Firstlinks
a Morningstar company

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Editorial

Even local investors are getting fed up with ASX stocks. There's been a rush of money heading out of Australian equities into overseas markets, especially the US, of late. No doubt, part of that is chasing momentum in America, especially that of the Magnificent Seven. Yet, there's also growing disillusionment with the ASX: with its old world companies, its short- and long-term performance, and its prospects given a sputtering macroeconomic backdrop.

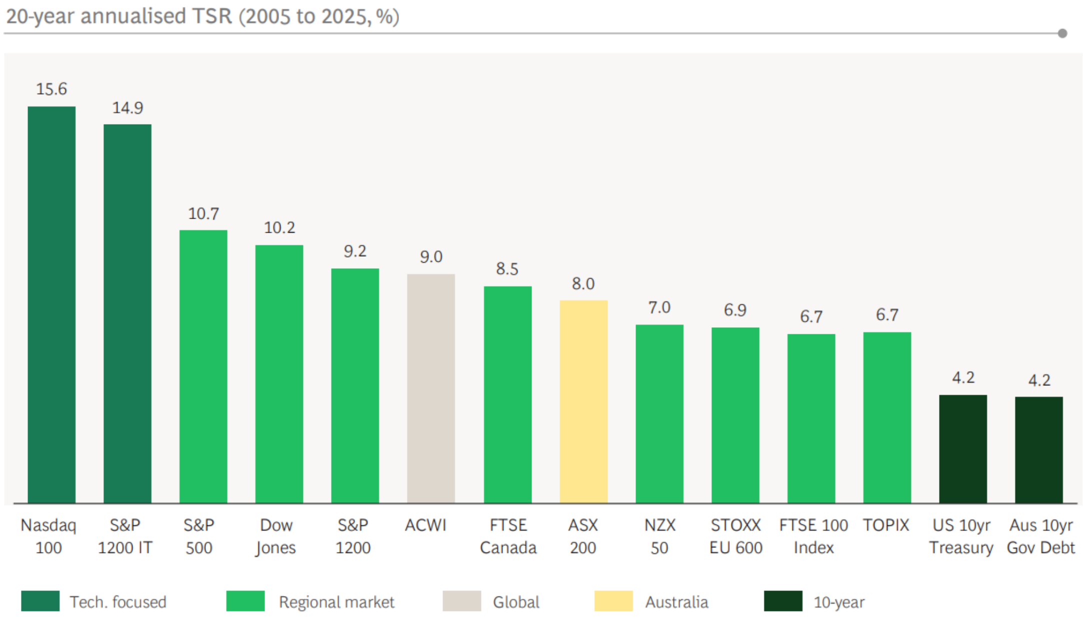
A new report by Boston Consulting Group (BCG), *Australian Value Creators: Two Decades of Excellence,* suggests the pessimism may be overdone.

First, though the Australian economy has undoubtedly slowed, GDP growth here has been far better than most other advanced countries, even the US, over the long term.

1. 2004 to 2024
Source: International Monetary Fund

Australia's economic growth has been primarily driven by exports - mostly mining - and the property market. And commodities are likely the key to Australian growth perking up again.

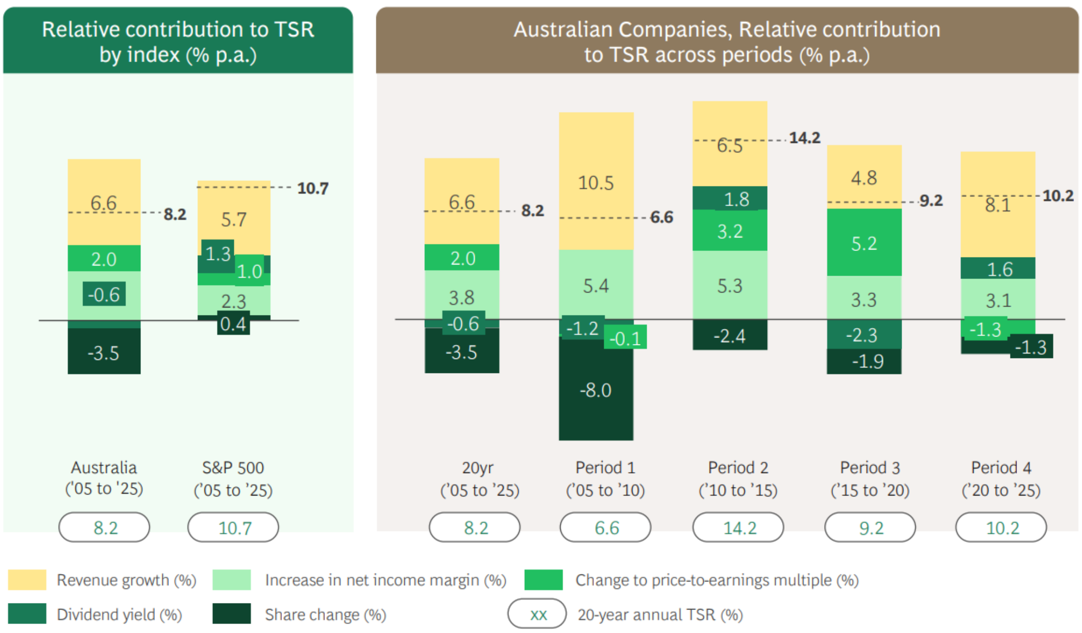
Second, while the ASX has badly lagged US markets of late, it's performed ok versus other global counterparts. The 8% total return from the ASX 200 over the past two decades has also meaningfully exceeded the risk-free rate of 4.2%.



Note: TSR measured at index level. Sectoral and company analysis reflects peer set, so will vary.
Sources: S&P Capital IQ; BCG ValueScience Center

Third, breaking down the sources of ASX performance during the period shows that Australian companies aren't as stodgy as they're made out to be. An amazing fact: revenue growth from ASX companies above $1 billion (6.6% per annum) has been higher than that from S&P 500 counterparts (5.7%) since 2005.

Revenue growth account for more than 75% of Australian company returns



Notes: TSRs are from period ending 30 Jun of each period and use company reporting currency. Sample includes companies with primary listings on the ASX or NZX, market capitalisation of at least AU $1b at the start and end of the period, and a minimum listing history of 5 years and 20 years as of the end period of each period.
Sources: S&P Capital IQ; BCG ValueScience Center

The above chart reveals that the key difference in ASX and US total shareholder returns (TSR) has been the much higher issuance of shares in Australia. A higher share count reduces company earnings per share and, ultimately, shareholder returns. The share issuance has been used to fund both growth and dividends.

“This can be explained, at least in part, by a tax system that encourages companies to pay high levels of dividends to deliver the value of franking credits to Australian shareholders,” BCG says. Mining companies have been the biggest culprits when it comes to issuing shares.

Metals & Mining drove higher revenue growth via share issuance vs Financial Institutions

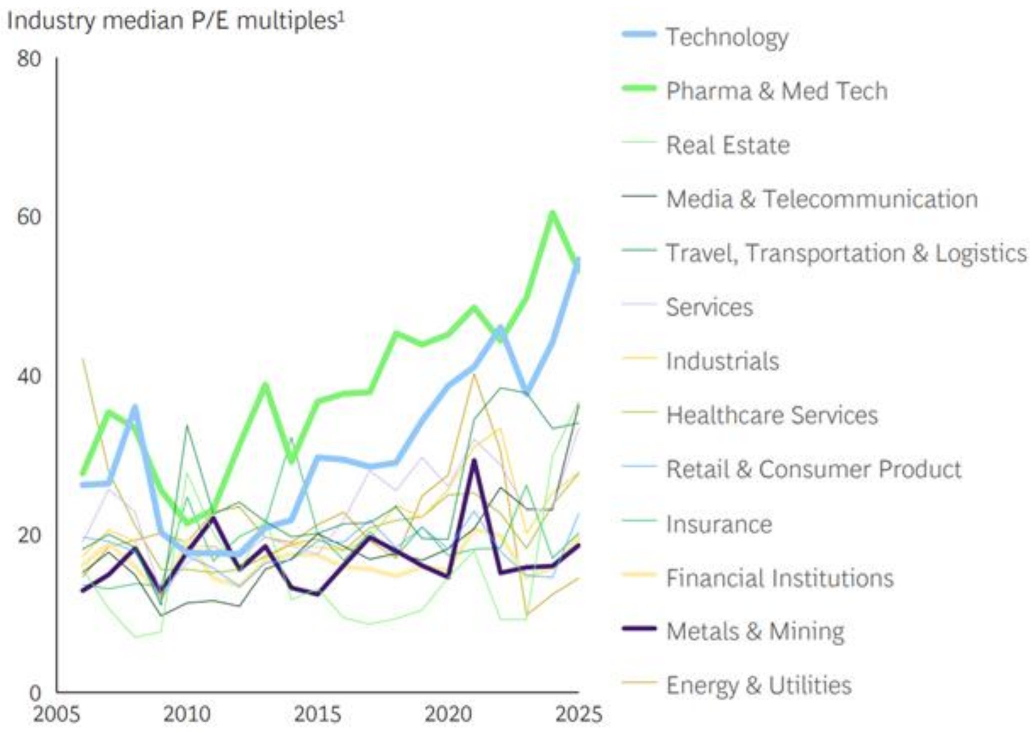
Notes: 1. Consists of companies with at least AU $1b market cap as of 30 June of each year 2. Median TSR disaggregation will not add up to total TSR
Sources: S&P Capital IQ; BCG ValueScience Center

