

Contents

Where to hide in the 'everything bubble' *James Gruber*

The ultimate investing hack: dividend growth stocks *Jen Nurick, Josh Veltman*

CBA or global banks? *Daniel Pennell*

Global dividends rising, but Australia lags *Capital Group*

I called inflation's rise and fall and here's what's next *Tim Congdon*

Are excessive super funds giving Australia "Dutch Disease"? *Paul Zwi*

Could your children pass the inheritance 'stress test'? *Bruce Kluk*

Energy policy must prioritise the economy *Tony Dillon*

Invest like you are bad at making predictions *Joe Wiggins*

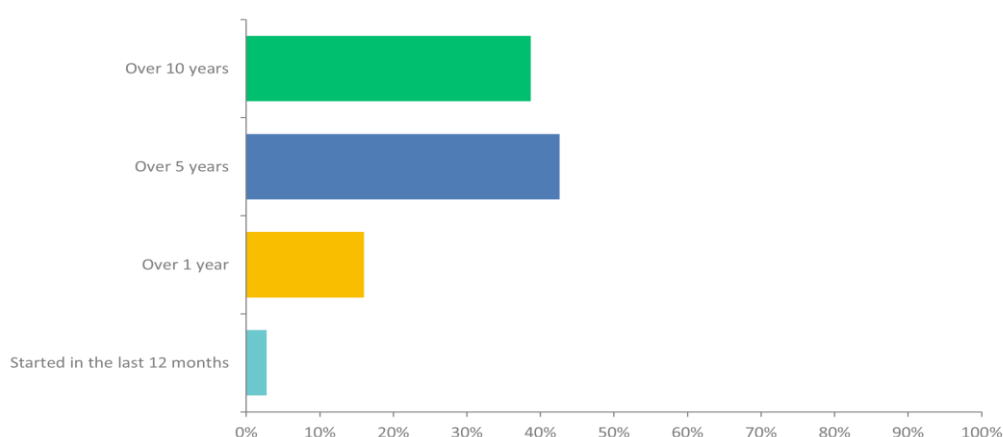
Editorial

We've received hundreds of responses to our Reader Survey, but to give as large a sample as possible, we'll leave it open for a few more days.

We read every one of the comments received. It's nice to hear so many of you look forward to receiving our newsletter. Your feedback will help to improve our content, and it should take only a few minutes. The survey can be accessed via [this link](#).

So far, your responses have been both insightful and surprising. Many of you have been readers of *Firstlinks* for a long time. It's gratifying that we have so many subscribers who've stuck with us.

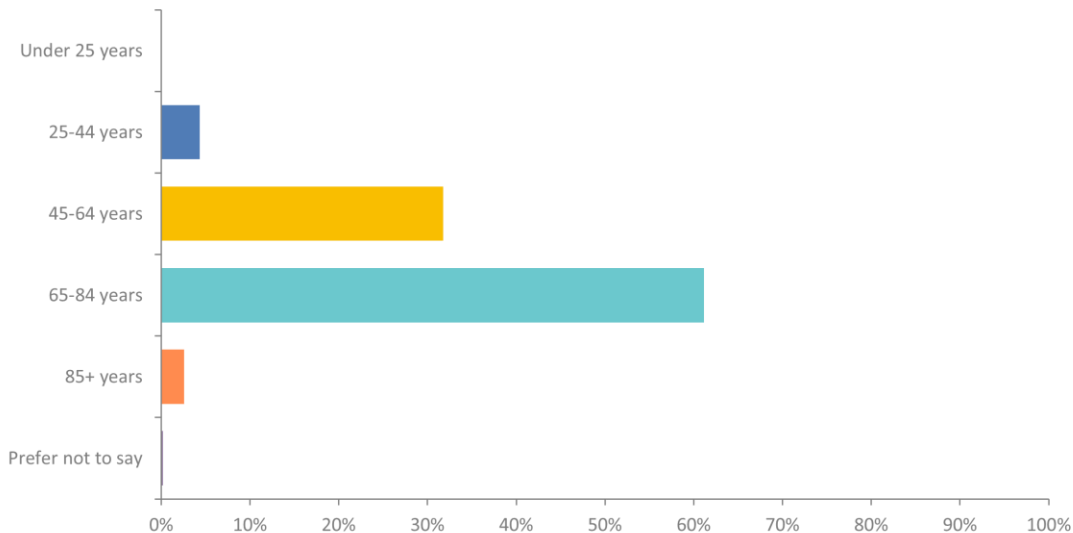
How long have you been a Firstlinks reader?



We're always looking for ways to bring new readers on board. We don't advertise and our primary method for obtaining new subscribers is word of mouth/referrals. So, if you like our newsletter, we'd love you to pass it on to family, friends and colleagues.

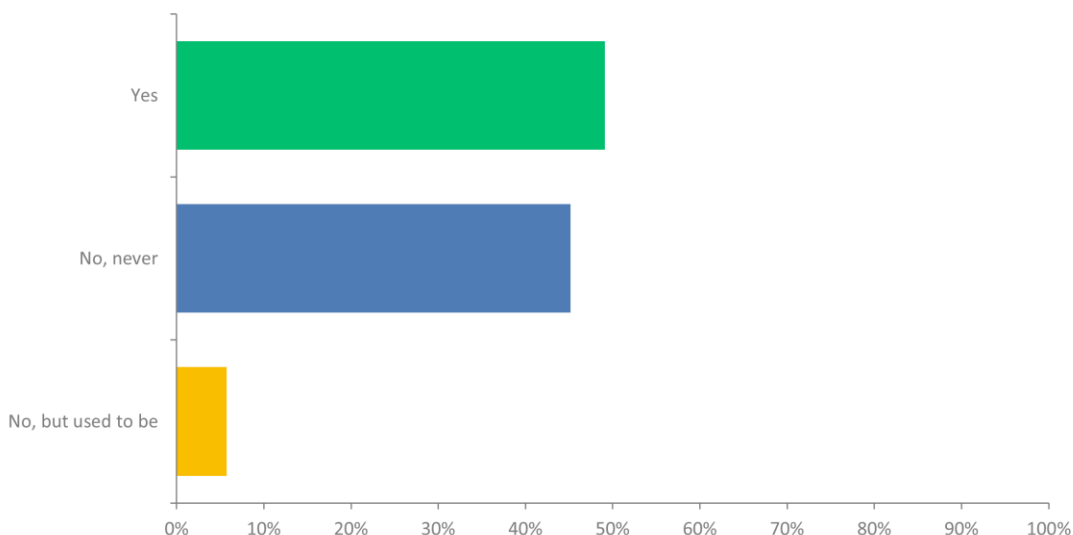
Unsurprisingly, many of our readers are older. About 65% are aged 65 years or older. That's more than we anticipated, though I suspect it's partly down to sample bias – younger cohorts may not have the time or inclination to fill out the survey.

Which age bracket applies to you?



Almost half of our subscribers have an SMSF. That's largely in line with surveys of previous years and shows that many of our readers are sophisticated, self-directed investors.

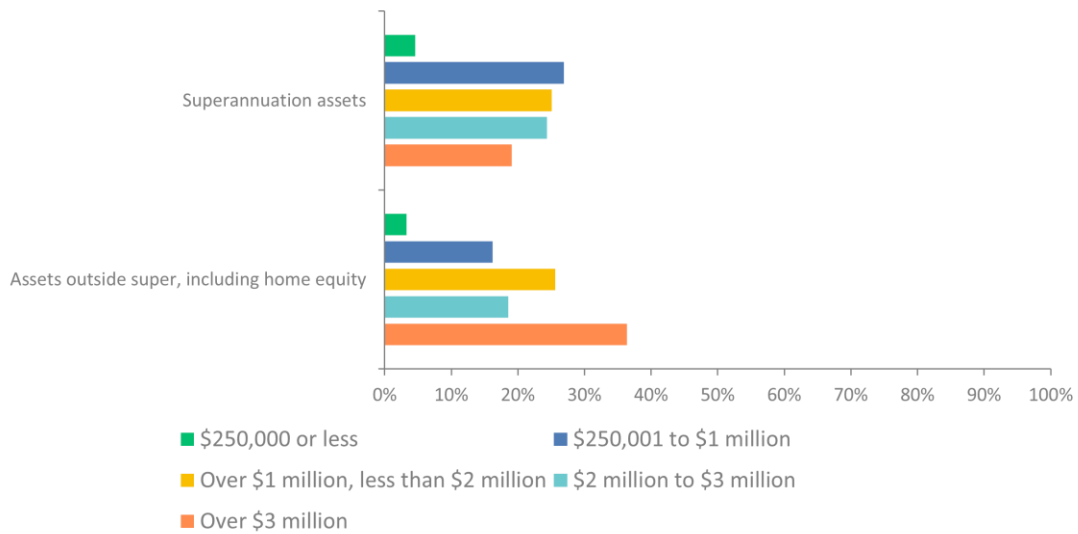
Are you a member of a self-managed super fund (SMSF)?



