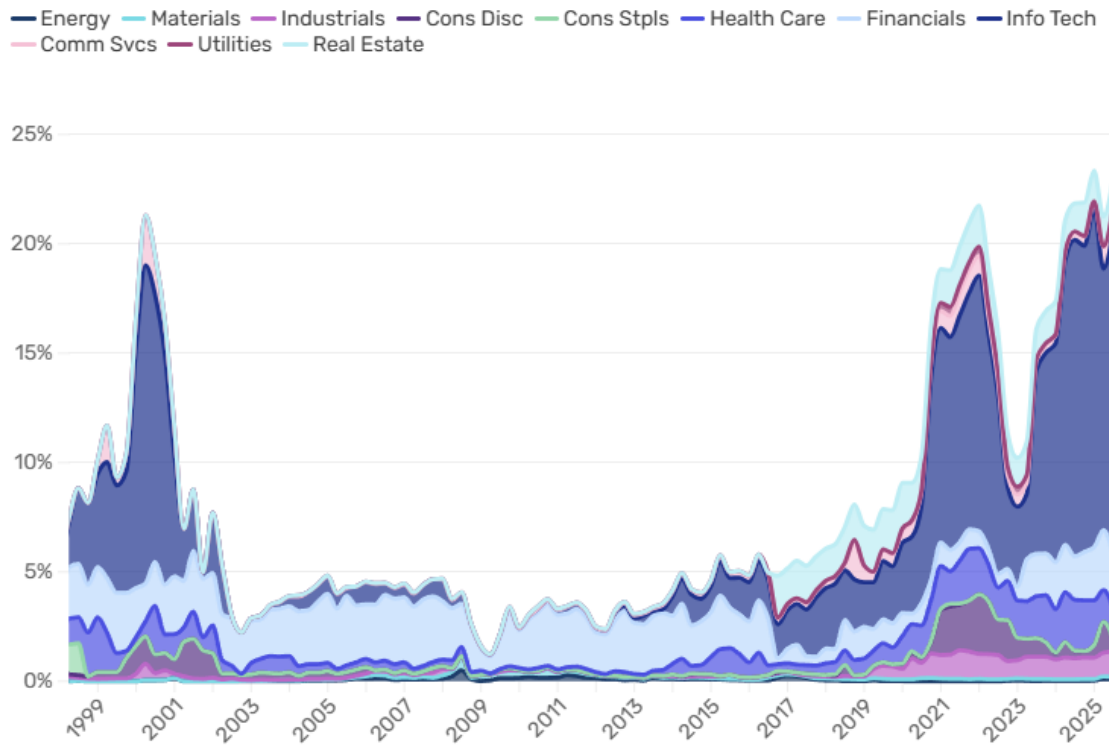
Our 2020 musings highlighted a persistent truth: stocks trading at extreme valuations (e.g., EV/sales > 10 or 20 times) rarely deliver the earnings needed to justify their price tags. Drawing on historical data, we showed that:

- For stocks with EV/sales above 10 times, the median underperformance was 65% over five years in the Russell 1000, and 33% in the MSCI World
- For stocks with EV/sales above 20 times, the story was even worse, with median underperformance of 73% in the Russell 1000 and 50% in the MSCI World

The reason? These companies typically fail to generate the returns on equity (ROE) or sustained growth required to justify such valuations. Our 2020 analysis showed that the median ROE for stocks with EV/sales above 10 times has been close to zero since 1999, and often negative for those above 20 times.

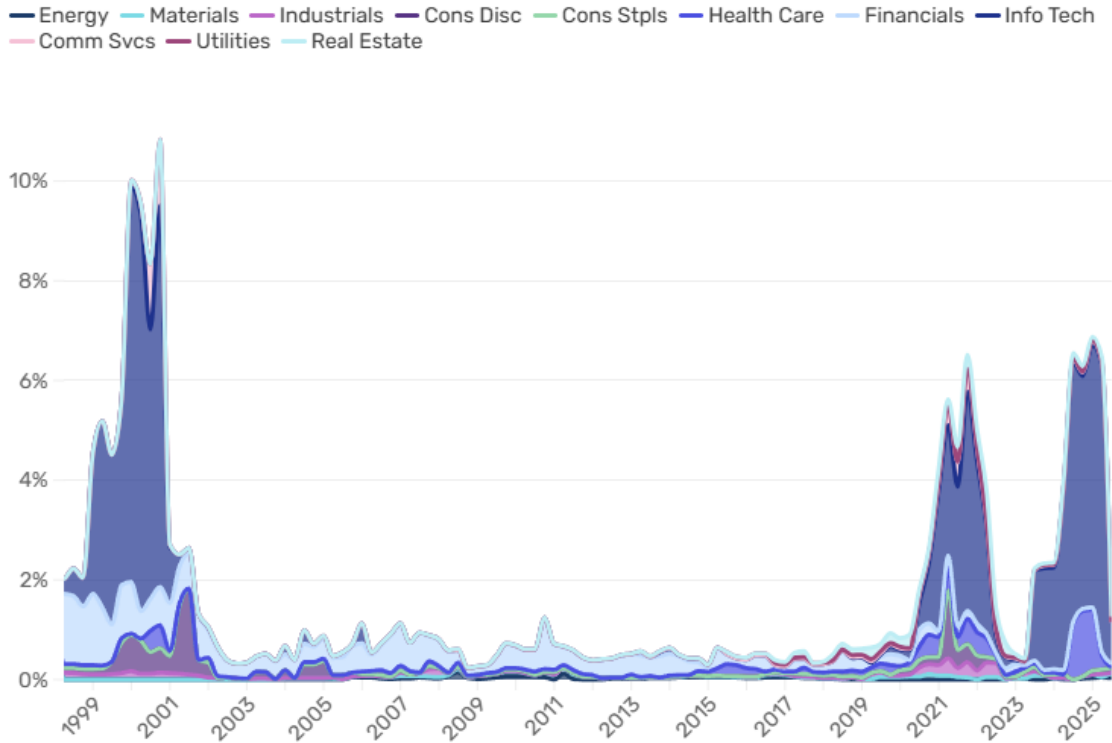
Figures 1 and 2 show today's concentration of stocks trading at these multiples rivals the dotcom bubble, with the Information Technology sector driving much of the surge.