Fourth, the ASX has several sectors that have achieved S&P 500-like returns. The ASX technology, pharma and retail and consumer products sectors have returned 20%, 15%, and 14% per annum respectively since 2005.

20-year TSR (%), Jun 2005–Jun 2025

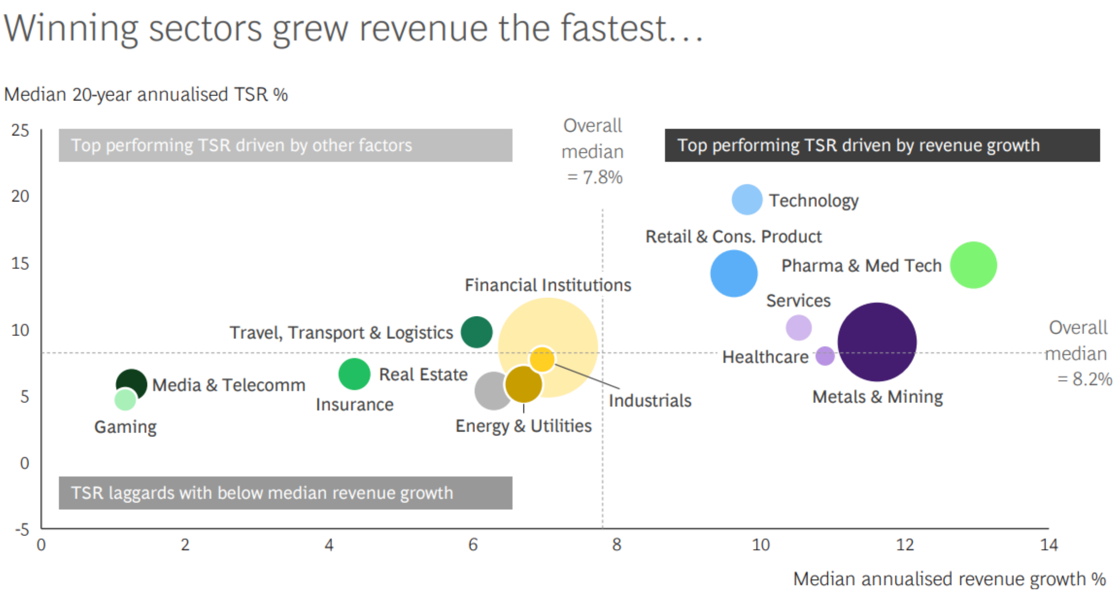
Notes: TSRs are from 30 June 2005 to 30 June 2025 and use company reporting currency. Sample includes 143 companies with primary listings on the ASX or NZX, market capitalisation of at least AU $1b as at 30 June 2005 and/or 30 June 2025, and a minimum listing history of 20 years as of 30 June 2025.
Sources: S&P Capital IQ; BCG ValueScience Center

An expansion in valuation multiples has driven part of their outperformance.



Notes: Sample includes 143 companies with primary listings on the ASX or NZX, market capitalisation of at least AU $1b as at 30 June 2005 and/or 30 June 2025, and a minimum listing history of 20 years as of 30 June 2025. Industry median P/E multiples are based on the average P/E ratios of individual companies within each sector for each year from (1 July to 30 June). Companies were grouped by industry and the median P/E multiple was then calculated across all companies within each industry group. Gaming industry has been excluded.
Sources: S&P Capital IQ; BCG ValueScience Center

But better revenue growth has been the principal drive to their superior performance.



The top 20 ASX performers

So, which companies have performed best over the past 20 years? Unsurprisingly, Pro Medicus heads the list, with total returns of 36% per annum. It's closely followed by Northern Star, and REA, Technology One, and Fortescue round out the top five.

Five archetypes of success among our top 20 performers (large caps)

Company	Industry	Mkt Cap AU $ billion	20-year TSR
Pro Medicus	Pharma & Med Tech	29.8	**36%**
Northern Star	Metals & Mining	26.5	**35%**
REA Group	Media & Telecomm	31.7	**31%**
Technology One	Technology	13.4	**28%**
Fortescue	Metals & Mining	47.0	**28%**
JB Hi-Fi	Retail and Consumer Product	12.1	**24%**
CSL	Pharma & Med Tech	116.0	**17%**
Evolution Mining	Metals & Mining	15.6	**14%**
CBA	Financial Institutions	308.9	**14%**
Cochlear	Pharma & Med Tech	18.6	**13%**
Computershare	Technology	23.1	**12%**
Macquarie	Financial Institutions	83.4	**12%**
APA	Energy & Utilities	10.7	**12%**
Aristocrat	Gaming	40.6	**11%**
W.H. Soul Pattinson	Financial Institutions	15.4	**11%**
Wesfarmers	Retail & Cons Product	96.2	**11%**
James Hardie	Industrials	17.9	**10%**
ASX	Financial Institutions	13.5	**10%**
Rio Tinto	Metals & Mining	151.0	**10%**
Transurban	Travel, Transport & Logistics	43.5	**9%**

Global Niche Champion
#1 or #2 global player in a focused category

Domestic leader
#1 player focusing on local markets

Focused Miner
Miner with well-timed and executed single commodity strategy

Best of the Bigs
Mega cap player with a constant reinvestment in product/service and productivity

Portfolio player
Active portfolio manager of businesses with disciplined capital allocation and reinvestment

Notes: TSRs are from the period ending 30 June and use company reporting currency. Sample includes companies with primary listings on the ASX or NZX, market capitalisation of at least AU $1b as of 30 June 2005 or 30 June 2025, and a minimum listing history of 20 years as 30 June 2025. Large cap cutoff was $10b as at 30 June 2025

BCG groups the best performers into five categories:

Global niche champion: These are companies that have global footprints though operate in niche markets - niches that are big enough to allow sustainable, above-average growth but small enough to allow sufficient share to reinvest with scale. Examples include Cochlear, CSL, and Aristocrat.

The domestic leader: These companies have their niche, but their success comes from one, or only a few, local markets. REA is a good example of this.

The focused miner: BCG says the two gold miners in the list, Evolution Mining and Northern Star, have both shown operational excellence and focused on cashflow generation, over pursuing growth just to add size.

The best of the bigs: Both CBA and Rio Tinto have been able to grow despite their enormous size. CBA has done it by focusing on improving internal operations, while Rio has been a world leader in bringing automation to its mining and rail fleet.

The portfolio player: This includes companies that manage a portfolio of multiple businesses such as Wesfarmers and Washington Soul Pattinson. Their key defining features are skilled management teams with a constant focus on returns and active use of buy and sell-side M&A to upgrade the portfolio.

Lessons for the next 20 years

Being a consultancy, BCG mostly focuses on what companies can do to better shareholder returns.

For investors, the archetypes that the report uses to describe the best performers offer a useful template to pick future winners. Ideally, you want leaders in markets, often operating in niches that offer a large runway for growth yet are small enough to dominate and not attract too much competition.

For miners, focus is the key. Resource companies that habitually issue shares to fund big acquisitions with questionable return prospects should be avoided.

Otherwise, there are conglomerates like Wesfarmers and Soul Patts that are quasi investors themselves. They are a little like fund managers, and as with fund managers, backing great leaders is important, though it comes with key person risk too. In Soul Patts' case, Rob Millner, won't last forever, however the company seems to have a deep bench of able managers. For Wesfarmers, balancing the continued growth of Bunnings with allocating cashflow to newer ventures will require both skill and patience.