Most of our readers also have substantial assets. Around 70% have more than \$1 million in super, and ~20% have over \$3 million.

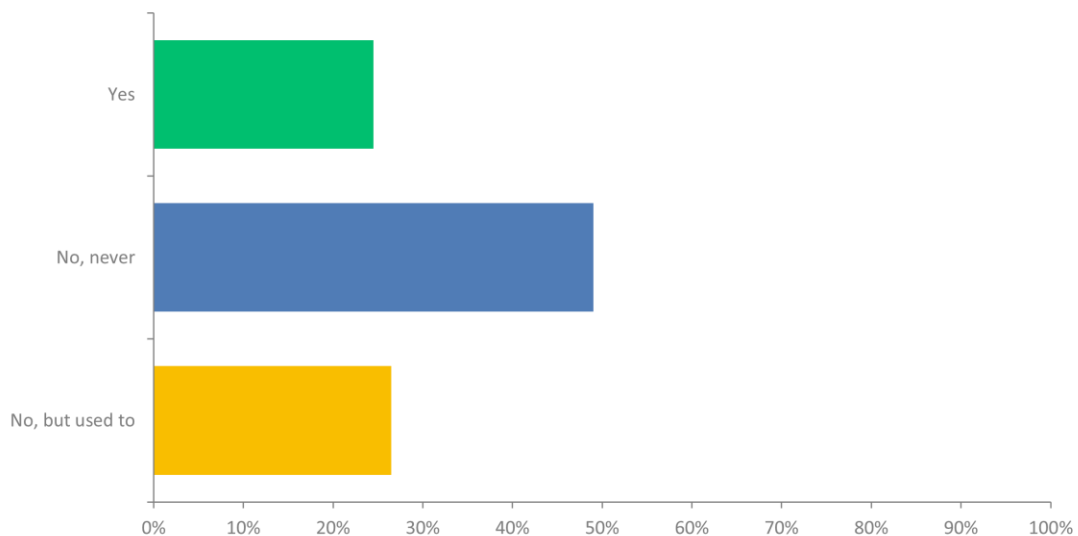
80% have more than \$1 million in assets outside of super, with 37% having more than \$3 million. Most of these assets are likely in the family home.

How much do you have in and out of superannuation?



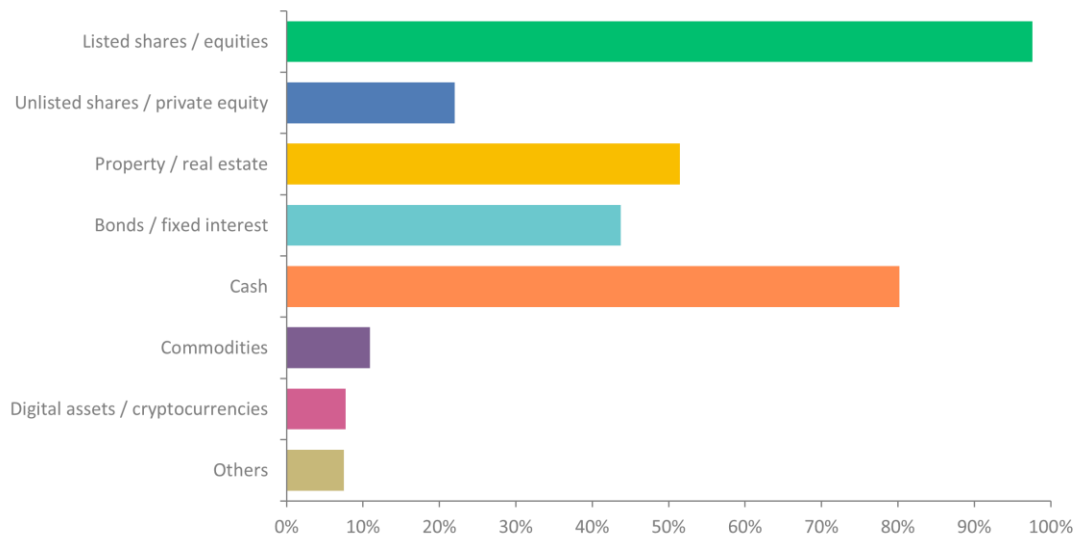
Around a quarter of our readers are receiving financial advice, which is far above average, though it shows advice still has plenty of room to try to attract new clientele.

Do you use professional financial advice services?



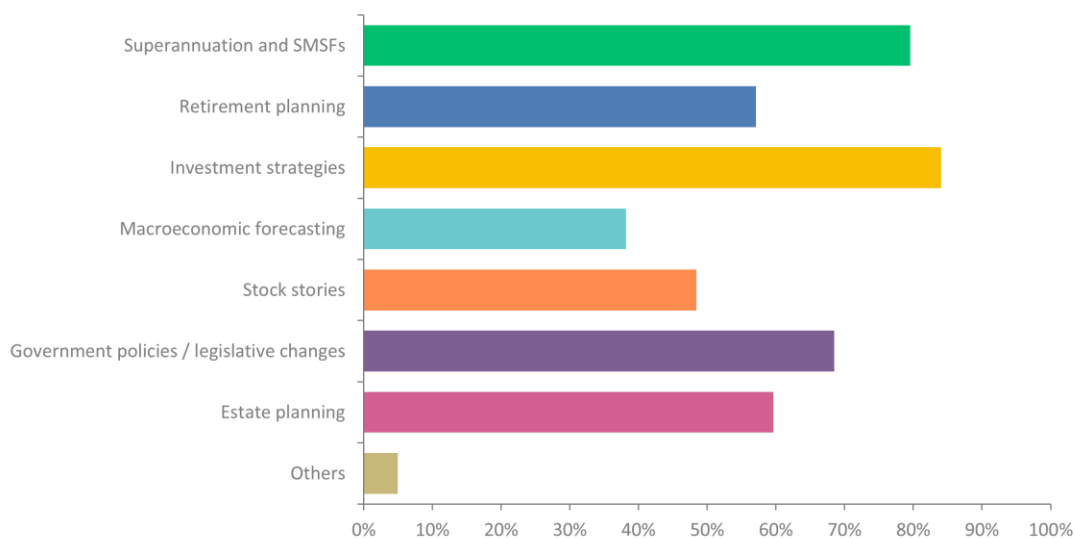
As to which assets our subscribers are currently holding, equities and real estate are the two standouts, while private assets are gathering momentum, and bonds are on the nose.

Which assets are you currently invested in?



The topics of most interest to you include investment strategies, super/SMSFs, government/legislative changes, and retirement and estate planning.

Which investment topics most interest you?



We've received hundreds of suggestions about what readers like and don't like about Firstlinks. Most are positive while others offer constructive criticism and there are plenty of ideas for future articles.

Here is a small sample of the comments thus far, leaning more into constructive ideas for future newsletters:

"As a 32yr old reader I am mostly curious in learning about finance to make smarter decisions early in life so they compound significantly over next 3 decades."

"Enjoy your variety of articles as they stand. Advice on when to sell shares. Up to date SMSF tax changes or govt threats to SMSFs; advice for those in the \$3M -10M super bracket and how to manage in view of recent tax changes. Cover emerging themes on the ASX and what to look out for. Love your work."

"From my perspective:

- 1. Keep it short and factual*
- 2. 'Foolproof' investment strategy...these are a good read....try for 1 per rack weekly issue*
- 3. More coverage on Super Covenant status and best ones (ie income generators post work pay packets)."*

"The articles I find most useful seem to be authored by a subject knowledge expert with a high level of passion, great communications ability and a (usually quite narrow) focus on a subject of developing and/or significant interest which has relevance to my investment portfolio, future wealth, personal health and happiness. What is nice is that you seem to deliver a burst of such articles about every 2-3 weeks with a less demanding breather in between which is very welcome."

"Would be nice to learn more about super drawdown strategies especially for non-SMSF holders and for those people who will likely exceed the TBC in accumulation once they retire."

"I am not very financially literate. Some of the articles on topics that I would normally be very interested in, are aimed too high for me with acronyms and jargon that I constantly need to look up. I would appreciate having some articles aimed at those who don't have a financial background."

"HOUSING! For God's sake and mine ... GIVE IT A REST !

Publish Noel Whittaker and Michele Bullock, and give the others the flick! So much useless pining and whining !! So many solutions and ideas AND NONE OF THEM useful!"

"I would really love to see the podcast back. Even if it's just a snapshot of the best articles of the month."

"Reader comments are a plus; even though some of the readers are barely articulate, this is outweighed by other highly articulate readers."

"As a long retired economist and investments manager , I continue to learn more through Firstlinks."

"I quite enjoy not just the articles, but the commentary from other readers sometimes! A good mix. Some of the articles can be a bit too technical for me, but I'm sure others' find value."

"FirstLinks provides a range of articles which supplement other sources of info which together help me manage my SMSF and personal investments. Don't agree with all articles BUT all provide food for thought."