**Figure 1: Return to dotcom heights: Share of MSCI World stocks trading above 10x EV/sales**



Source: Man Numeric using MSCI World data as of 30 June 2025.

**Figure 2: Share of MSCI World stocks trading above 20x EV/sales**



Source: Man Numeric using MSCI World data as of 30 June 2025.

## Are we closer to 1995 or 2000?

Of course, this brings us closer to the Internet bubble of the mid- to late 1990s where we also had a rather normal interest rate environment. And the key similarity is a once-in-a-generation technology advancement that is drawing immense sums of capital.

Another many-trillion-dollar question is where we are on this multi-year growth cycle. If the ChatGPT moment in late 2022 was the equivalent to the Netscape moment in 1995, are we in the equivalent of 1998? If so, equity beta is going to be fun over the next two years. But if we are closer to 2000... maybe not so much.

We'd also be remiss not to mention the possibility that the ever-increasing rise of passive investing may contribute to the lack of discipline in terms of valuing stocks. Passive flows inflate the largest companies without regard for valuation, making it easier for speculative bubbles to persist and grow.

## Dispersion: signals of mispricing

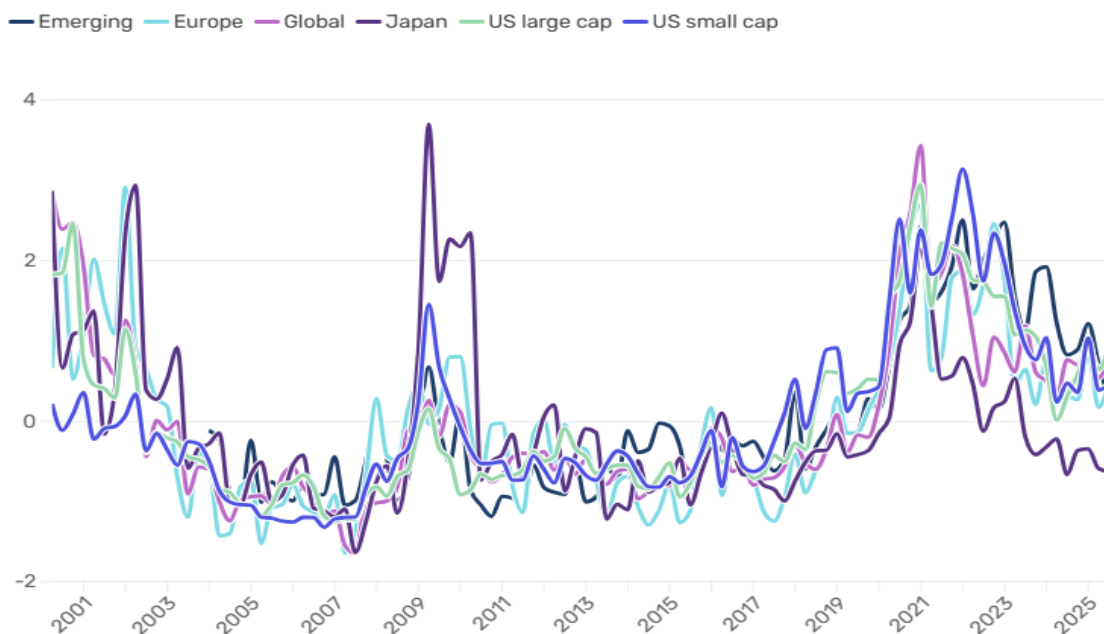
Regardless of whether parts of the market are overvalued, one thing we care about is valuation dispersion, which is the spread between the cheapest and most expensive stocks. Though not terribly useful as a short-term indicator, we believe that more dispersion signals better opportunities for Value investors.

This was true in the early 2000s after the Internet bubble burst, in 2009 after the Global Financial Crisis, and even in 2021-2022 after the COVID rally. Historically, wider dispersion has signalled greater opportunities for mispriced stocks, while narrower spreads suggest fewer inefficiencies to exploit.

Using forward earnings expectations, and neutralising for sectors and/or industries, dispersion across the global market looks relatively "normal."

Japan has narrower dispersion than usual, while other regions are slightly wider than average. This means that although some parts of the market look excessively expensive, there are still opportunities for Value investors – particularly outside of Japan.

**Figure 3:** Valuation mispricing or opportunity? Dispersion in forward E/P across regions



Source: Man Numeric using MSCI World data as 30 June 2025.

## Parting thoughts

While AI-driven enthusiasm has pushed valuations to extremes, history tells us that stocks trading at these multiples rarely deliver the returns needed to justify their price tags. Caution is warranted. Fundamentals still matter.

*All data Bloomberg unless otherwise stated.*

*1. Facebook, Apple, Amazon, Netflix, Google*

*Daniel Taylor, CFA is CIO and Ben Zhao is a Portfolio Manager, [Man Numeric](#). Man Group is a specialist investment manager partner of [GSFM Funds Management](#), 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 Numeric 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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