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In my article, a stand-in Prime Minister makes an important speech on fixing housing. It starts: "Fellow Australians, I want to address our most pressing national issue: housing. For too long, governments have tiptoed around problems from escalating prices, but for the sake of our younger generations, that stops today..."

James Gruber

Also in this week's edition...

Family trusts have long been a cornerstone of wealth planning in Australia, but with the ATO tightening its grip and compliance becoming more complex, some are rethinking their value. From stricter scrutiny of family trust elections to looming tax reforms, the landscape is shifting. **Peter Bardos** assesses whether these structures are still worth the effort.

Vanguard built a $14.8 trillion empire on a simple idea: do less, stay the course, and let the market work. But while passive investing has gone mainstream, too many investors use passive products in decidedly active - and harmful - ways. In an extract from their new book, *Investing Your Way*, **Morningstar's Mark LaMonica** and **Shani Jayamanne** challenge you to rethink what it really means to be a long-term investor.

With housing risk rising and defined benefit pension liabilities climbing, the Future Fund may become more than a buffer - it could become a bailout mechanism, according to **Clime's John Abernethy**. If at some point in future, mortgage defaults accelerate and bank balance sheets falter, he thinks the government could look to the Fund's capital as a backstop for systemic risk.

Managed accounts are fast becoming the cornerstone of modern portfolio design, blending the best of institutional rigor with personalised investor control. With more $230 billion under management, **VanEck's Arian Neiron** says the challenge now lies in ensuring governance, independence, and strategic agility amid growing complexity.

We've all heard about the significant supply challenges facing the residential property market, including rising construction costs, land shortages, regulatory red tape and so on. It turns out commercial property is suffering from the same problems. And with demand for commercial real estate turning back up, **Charter Hall's Steve Bennett** thinks we're in the early days of an upswing in the sector.

Hands up, who likes toll roads? Me neither. Yet, they're part of everyday life in Australia. **Milad Haghani** and **David Henscher** weigh up the pros and cons of privatised toll roads, and conclude that the current system needs a shake-up.

Two extra articles from **Morningstar** this weekend. **Jon Mills** on a solid start to fiscal 2026 for BHP and **Seth Goldstein** analyses Tesla's third quarter result.

Lastly, in this week's whitepaper, **Tanarra** - a **GSFM** affiliate - looks at the case for a rotation into private credit.

A speech from the Prime Minister on fixing housing

James Gruber

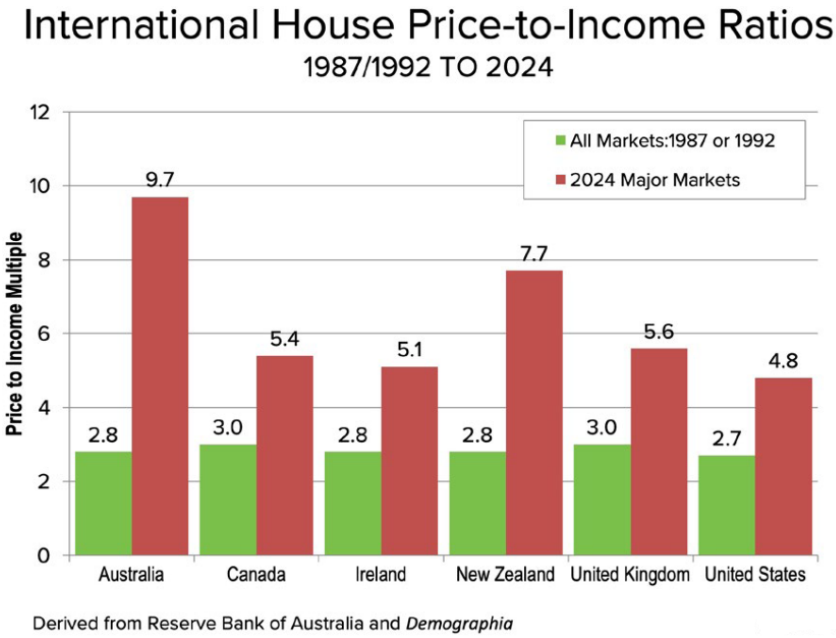
“Fellow Australians, I want to address our most pressing national issue: housing. For too long, governments have tiptoed around the problems from escalating prices, but for the sake of our younger generations, that stops today.

First, let me run through what our housing issues are and how we got here.

The biggest problem we face today is that property prices are out of reach for many younger Australians. That’s only a recent thing.

Back in my youth – in the 1980s and 1990s - housing was more affordable. Yes, interest rates were a lot higher then, but those rates consistently fell through those decades, and right up to the Covid-19 period.

In 1987, house prices were the equivalent of 2.8x the annual income of households. Today, that multiple is 9.7x and rising.



According to consultants, Demographia, we now have five of the 15 most expensive cities in the world when measured on a house price to income basis. Adelaide, Brisbane, and Melbourne are pricier than cities like New York and Greater London.

What house prices have done is to increase inequality between generations, and that has increased tensions between those generations.

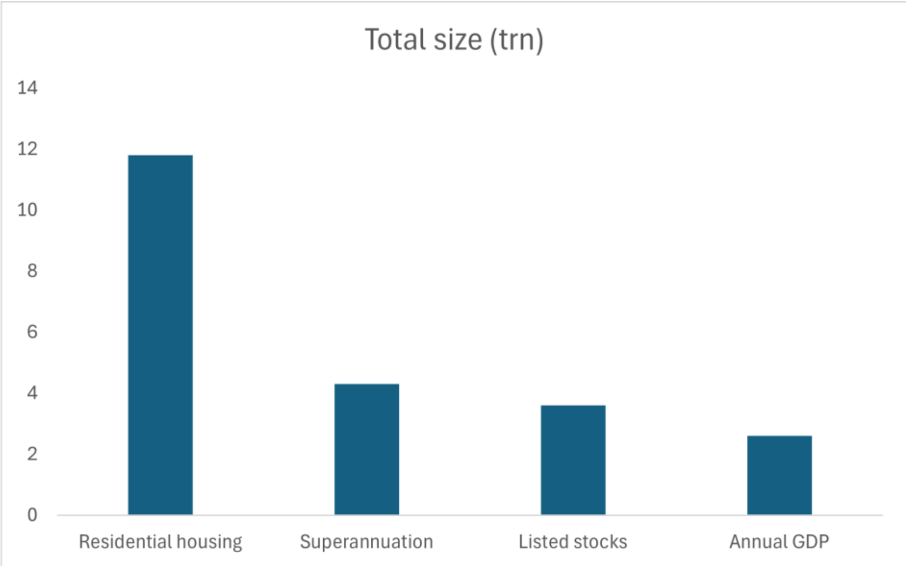
Some might argue that the young will always have the Bank of Mum and Dad, though let's not forget that many of them don't have access to this.

And the broader issue is whether we want to be a society where wealth is passed down from one generation to the next, making it harder for people to move up the income and wealth ladders.

I'd like to think not and that we are still a country that can offer a 'fair go' for all.

Unaffordable house prices aren't just a problem for our younger generations. They're also an issue for our economy too.

Property is so large compared to our economy that it is almost our economy these days. The latest figures show that residential housing is around 4.5x the size of annual GDP.



Source: Cotality, World Bank, Firstlinks.

We've become so reliant on housing that any fall in prices would have a major impact on our economy. That makes our economic prospects increasingly fragile.

Not only that but housing's dominance means there's too much money flowing into property and not enough into other areas that have the potential to drive our economy.

More money going into innovative technology, health and other fast growing industries could do wonders for our productivity and living standards going forwards.

So, they are the main problems. You may ask: what's caused them?

It's a combination of a lot of things. On the supply side of the equation, it's obvious not enough housing has been built to keep up with demand. People have blamed NIMBYs, planning regulations, construction costs, and a host of other factors.

However, I think there's a bigger, neglected issue at play. For decades, Australia and many developed countries have had an overreaching strategy of making cities denser – that is, building more in inner city areas. Yet, that has made only land scarcer and driven up land prices.

When it comes to demand for property, I admit that governments including ours haven't helped on this front. Tax breaks, first homeowner grants, and increased immigration numbers have juiced demand and prices.