"The problem with many of your contributors from financial industry is that they needlessly make the topics complex. Secondly there seems to be under current to encourage people to speculate instead of saving / investment for long term."

"I would think that more focus on estate planning and taxation. Maybe a little complex for your target audience though but immense value is on offer here if people get this bit right. Imagine the comments monitoring requires a bit of work but it really significantly adds to the experience."

"Believe you offer very balanced information. I'm a great fan of Noel Whittaker who spells out financial information in a manner everyone can comprehend. My major concern is, how do we get young people financially literate earlier??"

"In addition to filling in gaps in my knowledge, I like to read items that challenge my in-built biases, including readers' comments. To some extent (and understandably), there is a bias in readers towards well-off rather than other groups in the community."

"I enjoy reading some of the articles. Views of others are important. I would enjoy reading some contrary views on issues - more like a debate."

Love the feedback; keep it coming.

In my article this week, I look at how a lot of froth across many assets heightens the risk of a larger correction, and where the best places may be to [hide if trouble is brewing](#).

James Gruber

Also in this week's edition...

We have a big focus on dividends and income this week.

First, **Jen Nurick** and **Josh Veltman** delve into behavioural psychology and how investors often fall prey to 'amygdala hijacks,' [letting emotion override reason](#). They think focusing more attention on company dividends rather than stock prices is a useful hack to prevent emotions getting the better of you.

Second, **Daniel Pennell** says CBA has been a laggard this year, especially compared to global banks, which are up 32% year-to-date. He suggests the global banks trade at lower P/Es with diversified earnings and rising dividends, offering Aussie investors both [income potential and long-term value](#) beyond the local market.

Third, **Capital Group** report on [global dividends](#), which rose 6% year-on-year in the recent quarter, with more expected to come. However, Australia was a notable weak spot, with dividends down 7%, thanks largely to our miners.

In other articles, *Firstlinks* has had the pleasure in recent years of featuring **Tim Congdon**, one of the very few who predicted not only the sharp rise in US inflation but it's subsequent fall. He's kindly shared a snippet of his latest thoughts to clients with us about [what happens with inflation next](#). It's a must read.

Superannuation has been a fabulous system but it's become such a leviathan that it may be [giving Australia "Dutch Disease"](#), according to Clime's **Paul Zwi**. That is, super could be creating structural market distortions that leave our economy dangerously specialized and vulnerable to financial market corrections.

You devote years of your life working, saving and investing, striving to build a legacy that will outlive you. Before any wealth moves to the next generation, **Bruce Kluk** thinks there are [six questions every parent should ask themselves](#).

The Liberal Party has released an energy policy that favours the economy over emissions reduction targets, and **Tony Dillon** says it's a good start, though more can more done to ensure a [pro-economy, 'no Australian left poorer' energy policy](#).

A recent study confirms that even experts often get their predictions wildly wrong. **Joe Wiggins** looks at the [implications for investors](#) and what they should do about it.

Lastly, in this week's whitepaper, **Neuberger Berman** outlines how [banks and private markets are redefining credit](#).

Curated by James Gruber and Leisa Bell

Where to hide in the 'everything bubble'

James Gruber

Stock markets have been shaky of late and talk of an AI bubble is rife. Bubbles don't normally pop when everyone is talking about them and they also have a bad habit of going on for longer than most people think and/or can endure.

Stepping back from the daily noise, it's clear that this AI bubble *is* different. The Magnificent Seven stocks are stupendously profitable, which makes them unlike the profitless tech names of the late 1990s. And their valuations aren't nearly as high as those of the internet bubble or other bubbles.

The concern with the Magnificent Seven is about the sustainability of their magnificent profits and margins. Competition is heating up in the battle for AI supremacy and the companies are spending hundreds of billions of dollars on what could be a winner take all contest.

Recently, Meta CEO Mark Zuckerberg said that an AI bubble is "quite possible" though the larger risk for his company is hesitating.

"If we end up mispending a couple of hundred billion dollars, I think that that is going to be very unfortunate, obviously," he said. "But what I'd say is I actually think the risk is higher on the other side."

Increasing competition and investment normally lead to eroding margins and earnings. That hasn't happened yet, but investors are focusing more on this and that's led to some of the recent market volatility.

It's not just the Mag Seven

There might be more of a worry with the valuations of smaller tech stocks. The only one of the Magnificent Seven that looks ludicrously expensive is Tesla, which is trading at a trailing price to earnings (P/E) ratio of 279x, though it's been exorbitantly priced throughout most of its history.

There are lots of smaller tech names at mind-boggling valuations. For instance, leading AI business, Palantir, is trading at 106x *revenue*. It might be a good company but that valuation will be almost impossible to justify.

It's not just tech in the US where prices seem high; it's broader than that. Take large retailers such as Costco and Walmart. Both superb companies though they're trading on PE multiples of 49x and 36x respectively. That's a headscratcher given that they're mature companies with slow and steady growth.

Outside of stocks, there's been plenty of speculative activity too. Until lately, Bitcoin had been the best performing asset for almost any time frame over the past decade.

Gold had its moment in the headlines as people started queuing at ABC Bullion in Martin Place, which marked a peak in the yellow metal's price, at least for now.

Residential property prices in Australia have popped up again, thanks to lower interest rates and the government's ludicrous subprime mortgage scheme – I mean, 5% deposit scheme. The big question is whether momentum will stall if rates don't go down further.

And private assets have also grabbed the limelight as money pours into the space. Cracks have emerged in this asset class though as some large private debt deals turn awry and private equity, especially funds that raised money and bought assets when rates were ultra-low in 2020-2021, is being forced to sell some of these assets at knock down prices (so-called 'secondary' sales).

Given the amount of money sloshing around and resulting speculative activity, it's hard to believe that central banks are cutting rates. But that's what they're doing and the US is likely to cut much harder when Trump gets his nominated US Federal Reserve Governor in by May next year. Trump has openly stated rates should be much lower and the new Governor is unlikely to let him down (Fed independence be damned).

That's what markets are betting on and why they may continue to go higher. At least for now.

Where to hide?

That begs the question about the best places to hide if you think a storm may be brewing. And that's not an easy one to answer.

Cash is an obvious place to go. It offers the advantage of being liquid and can be deployed if markets go down. The disadvantage is they earn little to nothing, and after inflation, you go backwards.

Fixed term deposits are a favourite for many people. The rates for these deposits have started to tick back up, with expectations that the RBA may be done with cutting rates. So, the largest bank, CBA, is now offering fixed term deposit rates of 3.4% for six months and 4% for 12 months. My own go-to, Judo Bank, has rates of 3.9% for six months and 4.4% for 12 months.

The disadvantage with fixed term deposits is they're taxed as income. Post tax, they aren't going to earn you much after inflation is taken into account (especially after the latest inflation reading).

Bonds are hated by almost everyone right now, and that piques my interest. Every survey of institutional and retail investors suggests bonds have significantly decreased in asset allocations.

However, I suggested for more than three years that bonds are in a structural bear market, and previous bond markets have lasted about 30 years on average. We might be only five years into this one.

Therefore, while bonds might warrant a larger allocation in the short term, I remain negative on the asset class in the long term.

Turning to higher risk assets, not all equities and equity markets are frothy. The one area that stands out to me is value stocks. I've said it before but there are very few value-oriented fund managers left in the business. Most have been driven out as value has spectacularly underperformed growth stocks since the GFC.

It's worth noting that during other periods where this happened, value subsequently got its revenge. In the inflationary 1970s, US value stocks trounced the index and their growth counterparts.

EQUITIES DURING THE HIGH INFLATION ERA



Source: Ken French, Global Financial Data, GMO

A similar thing happened in 2000-2001.

Today's set-up for value stocks again looks interesting. Value has significantly underperformed growth and valuations look reasonable. The following charts show the breakdown for US stocks.