Governments are well intentioned though sometimes what helps people in the short run isn't always what's best for the country in the long term.

The mismatch in supply and demand has led to ever-rising prices and it's got to the stage where housing is treated as much as an investment as it is a place of shelter.

Recent figures show that investors account for around 40% of new housing loans. That doesn't seem like a sign of a healthy property market.

No doubt you'll be eager to hear about how my government intends to fix the housing issues.

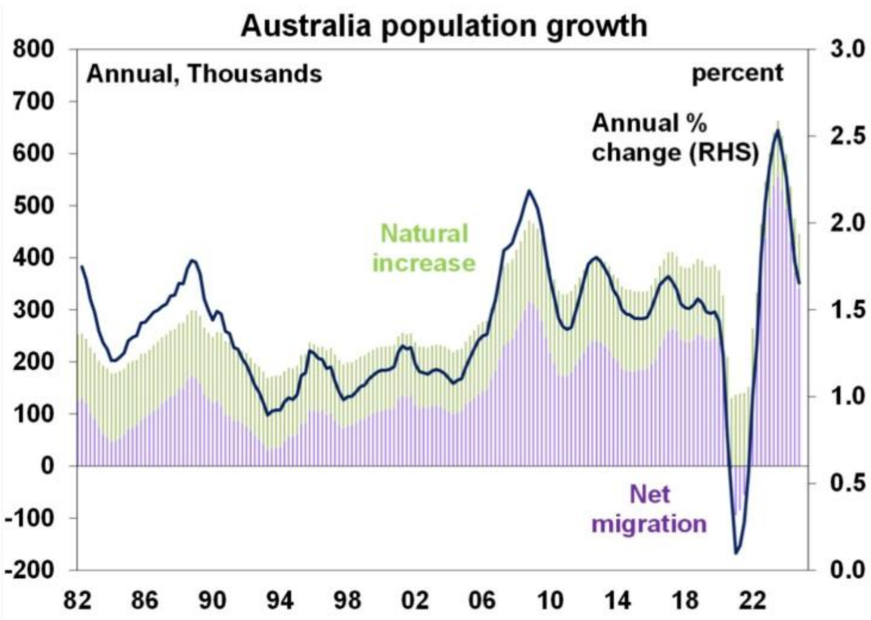
Well, I don't think any individual policies are helpful without an overreaching goal. So today, I'm announcing our target to keep house prices flat across the nation for the next decade. You can judge my leadership on how close we get to this goal.

Why aim for flat prices? Because if wages grow by 3% a year over the next 10 years, it means houses will become more affordable for more people over time.

And this target will allow for a gradual adjustment in the housing market. We don't want a big dip in prices because that would impact current owners and it would put a big hole in consumer spending and our economy. A gradual adjustment seems more sensible.

How are we going to achieve this? First, we're going to address demand by cutting migration.

Last financial year, we had 667,000 migrants come to our shores, up from 464,000 a decade ago. Those high figures have put all sorts of pressure on house prices and rentals.



Source: AMP

We are going to cut that migrant number in half from January for 12 months. This measure should ease demand for both housing and rentals.

Our focus will be on primarily bringing in skilled migrants and temporary ones who have building skills and can help ease construction work shortfalls. Other areas of migration will be cut.

A similar policy has recently worked in Canada, which late last year implemented significant cuts to migrant numbers. Since then, both house and rental prices have marginally fallen across the country.

Don't get me wrong, immigration has been wonderful for our country for a long time. But, the numbers, especially coming out of Covid, have been high, and it's time to act on this.

If cutting migration doesn't work to flatten house prices, then we reserve the right to take further action to reduce demand, and target tax breaks, first homeowner grants, and even bank lending, especially to investors. We'll roll out more policies until we achieve our aim.

On the supply side, we're going to continue to increase the building of new homes but we're going to do it in a smarter way.

The new strategy will emphasise development in outer urban fringes. This is going to be a major task because we're first going to have to build the infrastructure on these fringes. Especially transport, principally fast trains.

We don't want people to live in these areas and be forced to commute 90 minutes to get to jobs in the city. We need faster transport to connect homes to employment opportunities. And that's not to mention building the facilities, schools, shops and so on, to make these areas livable.

We'll still increase housing in inner city areas though the emphasis will switch to expanding our city boundaries and housing.

There will be plenty of critics to this new planning strategy, though let me reiterate that densifying cities, like we've been doing, hasn't worked to tame house prices.

It's worth noting that our counterparts across the Tasman have had some recent success with greenfield development in outer urban areas, which has contributed to falling house prices in recent years.

To help with this strategy, we're going to tie state government funding to quotas for land release, and we're going to tie government funding for councils to quotas for housing approvals.

Undoubtedly though, increasing supply is a slow burn. That's why we need to take immediate action to reduce demand, first by reducing migration numbers and then with other policies if needed.

Outside of these housing specific policies, we're going to ramp up incentives for businesses in fast growing industries. In AI, biotechnology, IT services and infrastructure, and renewable energy. We've become too reliant on housing to grow our wealth and we need businesses to pick up the slack. We want to help businesses succeed not only locally, but globally. Hopefully, this increases the flow of money into businesses, at the expense of the housing sector.

All told, I expect to get plenty of feedback about the new measures. From businesses aggrieved by the reduction in migration, which will impact demand for their goods and services. From current homeowners and investors who've been used to consistently rising home prices. From people employed in the real estate industry, who've benefited from decades of soaring house prices. From universities, about decreasing international student numbers.

What I would say to them is this: the country can't be run to satisfy a segment of the population; it must be run for what's best for the whole country.

The situation with property prices is out of control and major action is needed. Making housing affordable for younger generations is this government's number one priority and we won't stop it until we make it happen.

Thank you for your attention and good day."

**To be clear, Anthony Albanese did not make this speech, though I wish he did. It's purely the work of my imagination.*

James Gruber is Editor of Firstlinks, aka Prime Minister for a day.

Family trusts: Are they still worth it?

Peter Bardos

Discretionary (family) trusts have long been a favoured structure for Australian families and business owners, offering flexibility and asset protection. But with rising scrutiny from the Australian Tax Office (ATO) and increasing compliance complexity, many are asking, are they still worth it?

The ATO has intensified its focus on trust distributions, beneficiary entitlements, and access to tax credits, often applying narrower legal interpretations to established practices. This growing attention is partly due to the significant economic footprint of trusts (over $60 billion distributed to 1.7 million recipients).

While discretionary trusts remain useful wealth vehicles, the administrative burden and compliance costs are undeniably increasing.

Some of the key issues arising from discretionary trusts currently are:

Family trust elections (FTEs)

To access tax benefits like franking credits or carryforward losses, a discretionary trust must elect to be a family trust (FTE), nominating a 'test individual' (typically a parent or grandparent). Only members of the test individual's family group can receive income without triggering the 47% Family Trust Distribution Tax (FTDT).

We're seeing increased ATO scrutiny around FTDT, especially during succession planning. For example, if a trust with 'Dad' as the test individual distributes franked dividends to a company owned by his daughter's trust (with her as the test individual), FTDT applies - resulting in a $47,000 tax on an otherwise 'tax-free' $100,000 distribution.

The ATO also considers broader definitions of "distribution," including loans, credits, and property transfers. FTEs require careful planning, particularly during intergenerational wealth transfers.

1. Corporate beneficiaries and the 45-day holding rule

The ATO is reviewing whether newly incorporated corporate beneficiaries meet the 45-day holding rule for franking credit eligibility. This rule requires shares to be held 'at risk' for 45 days, but if the beneficiary company is created after the dividend is paid, eligibility is questioned. Official guidance from the ATO is still pending.

2. Section 100A: reimbursement agreements

It has been a few years since the ATO issued its guidance on reimbursement agreements. These rules require the beneficiary to receive the ultimate benefit of any appointed trust entitlement. The ATO continues to audit under this provision, despite mixed outcomes in court. Its 2022 public guidance remains in effect.

The Bendel Case

The Bendel Case has received a lot of attention as the Full Federal Court disagreed with the ATO's long-held view that unpaid entitlements with private companies fall within the definition of loan in Division 7A. The High Court has granted the ATO leave to appeal and the ATO will continue to apply the existing views while the outcome is pending, Regardless of the outcome, the ATO has signalled it may use other provisions to achieve similar tax results.

What changes are being considered?