10-year annualized				YTD			
	Value	Blend	Growth		Value	Blend	Growth
Large	10.7%	15.3%	18.8%	Large	11.7%	14.8%	17.2%
Mid	10.0%	11.4%	13.4%	Mid	9.5%	10.4%	12.8%
Small	9.2%	9.8%	9.9%	Small	9.0%	10.4%	11.7%
Since market peak (January 2022)				Since market low (October 2022)			
	Value	Blend	Growth		Value	Blend	Growth
Large	31.1%	47.5%	56.9%	Large	58.9%	95.4%	130.1%
Mid	22.7%	23.9%	28.3%	Mid	52.9%	62.1%	85.3%
Small	14.1%	13.2%	11.1%	Small	43.5%	50.8%	57.6%

Forward P/E vs. 20-year avg. P/E			
	Value	Blend	Growth
Large	17.2 / 13.9	22.8 / 16.1	31.0 / 19.7
Mid	16.0 / 14.5	18.0 / 16.4	29.0 / 21.2
Small	18.2 / 16.9	24.7 / 23.1	36.7 / 31.8

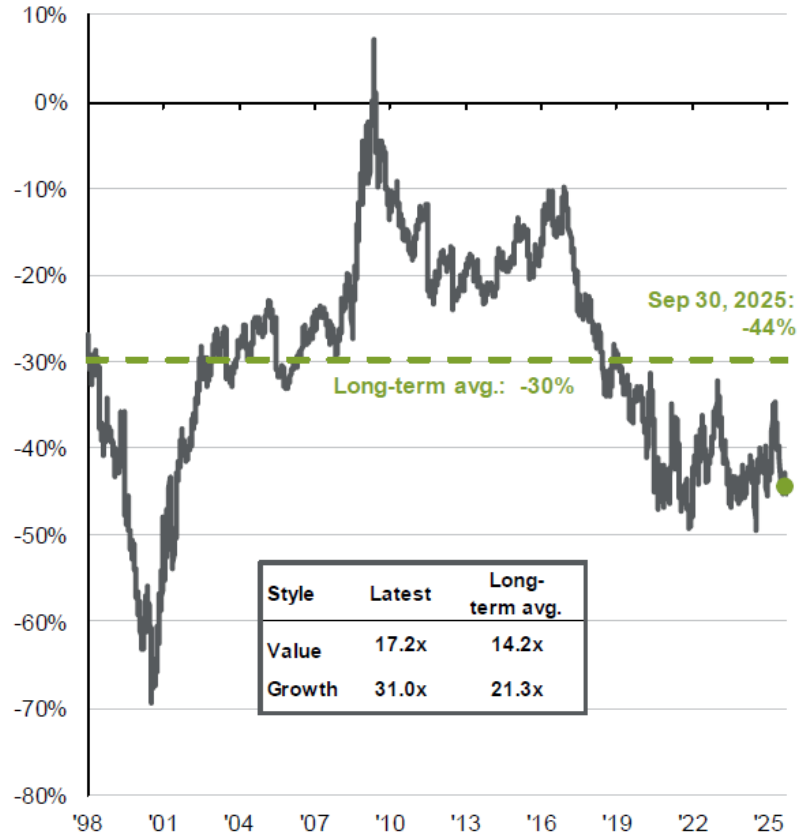
Forward P/E as % of 20-year avg. P/E			
	Value	Blend	Growth
Large	124.0%	141.4%	157.6%
Mid	110.0%	109.3%	137.0%
Small	107.6%	107.0%	115.3%

Note: As of end-September 2025. Source: JPM

Outside of the US, stocks aren't as expensive. They're not cheap versus history, though they aren't extended as America's. It's fascinating that South Korea, a perennial global market laggard, is up 61% year-to-YTD, crushing even the likes of the US. Which goes to show that while everybody crowds into the US and US tech, there are opportunities elsewhere.

Value vs. growth price-to-earnings discount

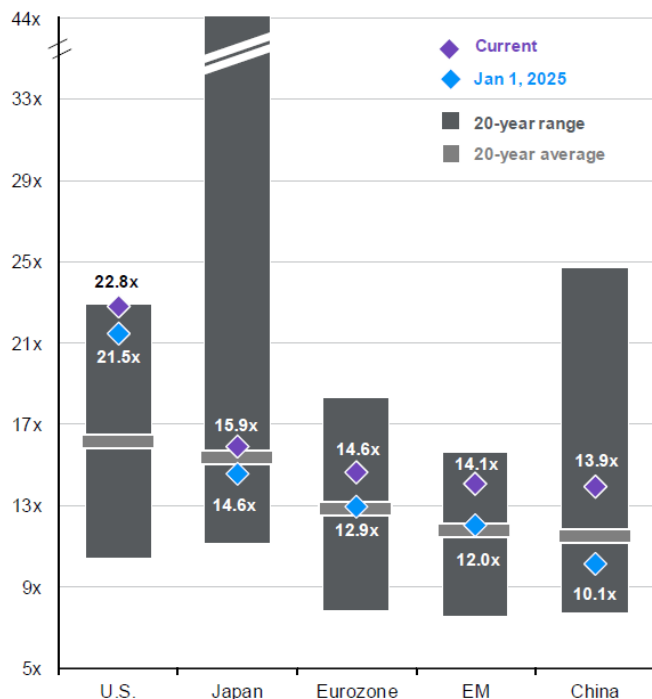
Russell 1000 Value vs. Growth, next 12 months



Note: As of end-September 2025. Source: JPM

Valuations by region/country

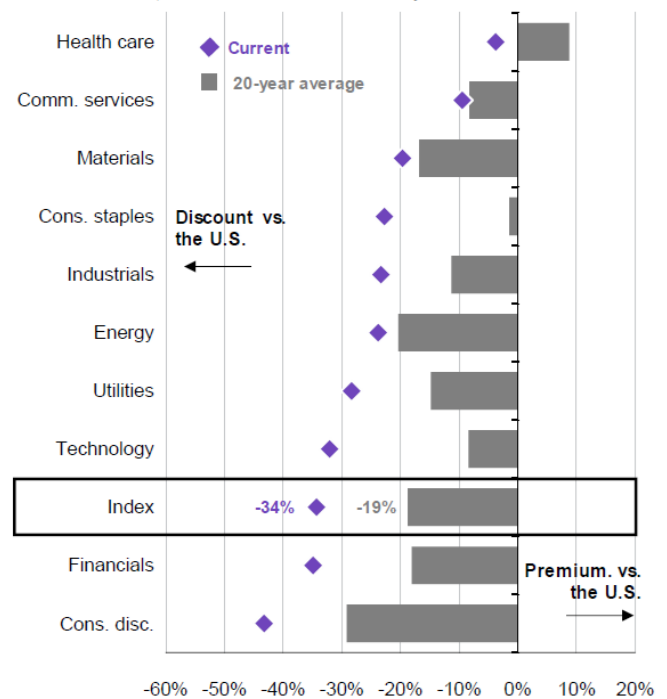
Forward P/E ratio



Note: As of end-September 2025. Source: JPM

Relative valuations by sector

Forward P/E ratio, MSCI ACWI ex-U.S. divided by S&P 500



On private assets, I am a sceptic. The main problems I have with them are around liquidity and transparency. Private equity and private debt are the private variations of public equity and public debt. That may sound obvious yet isn't mentioned enough. And while public equity and debt often offer daily pricing and daily liquidity, most private equity and debt don't. So, unless you're compensated for the extra risks of holding private equity and debt, it may not be a great deal for retail investors.

As for other 'alternative' assets, I recently wrote about how I'd held gold for 17 years and [had been selling down](#), especially as people started lining up to buy physical gold. I still hold some gold primarily as a hedge against government and central bank stupidity, but what worries me is the gold price has been going nuts alongside stocks, and if stocks swoon, gold may not be the portfolio diversifier that it has been in the past.

On Bitcoin, Charlie Munger described it as 'rat poison', and I don't think he was too far wrong. I question what it's useful for, other than being a conduit for scammers and criminals.

What to do with your portfolio?

Stress testing your portfolio makes a lot of sense right now. Would you be comfortable if global stocks went down 50%? Which areas would be most at risk if that happens? Perhaps you're overweight US and particularly US tech stocks - could it be time to dial down some risk? Is your portfolio truly diversified?

If you've set up your portfolio right, it might be best to do nothing. If you haven't, hopefully my suggestions can prompt ideas for tinkering, if necessary.

James Gruber is Editor of Firstlinks.

The ultimate investing hack: dividend growth stocks

Jen Nurick, Josh Veltman

Brace yourself! If only an 'amygdala hijack' came with this warning. In 1995, psychologist Daniel Goleman coined the term to describe what happens when individuals experience an immediate, intensified emotional response that short-circuits the rational, decision-making part of the brain. In this moment, our limbic brain (the emotional hub) takes centre stage, bypassing our cerebral filtration system and generating an action plan without rhyme or reason. The good and bad news: amygdala hijacks are indiscriminate, meaning they can and do affect us all. But they are especially pervasive in the stock market, where whipsawing prices beget sudden heightened emotions.

So, what happens when our feelings gain the upper hand? In the heat of the moment, a disproportionate emotional response can have untold financial repercussions. While we cannot forecast the timing of an amygdala hijack, we know it may loom on the horizon. However, by cultivating better behavioural habits and implementing routine, positive interventions, we can minimise its severity and swing our emotions in our favour.