Treasury and government policy groups are actively reviewing discretionary trusts as part of broader tax reform initiatives. Some theories of what might be included in a potential reform include:

• Imposing a flat tax rate of 24-30 per cent on trust distributions

• Treating trusts like companies for tax purposes

• Reducing the capital gain tax discount available

• Introducing a dual income tax system, where labour income is taxed progressively and passive income is taxed at a flat rate.

So, are trusts still worth it?

Despite the growing attention and complexity, discretionary trusts remain valuable where they are managed diligently and sufficient investment is made in their administration.

Although the changes remain to be seen, we expect the legal flexibility will continue to outweigh the tax complexity. This all needs to be considered and appropriate advice is required throughout each stage of a trust's lifecycle. Trusts should not be set up just because someone said it was a good idea.

Peter Bardos is a tax partner at HLB Mann Judd, Sydney. This article is for general information only. It should not be accepted as authoritative advice and any person wishing to act upon the material should obtain properly considered advice which will take into account their own specific circumstances.

Multiple ways to win

Shani Jayamanne, Mark LaMonica CFA

The following is an extract from Morningstar's Mark LaMonica and Shani Jayamanne's new book, Invest Your Way.

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Just 30 kilometres outside of Philadelphia, Pennsylvania, sits the sleepy town of Malvern. Population: 3419. The town was best known as the site of the obscure battle of Paoli in the Revolutionary War, when British regulars surprised American militia in a night attack. The town is now known for something else: it is the headquarters of Vanguard, which manages just under A$14.8 trillion in assets. That's a hard number to wrap your head around. It's more than five times Australia's GDP. Vanguard could buy every publicly traded company in Australia — 8.75 times over. Vanguard is the champion of passive investing and has become synonymous with the investing style. As passive investing has gained in popularity Vanguard has become a juggernaut in the investing world.

For years there has been a debate between advocates for active and passive management. It may be too early for either side to declare victory, but the momentum is certainly with passive. Investors will argue passionately about active vs passive. Within active management there will be advocates for certain strategies or approaches.

You won't get that from us. We don't think there is only one investment strategy. One of the tenets of this book is that there are multiple ways you can invest to accomplish your goals. We want you to find a strategy that you are comfortable with and believe in, that is right for your goals and your circumstances. That's why we think these debates about the 'right' strategy are of little value.

However, the debate on actively managed versus passively managed investments does illustrate where so many investors go wrong. In this chapter we dig into the debate a bit further to show that it isn't what you invest in that matters, it's how you invest and how you frame success.

Passive describes behaviour and not investments

Vanguard founder John Bogle described passive investing in a straightforward way. Pick your asset allocation. Gain exposure to each asset class using a broad-based index and then do nothing. The passive part about following Bogle's investment approach is not the investments in your portfolio — it's you.

You do nothing and trust that over the long term low fees and better tax outcomes will make a difference. Trust that all this activity that investors go through making decisions on what to buy and sell and when to buy and sell only detracts from returns. Passive investing is based on the notion that investors can't make good decisions consistently and end up owning the wrong things at the wrong times. Bogle famously summed up passive investing like this: 'Don't look for the needle in the haystack. Just buy the haystack.'

This is a passive strategy. No-one is picking individual investments that go into a fund or ETF, and the end investor is not picking what to buy and sell or when to buy and sell those products.

This compelling investment approach has attracted legions of investors to the passive camp. The problem is that somewhere along the way people lost sight of why passive investing works. There's a difference between passive investing and using passive investment products to actively invest.

Buying and selling different passive investments is not passive investing. Stretching the boundaries of what is considered passive to narrower and narrower indexes that promise exposure to a compelling theme is not passive investing. Investing in products that follow an index with high turnover through constant rebalancing is not passive investing. Remember that the passive part of passive investing is not the products you buy. *You* are passive.

It isn't what you invest in but how you invest that matters

John Bogle was a big critic of ETFs when they came out. To Bogle an ETF didn't make any sense. If you are investing passively, why do you need an investment that you could easily trade. Bogle understood the downside of poor investor behaviour and was worried that the biggest selling point for an ETF — the fact that they are easy to trade — would lead to more trading. He was right. A study conducted by UTS in 2008 explored whether individual investors benefit from the use of ETFs. The study found that portfolio performance when investors used ETFs was lower than when they didn't.

It wasn't a small loss. The study found that ETF portfolios underperformed non-ETF portfolios by 2.3 per cent a year. In theory this makes no sense. The difference in returns is the result of buying and selling ETFs at the wrong time rather than choosing the wrong ETFs. A critical finding in the study was that ETF portfolios did outperform if the investor bought the investment and held it for the long term. Is there an inherent problem with ETFs? Of course not. The problem is us.

There is a difference between investments and investing. An investment is something you buy and sell, like an ETF or a share. Investing is a process. This book is about the process of investing. Most books about investing are about how to find the right investment to buy. We think the process is far more important. The success of any process comes down to a few common traits: patience, resilience and consistency lead the list. Investing is no different.

The inconvenient truth about investing is that our own behaviour is having a negative impact on our results. The good thing is that your behaviour is completely in your control. If you avoid mistakes, you will get better results than everyone else. Stop following the approach taken by many professional investors who frequently trade. They do that because if they have short-term underperformance investors will pull money out, which will hurt their livelihood. You have none of those pressures. The only thing trading too much is doing for you is hurting your returns.

Trading too much isn't just an issue with investors who pick passive investments. Active fund and ETF investors tell themselves that they are letting professionals manage their money because they think it's too hard to pick individual shares. Yet they constantly switch which professionals get to manage their money based on short-term performance.

Passive fund and ETF investors can be holier than thou. They quote John Bogle constantly, yet they don't follow his advice. They switch passive investments frequently based on their perception of what will do well based on short-term market conditions. They buy high and sell low. They decide anything tracking an index is passive, even if that index has 10 shares that are selected fortnightly using a Ouija board.

Both active and passive investing can work, but we don't think active investment works in the way it is practised by many fund managers. We also don't think passive investing works in the way most end investors practise it.

Our point is simple and is repeated ad nauseam throughout the book. In investing we have met the enemy . . . and it is us. Changing your behaviour is hard. It means ignoring articulate people making compelling cases for and against investments. It requires immunity to highly paid and skilled marketers. It means dulling your emotions as your portfolio climbs and falls.

One of our favourite things about investing is that it is all about us. It's us against the world. Maybe the playing field isn't level and professionals have more time and resources than we do. Maybe they know more than we do. They may be far smarter than we are. Yet we retain control over our outcomes. It comes down to the basics: having a goal and a long-term strategy. Most of all, it means resisting the temptation to constantly chase returns.

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This is an extract from *Invest Your Way*, a personal finance book that combines foundational investing theory, real-world application and our own experiences. It is designed to help readers create a financial plan and investing strategy that is tailored to their unique goals and circumstances.

Purchase from Amazon: https://amzn.to/46qMXAu
Purchase from Booktopia: https://booktopia.kh4ffx.net/55zd5N

Mark Lamonica, CFA, is Director of Personal Finance at Morningstar Australia.

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The Future Fund may become a 'bad bank' for problem home loans

John Abernethy

In the Future Fund's FY25 Annual Report, Chair Greg Combet highlighted that the fund will not be paying defined benefit pensions (DBPs) until at least 2033 - some 27 years after the fund was formed and 13 years later than its original design.

The Chair stated:

> *"The deferral of withdrawals ensures that the Future Fund can continue to strengthen the Australian Government's long-term financial position and make sustainable contributions to the Budget.*
>
> *This was a welcome decision as it provides our organisation, certainty to continue to build the portfolio and structure the Agency for a longer-term future.*
>
> *By 2032-33, the Future Fund is expected to grow to $380 billion. That should enable not only all of the pension liabilities to be met over ensuing decades but also generate earnings that form the basis of an enduring sovereign wealth fund."*

Let me unpack this statement and draw some conclusions:

1. Deferral of withdrawals is a quaint way of saying that the Future Fund ("the Fund") will not pay pensions. The Australian taxpayer, through the budget, is paying at least $14 billion p.a. in DBPs. This annual amount will grow in each year and until the Fund takes responsibility for payments.
2. In 2033, according to the Fund Chair, it is expected that the liability of DBPs will be $380 billion. The original estimate in 2006 was $140 billion - oops!
3. If the expected liability is suggested to be $380 billion in 2033, then it is $380 billion today - that is the known liability - and not the $313 billion in budget papers - oops!
4. If the Australian taxpayer will pay an estimated total of $120 billion in DBPs over the next 7 years, then the true liability is actually $500 billion - oops!