The chasm between investment returns and investor returns

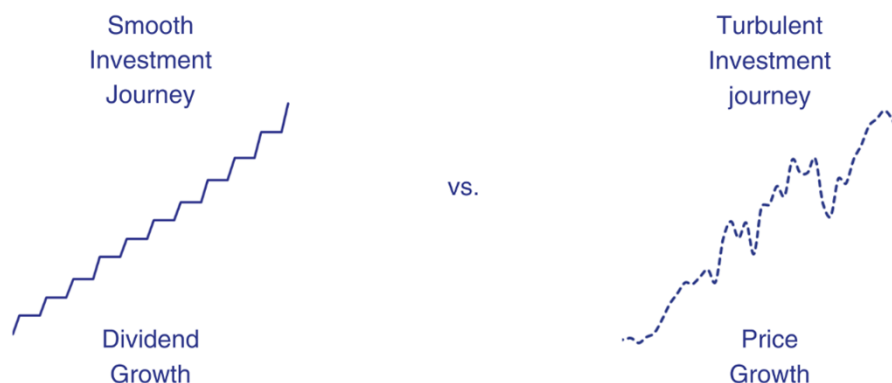
Empirical evidence demonstrates that most investors underperform their investments. The case of Peter Lynch of Fidelity Magellan is a classic example. From 1977 to 1990, the fund generated an average

annualised return of 29.2%, while investors in the fund reportedly averaged ~7%. This suggests something that caused investors to make ill-timed entries and exits and let their returns slip, landing them on the wrong side of an enormous delta. Whether it was a gap between their perceived and actual tolerance for uncertainty; an unchecked appetite for risk; or their proclivity to invest when prices were high and exit when they were low, it boils down to a *temperamental differential*. In lieu of an appropriate anchor to reel them in, investors surrendered to feelings that were urgent-but-fleeting, ignoring their better judgment and taking the expressway to short-change their future selves.

In this example, an invisible psychological divide emerges between investors such as Lynch and the rest of the fund's investors. While many succumbed to price swings, the fund's performance demonstrates that calibrating one's emotions in accordance with the positions one holds can bear significantly on an investor's outcomes. This gap between investment return and investor return proffers an invaluable lesson: while stock selection is important, the successful investor's edge lies in synchronising their portfolio make-up with their individual emotional make-up—or else, history demonstrates that a shaky mindset will not survive a well-chosen but volatile stock or fund. To borrow from psychologist Alfred Adler, it may be argued that although fixation is an inevitable and universal experience for investors, what they fixate on is theirs to choose – and can have a decisive impact on their outcomes. Thankfully, like a muscle or a habit, fixation can be optimised.

Staircase versus 'rollercoaster'

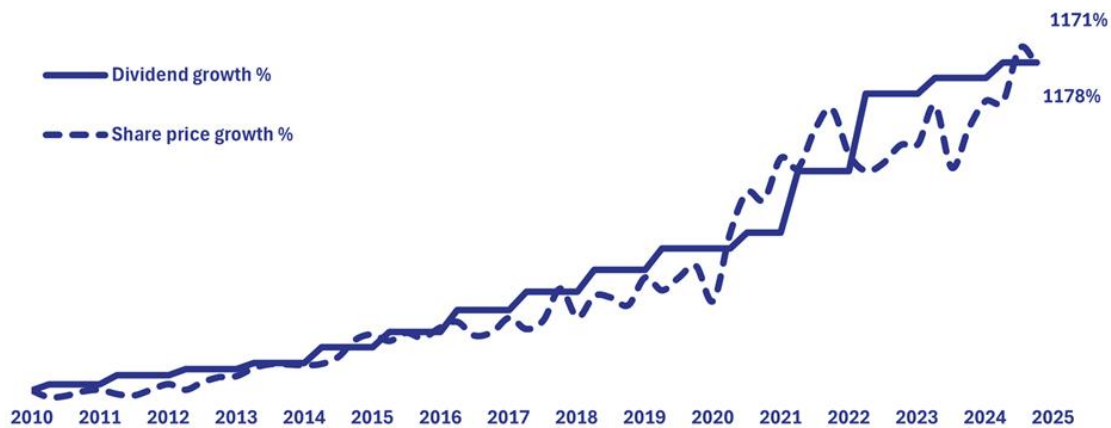
This is why we choose to concentrate on the dividend-growth staircase of our companies rather than fixating on short-term, often erratic gyrations of share prices. We have developed a skillset to identify and predict companies who can grow their dividends sustainably at rapid rates for the long arc of time. While share price can and will diverge from an underlying company's fundamental business performance from time to time, engendering the possibility of occasional amygdala hijacks, a focus on the rapid growth rates of these dividend increases parses the investment journey into smaller, manageable increments while providing helpful clues to the company's fundamentals.



This graphic illustrates the stark experiential differences between the investor-friendly dividend-staircase journey versus the more volatile and erratic nature of the share price 'rollercoaster'. Source: Roper Technologies Inc (NASDAQ: ROP) company filings and DivGro research. Roper Technologies Inc has been held in the DivGro Fund since inception.

While rates of change in dividends and share prices have been shown to ultimately synchronise, they traverse distinct paths with inherently obverse emotional experiences. The fast-rising dividend-growth staircase provides the opposite of an amygdala hijack. It offers microdosed anticipation: regular boosts

of positive data points that fortify investor mindsets and prime us for long-term success. Plus, unlike other metrics, which may be massaged, dividends are paid in cash and are extremely telling; cut or increased, consistent or sporadic, fast or slow growing, they open a window into a company's health span. If volatile prices can engender our fight-or-flight response, think of rapidly rising, consecutive dividend-growth updates as brain fertilisers, arming investors with enough emotional scaffolding to stay the course and enjoy the benefits of compounding.



This graph exhibits the relationship between the rate of dividend growth of Lowe's Companies and the rate of growth of its share price. Lowe's Companies (NYSE: LOW) has been held in the DivGro Fund since inception. Source: Company filings and DivGro research

This approach has roots at MIT, where Professor Myron Gordon and his team demonstrated that over time and at points in time, where the dividend goes, share price follows. For example, if one can identify a company that will raise its dividend annually at 13% for the long arc of time, one should expect its share price to appreciate at an approximately commensurable rate.

A further psychological innovation, which we developed, underlies this model. If you shift investor focus to this dividend-growth progress, by regularly highlighting entitlements, receipts and rapid increases, this highly original methodology can buoy investors and empower them to focus on the fundamentals, dramatically upleveling their likelihood of holding onto their investments long enough to see them compound. It is a unique investment playbook with a one-two punch: dividend growth provides both an analytical sieve to identify excellent companies and a highly effective psychological keel.

Why psychology tips the scales

What happens if we don't troubleshoot our emotions? Given it is harder to quantify, investor psychology is largely overlooked even though it is critical to one's success or failure in the stock market. It is easier to blame bad selection, bad timing, or bad luck than to consider the correlative relationship between emotional resilience and positive feedback. Yet countless real-life examples evidence that the two work in lockstep and have profound impacts on our outcomes and abilities to correct a stress-induced response.

Take Uber. To reduce rider discomfort, Uber implemented the Goal Gradient Theory within its app. Originally tested on mice in a maze, the theory posits that the closer we are to a goal, the more motivated we become to reach it – and the less we are inclined to ditch the app, hail a taxi, or agonise over whether our ride will arrive at all. So, Uber introduced the animated car feature so riders can track the incremental progress of their car on its way to them, making the experience more palatable,

providing a degree of certainty, and reducing the long-term into short-term intervals. It's a low-stakes example of the ways positive intervention, repeated consistently, maximises durability – a sticking point that is magnified in investing, where individuals stand to be rewarded handsomely in the outer years but tend to trade in and out of holdings prematurely.

French pharmacist and psychologist Émile Coué's work echoes the efficacy of positive intervention. Born in 1857, Coué earned a degree in pharmacology, eventually working in an apothecary. There, he had an epiphany while interacting with patients: if Coué helped them to *expect* to recover, his patients would respond better to their medication. So, he developed the habit of attaching positive notes to his prescriptions (what we now call positive affirmations), recognising that wherever attention is focused repeatedly, it tends to materialise – and it worked. Analogous to a dividend-growth focus, Coué mobilised what mattered so his patients could tune out the rest, lowering the decibel on ancillary anxieties to give his patients a better chance to heal.

Still, naysayers may believe emotion has no place on Wall Street. They should cast their minds to the 2020 Tokyo Olympics, where Simone Biles (history's most decorated gymnast) was set to become the first woman to win consecutive titles in the all-around in 53 years. She hadn't lost an all-around since 2013. Suddenly, she withdrew from the competition due to the 'twisties', a phenomenon wherein gymnasts lose spatial awareness mid-air due to a disconnect between mind and body. In the most decisive moment of her career, Biles's mind failed her body when she needed it most. Her skills, talent and experience were no match for an amygdala hijack, even though Biles was at the top of her game. Her story is a powerful reminder that the most climactic moments can expose our fragilities should we choose to ignore them – or provide an opportunity to succeed if we develop the habit of mastering them instead.

Jen Nurick and Josh Veltman work across Investor Relations and Communications at [DivGro](#). This information is not investment advice or a recommendation to invest. It is general information only and does not take into account the investment objectives, financial situation or needs of any prospective investor.

CBA or global banks?

Daniel Pennell

Earlier this year, as CBA's market cap soared to nose-bleed heights, I wrote about a [new wave of dividend darlings](#) (global banks) emerging as CBA alternatives.

The key message was that despite CBA historically being a great investment for yield and returns, stretched valuations were flashing a signal for investors to reduce single stock risk and diversify into global banks.