I refer readers to disclosures in the recent FY25 Australian Budget outcome statement. The following table from the budget papers shows the superannuation liability (i.e. defined benefits) of the Commonwealth as $313 billion, a $9.9 billion increase over that forecast on budget night, just six months ago, in March 2025! The movement of the liability is a work of art by the Commonwealth Actuary, and they have never been conservative in any of their estimates over the last 20 years.

Note 17: Employee and superannuation liabilities

	2024-25 Estimate at 2025-26 Budget $m	2024-25 Outcome $m	Change on 2025-26 Budget $m
Total superannuation liability(a)	**303,276**	**313,201**	**9,925**
Other employee liabilities			
Leave and other entitlements	10,577	11,109	532
Accrued salaries and wages	986	1,188	202
Workers compensation claims	2,061	2,046	-15
Military compensation	46,625	80,099	33,474
Other	696	821	125
Total other employee liabilities	**60,944**	**95,263**	**34,319**
Total employee and superannuation liabilities	**364,220**	**408,464**	**44,244**

a) For budget reporting purposes, a discount rate of 5.0 per cent determined by actuaries in preparing the 2023 Long Term Cost Reports is used to value the superannuation liability. This reflects the average annual rate estimated to apply over the term of the liability and it reduces the volatility in reported liabilities that would occur from year to year if the spot rates on long-term government bonds were used. Consistent with AAS, the superannuation liability for the 2024–25 FBO was calculated using the spot rates on long-term government bonds as at 30 June 2025 that best matched each individual scheme's liability duration. These rates were between 3.8 and 5.0 per cent per annum.

The lack of transparency and the constant upward movement in the estimate of he defined benefit liability is breathtaking. The lack of critical questioning of these points by Senators in Committee or by the Opposition in Question Time, suggests the cover up is bipartisan, with beneficiaries of DBPs having considerable influence.

Further, it has now become standard practice for the budget papers to understate the net debt of the Commonwealth by excluding DB labilities. Again, I refer readers to the following snippet from the FY25 Budget outcome.

Net debt

Net debt is the sum of interest bearing liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements). Financial assets include the Future Fund's investments in interest bearing securities and collective investment vehicles (CIVs). CIVs enable investors to pool their money and invest the pooled funds, rather than buying securities directly. Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

So where to for the Future Fund?

Simple observations and mathematics suggest that there is much hidden from the taxpayer concerning the true size of the DB liabilities, and the true amounts of the annual pension payments over the next 30 or so years.

For instance, if the Fund reaches $380 billion in 2032 and it then has cash earnings of 5% (investing as pension fund), then the $19 billion p.a. of income should ensure that the Fund's capital will never run out. Of course, that assumes that the Fund Chair has accurately forecast the liability, based on correct forecasts from the Department of Finance and the Commonwealth Actuary.

I wonder how confident these public servants are with their forecast because the current earnings of the Fund appear greater than the current annual pension payments being made by taxpayers. Thus, if the Fund had paid its pension liabilities in FY25, then the Commonwealth would have turned a $10 billion deficit into a fiscal surplus. So why didn't it?

The next table highlights the extraordinary misforecast in March of the June year ended budget outcome. Treasury got it wrong by $17.8 billion or about $4 billion per month! Therefore, can taxpayers believe any forecast in the budget papers?

Table 1.1: Overview of key Australian Government general government sector budget aggregates

	2024-25 Estimate at 2022 PEFO	2024-25 Estimate at 2025-26 Budget	2024-25 Estimate at 2025 PEFO	2024-25 Outcome	Change on 2022 PEFO	Change on 2025-26 Budget	Change on 2025 PEFO
	$b	$b	$b	$b	$b	$b	$b
Underlying cash balance	**-47.1**	**-27.6**	**-27.9**	**-10.0**	**37.1**	**17.6**	**17.9**
Per cent of GDP	-1.9	-1.0	-1.0	-0.4			
Gross debt(a)	**1,117.0**	**940.0**	**940.0**	**928.6**	**-188.4**	**-11.4**	**-11.4**
Per cent of GDP	44.9	33.7	33.7	33.5			
Net debt(b)	**823.2**	**556.0**	**556.3**	**532.3**	**-290.9**	**-23.6**	**-23.9**
Per cent of GDP	33.1	19.9	20.0	19.2			

a) Gross debt measures the face value of Australian Government Securities (AGS) on issue and is presented as at the end of the financial year.

b) Net debt is the sum of interest bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements) and is presented as at the end of the financial year.

The Future Fund may be needed to solve a financial calamity

Here is a prediction that flows from Australia's immense and growing housing price bubble.

By 2030 it may become a social imperative to deal with the significant cohort of indebted households who have a mortgage that has either negative equity, or which cannot be paid back during the working lives of the borrower. Any house price correction will create an urgent need for a solution as it will risk a financial system calamity for our banks. Provisioning for negative equity could eat up profits and pull-down bank capital.

The Fund sits with a bundle of capital and a growing pension liability that will surely need a predictable and secure income source from Australian assets by 2033. Mortgage capital and interest fit the bill. Further, the banks may be asked to top up the yield to the Fund if they are averting provisioning by transferring vulnerable mortgage assets.

Based on current growth rates the size of Australian mortgage debt will exceed $3.5 trillion in 2030. If 10% of that debt is classified as in stress, then it may be appropriate to transfer those loans from the banks to the Fund (the Commonwealth).

Therefore, the Fund could be turned in to a "bad mortgage" fund, allowing the banks to relieve themselves of problem loans, in conjunction with the reintroduction of qualitative controls, needed to regulate credit for housing. That is, a proper reset to minimum deposit ratios. The benefit will be that the Fund will acquire assets whose cashflow will meet its pension payout needs.

Importantly, proper regulation of the provision of debt will mean that “5% deposit schemes” proposed by the government for "first home buyers" will not be necessary because residences will become more affordable under a housing policy that acts to limit leveraged demand.

The likely pain, represented by housing price declines, will be shared with the Fund that has abundant taxpayer capital. Indeed, the most vulnerable borrowers will be protected from lenders who will surely panic when the inevitable housing correction occurs.

John Abernethy is Founder and Chairman of Clime Investment Management Limited, a sponsor of Firstlinks. The information contained in this article is of a general nature only. The author has not taken into account the goals, objectives, or personal circumstances of any person (and is current as at the date of publishing).

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Managed accounts and the future of portfolio construction

Arian Neiron

We are on the cusp of the next evolution in portfolio architecture. Managed accounts are fast becoming the default in a maturing wealth management industry. For investors, this means greater access to institutional-grade diversification across listed, private and multi-asset exposures, delivered through a well-governed, managed accounts framework.

A managed account is an investment arrangement that is professionally managed on behalf of investors typically through a model portfolio. The individual investor retains beneficial ownership with full look-through reporting of the underlying holdings. The investment manager or adviser has the authority to select investments, make asset allocation decisions, typically within an agreed framework.

The Institute of Managed Account Professionals' (IMAP) recent funds under management census showed managed accounts in Australia surged to $232.8 billion in 2024, a 23.2% year-on-year increase, driven by strong market performance and $14.4 billion of net inflows in the second half alone.

Notably, separately managed accounts (SMAs), which are managed accounts that apply a standardised investment model across all investors in that SMA, now account for 64% of all managed account assets, with growth concentrated among eight firms managing over $10 billion each.

How we got here

The shift to managed accounts is a natural progression from the rise of managed funds. Remember, up until the 90s, share ownership was largely confined to high-net-worth individuals and institutions. A major turning point was when Commonwealth Bank and Qantas both floated in 1991 and 1995, respectively, prompting an uptick in share ownership in Australia. At the turn of the millennium and according to the ASX Australian Share Study in 2000, around 40 per cent of adults owned shares directly, although about a third had just one stock in their portfolio.

Today, that number is considerably higher with the introduction of compulsory superannuation, giving workers equities exposure via their super funds – often via the default balanced option.

Managed funds made balanced asset allocation via multi-sector products widely available for the first time to individual investors. But it was also at the expense of transparency, investment expertise and flexibility – issues that were subsequently addressed by exchange-traded funds (ETFs).