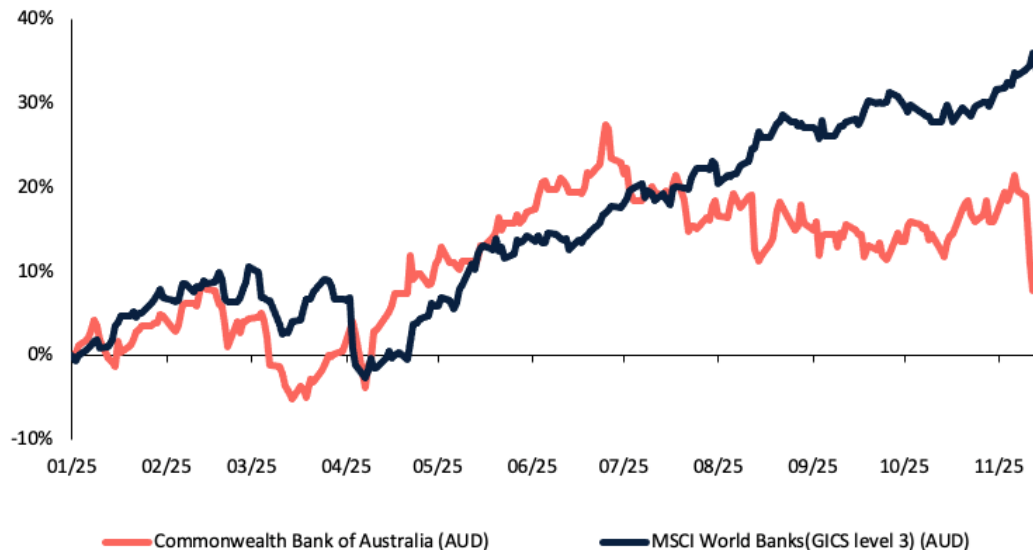
CBA delivered a total return of +67.7% in the period through 2023 and 2024.

This was a comparable return to an investment in the MSCI World Banks Index (+68.5% in AUD). But just holding CBA came with obvious single-stock risk – risk that has now materialised.

Year-to-date (to Nov 17, 2025) CBA has returned +5.9%, including the recent draw down.

On the other hand, a domestic investor in the broad MSCI World Banks Index would have been up +32.3% (in AUD terms). In USD terms the index is up +39.2%.

Figure 1: Total Return Chart - CBA & MSCI World Banks Index



Source: Bloomberg, YTD (17/11/2025)

Does the case for global banks still stack up?

As you can see in Figure 1, global banks have rallied hard as CBA's share price has come under pressure. But valuations still provide a compelling argument for going global in 2026.

Despite CBA's pullback, it continues to trade at a P/E ratio of 25.7x, maintaining a significant premium over other major Australian banks (**NAB** 18.8x, **Westpac** 19.3x, **ANZ** 18.3x).

And in comparison, the MSCI World Banks Index is trading at 12.7x (and for this price you still get exposure to CBA thrown in, sitting at 3.4% of the World Bank Index at the end of October 2025).

A lower PE for the broad index indicates potential future upside, driven by major constituents of the index trading at around half CBAs valuation.

In the US, profitable well-run banks, including **JPMorgan Chase & Co** (14.9x), **Wells Fargo** (13.7x) and **Bank of America** (14.0x), trade at much lower levels. Even deeper discounts are on offer across the ocean on European exchanges. For example, **Nordea Bank** (10.6x) and **BNP Paribas** (7.2x).

As ASX bank reporting season drew to a close, my colleague Peter Gardner released a [note on the Australian bank's dividend outlook](#). Peter observed that *top-line numbers didn't thrill*, with ANZ's headline earnings down -14% (cash earnings broadly flat after adjustments) and both Westpac and NAB's earnings experiencing little to no growth.

In contrast, several major U.S. banks have kicked off their third-quarter reporting season with a strong start.

JPMorgan posted a 16% rise in earnings, while Bank of America reported an 11% increase in revenue to more than US\$28 billion. Collectively, the six largest U.S. banks generated around US\$142 billion in profits over the last calendar year – up roughly 20% from the previous year.

For investors, global banks present an appealing proposition: they trade on lower valuations that are underpinned by more diversified earnings streams across segments such as wealth management, trading, and investment banking.

But doesn't CBA provide high income in volatile times?

Many clients I speak to rightly note that global yields have historically trailed those in Australia, anchored by the MSCI World Index's modest 1.3% yield.

Yet, as with any market, pockets of opportunity remain for those who know where to look. The key question is how to access them.

I'm reminded of a client who once said, half-jokingly, that investing internationally felt like "travelling for yield" – you have to leave home to find it, but the trip can be worth it.

That observation rings true today. Global banking names are increasingly providing the kind of income and growth investors search for.

Figure 2: Global bank characteristics

					
Dividend Yield (Net of franking, %)	6.4	4.6	3.1	1.8	6.0
Div. Growth Rate 1Y CGR (%)	2.2	5.6	4.3	17.1	15.2
Hist 3Yr EPS Growth (%)	17.7	31.3	-1.6	11.1	35.3
Price to Earnings	10.6	15.1	25.7	14.9	11.2

Source: FactSet, Plato Investment Management, 17/11/25

Figure 2 highlights several key metrics from a selection of global banks, revealing some noteworthy insights.

It is immediately apparent that certain global banks offer higher income levels (sufficient to meet a retiree's income needs), whilst also delivering positive dividend growth.

In contrast to CBA's earnings per share (EPS) growth, which has moderated slightly over the last 3 years, investors can still access banks with stronger earnings momentum at more attractive valuations. This is reflected in their lower price-to-earnings (P/E) ratios.

As Buffett famously noted, *"Price is what you pay; value is what you get"*. A reminder that disciplined investors can often find greater long-term value in quality companies trading at a discount.

What does this mean for yield-hungry Aussie investors?

The big banks, and Australian equities in general, remain an outstanding asset class for income-seeking investors. The mix of dividends and franking credits has a track record of generating materially higher yield than the so-called safe assets such as cash, term-deposits, and bonds.

However, diversification in income-portfolios, particularly for Australian retirees, is critical for both enhancing yield and mitigating risk.

Simply surviving on dividends from a small number of stocks in a concentrated local market puts retirees at higher risk of running down their savings too soon when sector or country-specific issues cause drawdowns and threaten income.

CBA is a case in point – despite solid fundamentals, the recent pullback was driven by the market view that CBA is priced for perfection and too expensive for the level of future growth, net interest margin compression, and cautious guidance provided.

Global markets provide access to dividend-paying equities in growth industries that are underrepresented on the ASX, such as technology and global consumer brands while introducing geographic and sector diversification.

Daniel Pennell is Portfolio Manager of the [Plato Global Shares Income Fund](#). This article is for general information purposes only. It has been prepared without taking account of any person's objectives, financial situation or needs. Any opinions or forecasts reflect the judgment and assumptions of Plato and its representatives on the basis of information at the date of publication and may later change without notice. Any persons relying on this information should obtain professional advice relevant to their particular circumstances, needs and investment objectives.

[Plato Investment Management Limited](#) ABN 77 120 730 136 ('Plato') AFSL 504616.

Global dividends rising, but Australia lags

Capital Group

Global dividends continued their impressive run in the third quarter. They rose 6.2% year-on-year to US\$518.7 billion on a topline basis, a Q3 record. The core dividend growth rate, which adjusts for one-offs, exchange rates and calendar factors, was very similar at 6.1%, though there was significant divergence between different geographies and sectors. The outcome in the third quarter was a little better than we expected, thanks mainly to greater strength than projected for Taiwan, Hong Kong and Europe ex-UK.

Record payouts in the US came despite a slight slowdown in dividend growth to 5.7% on a core basis. In a relatively quiet season for European dividends, Poland and Spain were responsible for half the region's double-digit growth, while France and the Netherlands continued to lag behind. The UK also remained in the slow lane.

Japan maintained its rapid dividend growth in Q3, but seasonal patterns meant it was not a major growth driver at the global level. Hong Kong's payouts surged by almost one-sixth in its peak dividend season and there were no cuts among companies in our index. However, in China, there was no growth at all on a core basis and more than one-third of companies reduced their distributions. In the wider Pacific region, Australia remains a weak spot, with payouts in the country down again in Q3. This fall was

driven by cuts among mining and energy companies, leaving Australia at the bottom of the global rankings of major markets this year to date.