Today, the investment environment is shaped by complexity, personalisation and technology, and millions of Australian investors have evolved their portfolios to take advantage of an increasingly sophisticated managed account ecosystem.

The change to portfolios

More than a convenience, the evolution of managed accounts is a structural re-engineering of portfolios.

The most compelling shift lies in the asset mix: ETFs now comprise 19% of managed account holdings, up from 17% just six months earlier, and are increasingly replacing direct investments in equities.

This marks a decisive move toward liquid, transparent and cost-effective exposures, driven by platform design and investor demand. However, it does not displace the role of financial advisers, model portfolio managers, investment consultants and other wealth professionals, whose industry knowledge and depth of experience will be vital for helping investors navigate the new landscape. Not all managed accounts are created equal, and advisers are uniquely positioned to look beyond a managed account's 'packaging' to examine the underlying architecture more closely.

Recent trends

A concerning trend we have observed is where the holdings in a managed account that was initially diversified across issuers are progressively replaced with the investment manager's own funds. Given the flurry of mergers and acquisitions in this space, structural independence helps ensure portfolios remain separate from product manufacturers and free of commercial conflicts.

To limit bias and model drift, investments should also be backed by credible third-party oversight that is reinforced by strong governance with formal committees, clear rebalancing rules, and scenario testing. These standards should be essential, not optional, for those allocating significant capital.

The future is beyond traditional asset classes, and increasingly, we see financial advisers exploring alternative investments within managed frameworks. Private credit is one such alternative investment that is increasingly found within managed account portfolios, however we think exposure to this asset class still requires the acumen of an experienced adviser to navigate the risks and opportunities appropriately as per each investor's risk profile.

Private markets, while compelling, lack the liquidity to respond in real time, creating mismatch risk across the total portfolio. The issue to overcome for managed accounts is that they cannot be constrained to illiquid assets. The idea of embedding 20 - 30 per cent private market exposure within a managed account portfolio is conceptually attractive but practically constrained. Should public markets experience a sharp drawdown, strategic asset allocation thresholds may be breached, triggering rebalancing imperatives that cannot be met by illiquid assets.

In this new era of convergence, the rigour of institutional governance meets the accessibility demands of the modern retail investor, financial advisers, investment consultants and investment managers that will lead this next chapter are those who adopt institutional disciplines, evidence-based models, robust oversight, independence and capital market fidelity, while still honouring the agility and nuance of personalised advice.

Managed accounts are no longer a luxury for the few, and the growth and innovation of the ETF ecosystem are serving to drive greater adoption.

To paraphrase Herbert Simon's *Models of Bounded Rationality,* the hallmark of a mature investment culture is not the proliferation of products, but the architecture of decision-making behind them. The next frontier is not about access alone. It is about the quality of decisions, the integrity of design and the ability to adapt portfolios with precision and purpose.

Arian Neiron is CEO and Managing Director - Asia Pacific at VanEck, a sponsor of Firstlinks. This is general information only and does not take into account any person's financial objectives, situation or needs. Investors should do their research and talk to a financial adviser about which products best suit their individual needs and investment objectives.

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Commercial property prospects are looking up

Steve Bennett, James Gruber

This is an extract of an interview between Steve Bennett, Direct CEO at Charter Hall, and Firstlinks' James Gruber.

James Gruber: Let's first explore the macroeconomic landscape for property. We've had interest rates come down a little, which seems to have helped retail activity and the economy. Does that bring optimism for commercial property prospects versus six or 12 months ago?

Steve Bennett. Absolutely. What it's done is remove that uncertainty on whether interest rates would keep going up, and equally, when they would start coming down, and regardless of the type of real estate you're talking about, debt is a significant component, often around 30% to 45%, so falling interest rates mean that valuations are supported and there are lower interest costs.

Going forward, the market is changing rapidly. You had peak valuations in most commercial property sectors in June 2022. Fast forward to now - inflation has stabilized, interest rates are falling, unemployment is still in the low to mid 4% and then you combine that with some of the supply challenges of bringing new property to market.

Regardless of the commercial property segment, it's very challenging to make feasibility stand up, and that means developers won't undertake projects that are going to make them losses. And in Australia, where the population continues to grow strongly, demand is very robust and yet there is a challenging supply pipeline - so we are confident for those investors who own existing commercial property, the next three to five years should achieve outsized returns from core real estate.

JG: Can you just speak to those supply challenges a little more?

SB: Yes. Everyone's very familiar with the supply issues in the residential space. I would argue that exactly the same challenges exist whether you're trying to build a CBD office tower or a new convenience retail centre. Land's gone up. There are issues around getting skilled labour, the cost of labour, financing costs and delays in planning and approval processes add complexity and hurt your returns.

What it means is that for most sectors it is 20 to 55% more expensive to build something new than it is to buy existing property stock.

So, two things will tend to happen. Either the supply will slow down and demand will continue, and you get rents going up, or the supply that does come out of the ground needs to attract those premium, elevated rent levels to justify development. And in residential, that's why you're seeing - a lot more development at the premium luxury end of the market. Unfortunately, social housing and the lower price point properties get left behind because they don’t have those higher sale prices to justify the costs.

JG: Let's talk about office property, which has been the trouble child for the commercial property sector. Things seem to be turning around with supply remaining tight, people returning to the office. Do you see the turnaround underway?

SB: Yes, and I'd highlight that the challenges we've really seen in Charter Hall portfolios and assets haven't been occupancy related. We've continued to keep our buildings almost full, typically a 3% vacancy rate, far lower than the PCA [Property Council of Australia] benchmarks.

But the valuations have undoubtedly been under pressure, and many people are surprised to hear that the valuation decline in some office markets throughout Australia in this cycle fell more than they did in the GFC.

Pleasingly, we are now seeing areas of the office market that have valuations increasing. So, markets like the Sydney CBD, Brisbane’s CBD, Fortitude Valley in Brisbane. Then there are some other markets which have stabilised, such as Adelaide and Perth. The one laggard is parts of Melbourne. And that's more about some of the challenges for the Victorian economy more broadly.

JG: Industrial property returns have come down over the past 12 months, even though vacancy rates are very low. Why have returns softened and what do you see going forward?

SB: Let's put the vacancy rate in context to start with, because you're right. Vacancy is still low, around 3% on average nationally. Many of Australia's industrial markets are in the top 10 in terms of lowest vacancy rates globally.

What's come off, though, is the level of rental growth. The last few years, depending on the market, you've seen 12 or 13% per annum rental growth, all the way up to low 20%. We never thought that was sustainable long term. Over the last 12 months industrial rents have printed growth of around 4.5%. as the national average. Look, that's still a great return. It's outpacing inflation. If you can get that kind of return longer term, it looks good. So, what you're seeing is a normalization in the market rather than any issues in that sector.

JG: Retail more recently has been the strongest segment in commercial property. Capitalisation rates remain low though demand seems to have several tailwinds. Do you see demand for retail remaining strong?

SB: I should talk to the Charter Hall experience, and we focus on convenience retail.

You've seen a lot of new products come to market, syndicates, where it's one asset, often a big regional mall. We like to focus on retail property serving everyday needs.

We've just raised $1.8 billion from institutions into a new institutional convenience retail fund. And what those investors - and remember, these are some of the largest superannuation funds, sovereign wealth funds, offshore pension funds globally - are increasingly doing is moving the property allocation that would have historically been in the big regional malls and putting it into this convenience retail part of the market.

They like the very defensive core attributes of it. If you can get a good Coles or Woolies Neighborhood Center in a great catchment, it's basically irreplaceable. You cannot get approval to build something else in that area and what we have seen is strong supermarket turnover growth as we continue to have densification of metropolitan areas and a failure to deliver new supply into those markets.

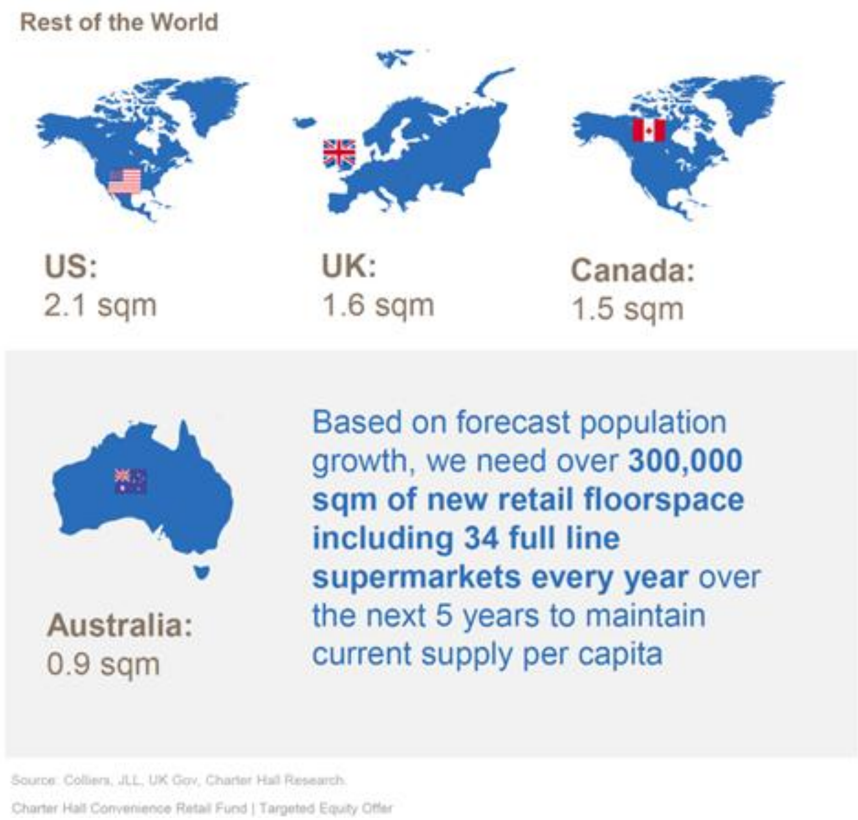
Source: JLL, Charter Hall Research. At 3Q25.

We tend to prefer to stay away from the big centres, which are heavily reliant on discretionary retailing, like apparel. It's not because they're bad investments, per se, but we like the defensive characteristics of convenience retail - the tenants who continue to have great cash flows, great balance sheets at all points in the economic cycle.

JG: So it's a more defensive retail holding for investors?

SB: Absolutely, and at this point in the cycle where cap [capitalization] rates have gone to and where we expect them to go in the next few years, we're targeting an IRR [internal rate of return] of 11% for a new high-net-worth fund that invests into that exact same institutional convenience retail portfolio. To get that return historically, you used to have to move up the risk curve and do some asset repositioning, potentially mixing in some developments, whereas we're targeting that from arguably the most defensive core part of the commercial real estate space.

Australian retail floorspace vs other comparable countries



JG: What's the biggest risk that you see for the property sector right now?

SB: I think we're through the biggest potential risks. A few years ago, there were some questions in some of the asset classes on whether there would be some distressed selling. When we talked about some of those office [property] declines earlier - would those flood the market?

What I would say is this cycle has been different to the GFC in that the valuation declines have been more gradual, and most managers entered this cycle with materially lower levels of gearing. You get distress typically when banks force a manager to do something, and we've seen limited examples of that occurring in the market.

I think the greatest risk is that retail investors, high net wealth clients and advisers miss this point in the cycle. Understandably, many of them have had a tough run in the last few years in terms of returns and those valuation declines. But if you look at what the big institutions and some of the most sophisticated investors are doing, they're looking at this as a buying opportunity. They know that the best returns are for those that come early in the cycle.

I really hope it isn't like other price cycles, where sometimes the retail investors wait to see that valuation growth over a couple of years, and they tend to invest late cycle. The biggest risk is missing out on some of these outsized returns from core real estate by waiting too long.

James Gruber is Editor of Firstlinks. Steve Bennett is Chief Executive Officer of Charter Hall Direct, part of the Charter Hall Group (ASX:CHC). [Charter Hall] is a sponsor of Firstlinks. This article is for general information purposes only and does not consider the circumstances of any person, and investors should take professional investment advice before acting.

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Private toll roads need a shake-up

Milad Haghani, David A. Hensher

If you've ever driven in Sydney, Melbourne or Brisbane, chances are you've used – or steered clear of – a private toll road.

Those three cities are home to 22 private toll roads. And one giant company, Transurban, operates 18 of them: 11 in Sydney, all six toll roads in Brisbane, plus Melbourne's CityLink.

So, how did Australia become so dependent on privatised toll roads? And what problems can it create for commuters, governments and the wider economy?

Public–private partnerships

Australia's toll roads are mainly built and operated under what are called public–private partnership contracts.

Under this model, a private operator finances, builds and maintains a road in return for the right to collect tolls – often for decades at a time.

State governments have embraced this model because it allows them to avoid massive upfront spending, and shifts construction and financing risks onto private firms.

The modern toll road era arguably began with the contract for Melbourne's CityLink in 1996, along with the creation of Transurban (a consortium of Australia's Transfield Holdings and Japan's Obayashi Corporation).

Transurban has grown into one of the world's largest toll road operators, worth about A$45 billion. In the most recent financial year alone, Transurban brought in $987 million from Melbourne CityLink tolls alone.

Where the model breaks down

Public–private partnerships are sold as a way to shift financial risk away from government.

The problem is, private investors who fund toll roads build these risks back into the contracts they have with governments.

In some early toll contracts, the government included clauses cushioning operators against low returns.

For example, under the CityLink deal, Transurban was formally required to pay the Victorian government hundreds of millions of dollars in concession fees over the life of the project. But the contract also allowed the company to defer those payments if its internal rate of return fell below 10%.

That effectively shifted part of the financial risk back onto taxpayers.

Other long concessions guarantee annual toll increases – often whichever is higher of 4% or the rate of inflation – to shield financiers.

Predicting and managing road use

Our reliance on this model of road funding creates other issues too. One is the process creates incentives for toll operators to be over-optimistic when forecasting how many vehicles will use a proposed road.

A federal review of 14 Australian toll roads found first-year traffic was an average 45% under forecast and was still 19% down after six years. Studies show it's a similar story around much of the world.

Companies bidding for a toll road contract have an incentive to put forward higher traffic forecasts, because it makes their proposal look stronger. If they expect more cars, they can promise more toll revenue and offer the government a better price up front.

On some contracts, this might lower the government's initial costs, if the toll operator takes on the risk of how many people will use the road and banks on future tolls. But if the contract guarantees the government will cover any revenue shortfall, the risk shifts back to taxpayers.

The system also puts revenue ahead of optimising traffic flow. Toll contracts are designed to guarantee revenue for investors – not to manage demand.

That means operators don't adjust prices to ease peak-hour congestion, and tolled roads don't necessarily make the wider network operate more efficiently.

Little genuine competition

Transurban's scale allows it to dominate bids for new projects, often out-competing smaller rivals. Over time, this has produced a monopoly-like situation across cities on Australia's east coast.

In some cases, governments have extended Transurban's concessions in return for funding other projects, without putting the extensions to open tender.

An example is Melbourne's West Gate Tunnel deal, in which the Victorian government granted Transurban a ten-year extension of its CityLink tolling rights (to 2045) in exchange for delivering the new tunnel.

An independent review commissioned by the New South Wales government concluded Transurban's dominance has created a market with little genuine competition.

Equity is a major problem

Then there's the unfairness of the system as a whole.

For one, the burden of tolls is not spread evenly. Drivers in Sydney's outer west and northwest often face weekly bills of $100 or more, which can amount to 10–20% of income for lower-earning households.

Many inner-suburban residents with access to better public transport can avoid these charges.

In Victoria, unpaid tolls can be converted into state-enforced fines – debts that can balloon into tens of thousands of dollars.

For trucking companies, tolls can amount to tens of thousands of dollars per vehicle each year. Faced with those costs, operators often have two bad options: take detours through suburban streets to avoid tolls, or absorb the charges and pass them on through higher freight rates.

The first option risks turning local roads into freight corridors, with added safety, noise and air pollution problems for residents. The second filters straight into the cost of goods and everyday living.

Rethinking the future of tolling

The first step towards fixing the system is fairer, more transparent contracts. Windfall profits – the extra gains a toll operator makes when revenues turn out far higher than expected – should be capped, revenue-sharing with governments made standard, and toll increases tied to performance rather than guaranteed indexations.

Oversight also needs to be genuinely independent and open to public scrutiny.

The second is a smarter pricing system. Analysis shows a network-wide distance-based charge in Sydney – a few cents per kilometre at peak times only, coupled with reduced registration fees – could cut congestion while raising billions.

Roads are public goods. Our toll system should treat them that way.

The Conversation

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