Comparing long-term dividend growth by region

	2020		2021		2022		2023		2024		24Q3		25Q3	
	\$bn		\$bn	%	\$bn	%	\$bn	%	\$bn	%	\$bn	%	\$bn	%
US	493.3		523.0	6.0	578.7	10.6	612.2	5.8	672.4	9.8	169.2	12.3	179.3	6.0
Canada	46.6		53.0	13.9	62.4	17.6	62.8	0.7	65.3	4.0	16.6	5.1	17.4	4.4
Europe ex-UK	165.3		238.0	44.0	267.1	12.2	308.8	15.6	334.0	8.2	29.8	-2.4	35.1	17.8
UK	60.4		89.8	48.6	91.8	2.3	90.0	-2.0	93.5	3.9	26.5	-7.4	26.9	1.4
Japan	80.6		88.2	9.4	90.5	2.6	87.4	-3.4	92.6	5.9	7.5	40.0	8.8	17.5
Pacific Ex China, Hong Kong & Japan	69.1		107.4	55.3	116.2	8.2	110.8	-4.7	111.9	1.0	51.0	-3.8	58.1	13.8
China, Hong Kong	104.0		128.9	24.0	149.8	16.2	152.9	2.1	178.3	16.6	79.3	0.8	75.4	-4.9
Emerging Markets	75.4		117.7	56.2	139.0	18.1	139.6	0.4	150.9	8.1	44.9	14.1	50.2	11.9
Global	1094.8		1346.1	23.0	1495.5	11.1	1564.7	4.6	1699.0	8.6	424.8	5.7	451.1	6.2
Companies outside top 1600	164.2		201.9		224.3		234.7		254.8		63.7		67.7	
Total	1259.0		1548.0	23.0	1719.9	11.1	1799.4	4.6	1953.8	8.6	488.5	5.7	518.7	6.2

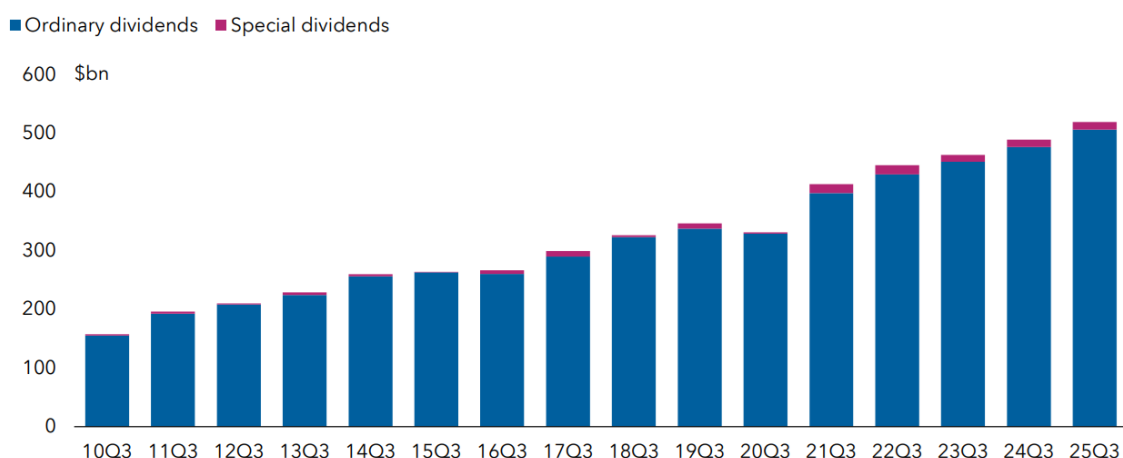
Note: Figures are in US dollars. Source: Capital Group

Taiwan, however, saw payouts jump by a quarter and there was strong growth in Korea. In contrast, a cut from Singapore Airlines held Singapore's Q3 growth rate back. Emerging markets delivered rapid growth, thanks, in particular, to India, Saudi Arabia, South Africa and Mexico.

From a sector perspective, almost half the growth in the third quarter came from financials, which increased payouts by 11.0% on a core basis. Insurers showed the fastest growth, while higher banking dividends were a worldwide phenomenon. Software companies in India and the US also made a significant positive contribution to growth. The most notable cut was once again from the mining and chemicals sector, where payments were down 7.4% on a core basis, and energy payouts also fell.

Across the globe, 88% of companies either increased dividends or held them steady in Q3, with median dividend growth standing at 5.7%.

Global dividends rose to a fifth successive Q3 record in 2025



Note: Figures are in US dollars. Source: Capital Group

Sector trends

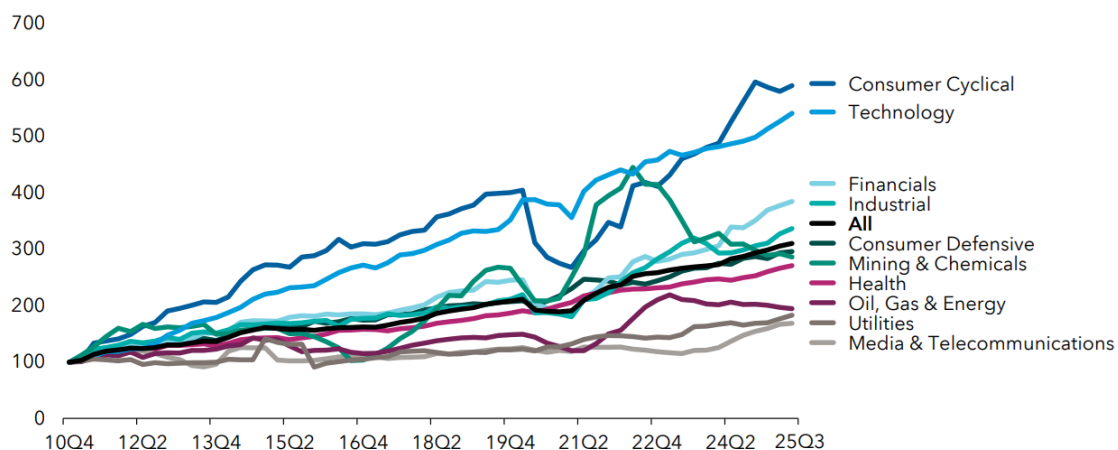
Almost half the global dividend growth in the third quarter came from financials, which raised dividends by almost US\$11 billion year-on-year. Financials' core dividend growth of 11% was almost twice as fast as the all-sector average. The fair wind for banks blew worldwide – every one of the top 11 banking contributors to Q3 growth came from a different market, and only five out of the 92 banks that paid a Q3 dividend made a cut. There were no cuts among the 47 insurers in our index that made a payout in Q3 and there were only very few among general financials. The financial sector, and each of its subsectors, is comfortably on track for record payouts this year.

Software and IT services saw payouts up 17.1% on a core basis, with India and the US dominating the growth tables for the sector. However, semiconductors lagged in the global tables as a big cut from Intel weighed on growth.

In some sectors, just one or two companies made a big difference – for example, the large contribution to Q3 growth made by the transport sector was mainly a function of Evergreen Marine in Taiwan, while in the machinery sector, a quarter of the increase was delivered by Rolls-Royce, which restarted dividends this year after a long suspension.

Dividend breakdown by sector

Rebased to 100 as at Q4 2010



Source: Capital Group

The most notable cut in Q3 was once again from the mining & chemicals sector. Analyst earnings expectations suggest the mining cycle may now be bottoming out, meaning the drag it has placed on dividends in the last three years may be coming to an end; gold miners already represent a bright spot – without their positive contribution, Q3 growth for the sector would have been -10.3%. Oil dividends were also lower (-1.5%), with a quarter of companies in the sector cutting payouts year-on-year. Dividends from the property sector were dragged lower by cuts in China.

Sector topline vs. core growth, Q3 2025

	Topline growth (USD unadjusted)	Core dividend growth	FX gain/loss in topline growth rate	Other adjustments
Consumer Cyclical	8.2%	11.7%	0.3%	-3.8%
Consumer Defensive	3.4%	3.9%	0.4%	-0.8%
Financials	9.3%	11.0%	0.9%	-2.6%
Health	8.0%	3.7%	0.6%	3.8%
Industrial	13.5%	12.8%	0.9%	-0.2%
Media & Telecommunications	5.1%	3.5%	1.2%	0.4%
Mining & Chemicals	-6.4%	-7.4%	-0.2%	1.2%
Oil, Gas & Energy	-4.0%	-1.5%	0.6%	-3.1%
Property	-0.5%	-1.7%	-0.1%	1.3%
Technology	9.9%	8.5%	2.9%	-1.5%
Utilities	11.1%	8.2%	2.9%	0.0%
All	6.2%	6.1%	1.0%	-0.9%

Ordinary and special dividends, \$bn

	24Q3	24Q3	24Q3	25Q3	25Q3	25Q3
	Ordinary	Special	Total	Ordinary	Special	Total
Consumer Cyclical	25.0	2.7	27.7	27.7	2.3	30.0
Consumer Defensive	38.2	0.8	39.0	39.3	1.0	40.3
Financials	103.8	0.3	104.1	113.1	0.8	113.8
Health	30.1	0.0	30.1	31.3	1.2	32.5
Industrial	32.6	4.2	36.8	36.7	5.1	41.8
Media & Telecommunications	27.2	0.3	27.5	28.5	0.4	28.9
Mining & Chemicals	25.6	0.3	25.8	24.0	0.2	24.2
Oil, Gas & Energy	42.7	1.5	44.2	42.1	0.3	42.4
Property	15.2	0.0	15.2	14.9	0.2	15.1
Technology	46.3	0.8	47.1	51.8	0.0	51.8
Utilities	27.2	0.0	27.2	30.2	0.0	30.2
All	\$476.0	\$12.5	\$488.5	\$505.6	\$13.1	\$518.7

Note: Figures are in US dollars. Source: Capital Group

Australia a laggard

The 7.4% core decline in Australian Q3 dividends was largely a result of steep cuts from mining groups, in particular BHP, and from Woodside Energy. This reflects lower profits in both the mining & chemicals and the oil, gas & energy sectors, which accounted for one-third of Australia's Q3 dividends. Meanwhile, Australia's banks, which made up another one-third of the Q3 total, are only increasing dividends very slowly as they already have very high payout ratios – ANZ, for example, made no increase at all; National Australia Bank posted a rise of just 1.2%, while CBA managed 4.0%.

Australia



Q3 total paid **\$17.3bn / A\$26.3bn**

Q3 topline growth **-11.3%**

Q3 core growth **-7.4%**

Source: Capital Group

The remaining one-third of companies managed core growth of 3.0%, but this was still modest and not enough to boost the national total significantly. The decline in Australia's topline rate was more severe

than that in the core rate, mainly owing to the weaker Australian dollar compared to Q3 2024. In the first nine months of the year, Australian core dividend growth was -9.0%, the weakest of any major market in our index.

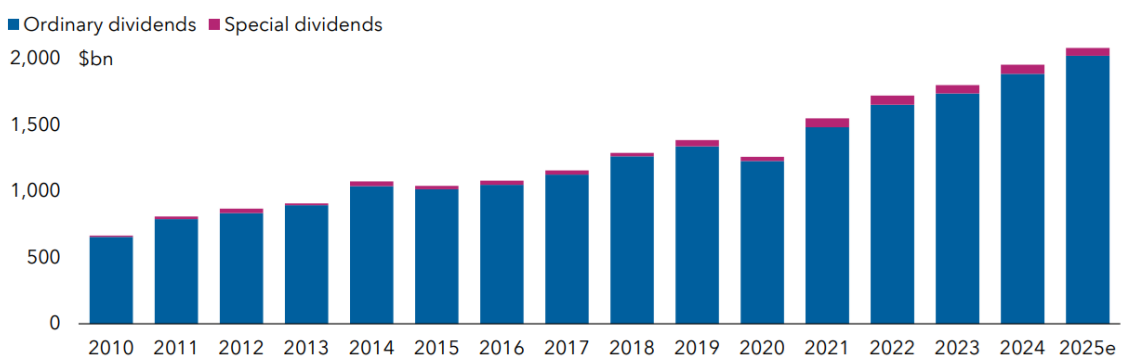
Looking forward

Looking ahead to the fourth quarter, likely ongoing rapid dividend growth in Japan will coincide with a seasonal peak, meaning it will make a more significant contribution than in Q3. European banks remain a bright spot, and we expect to see continued strength in the Pacific region. Emerging markets are much harder to track given erratic payment patterns in key markets, but there may be some significant cuts in the Indian and Brazilian energy sectors, which would impact Q4 growth. The US may see slightly slower dividend growth in Q4 than in the first nine months of the year, based on dividends that had already been announced at the time of writing, but there is scope for this to change as the earnings season unfolds.

Overall, we expect to see progress continue in the fourth quarter and project total dividend growth in 2025 of 6.4% on a topline basis, to a new record of \$2.08 trillion, equivalent to core growth of 5.8%.

2025 has been characterised by heightened volatility, driven by macroeconomic pressures such as tariffs, a softening labour market, and persistent inflation. Looking into 2026, structural tailwinds for global equities remain robust, despite these near-term challenges. Advances in artificial intelligence continue to attract significant investment, while accelerated innovation in health care and an industrial renaissance have supported corporate earnings growth. While short-term volatility is likely to persist, we believe the long-term outlook for active, research-driven equity investing remains compelling. Moreover, in periods of policy and geopolitical uncertainty, companies with a track record of dividend growth can offer portfolios a measure of stability and resilience when markets become turbulent.

2025 dividend growth reflects resilience



Note: Figures are in US dollars. Source: Capital Group

[Capital Group Australia](#) is 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.

For more articles and papers from Capital Group, [click here](#).

*** A quick note on methodology:**

The Dividend Watch looks at the dividends the world's largest 1,600 companies pay to their shareholders. These companies represent around 85% of global market capitalisation as at 31 March 2025. To complete the picture, we top up the figures to 100% by making a few simple assumptions.

Capital Group analysed the dividend payments of the world's largest 1,600 companies by market capitalisation (as at 31 March 2025), on a free float adjusted basis, using data supplied by Exchange Data International, supplemented by insight from company sources such as annual reports and results announcements and FactSet. FX data is also sourced from FactSet.

Historical data for this same list of companies was compiled back to 2010. In the study, we calculated the topline total paid. Core dividend growth rates were derived by adjusting the topline total for constant exchange rates and by stripping out special dividends and the effect of calendar changes.

Throughout the document, dividend growth has been calculated in US dollars and is illustrated using indexed charts rebased to 100 in Q4 2010, allowing for easy comparison of relative changes over time. All growth rates quoted in the text are year-on-year unless otherwise stated.

I called inflation's rise and fall and here's what's next

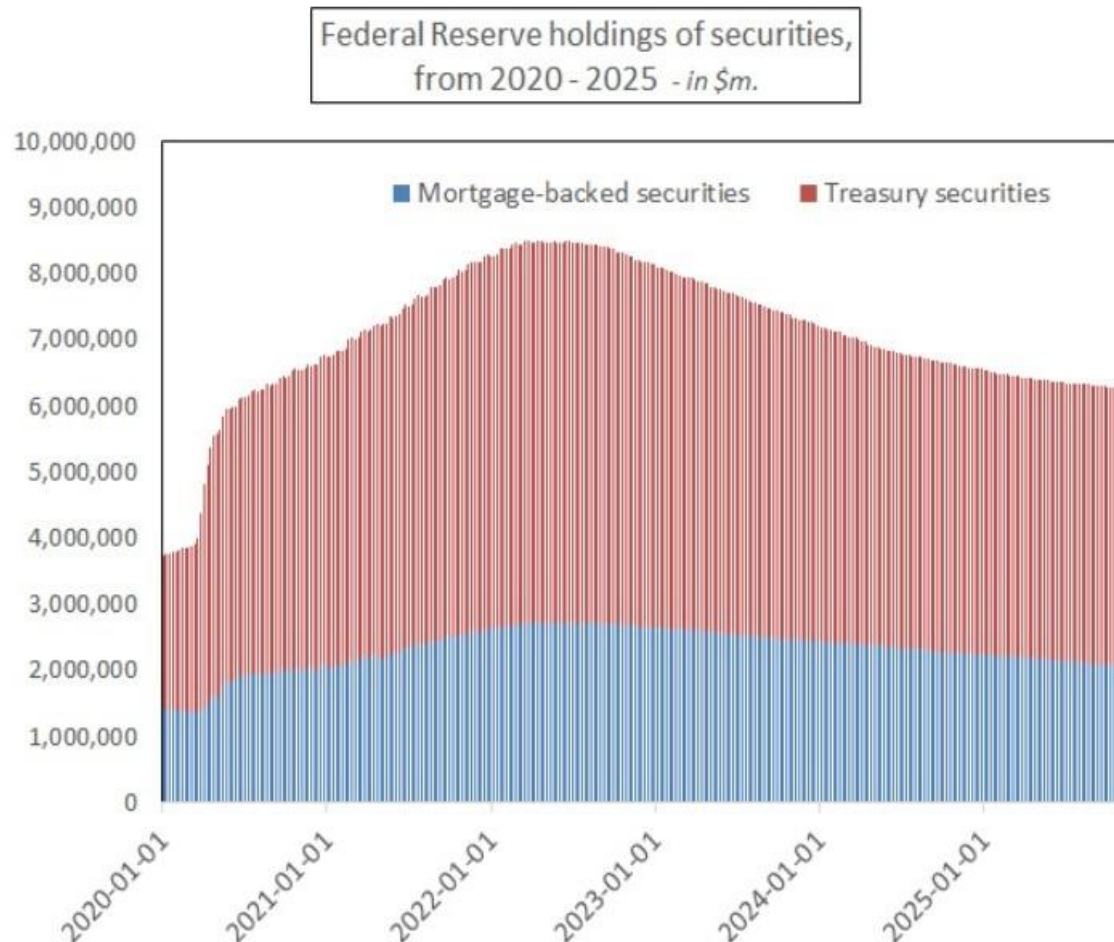
Tim Congdon

From 1st December it [the US Federal Reserve] is to stop quantitative tightening, i.e., the policy of actively reducing the size of its securities holdings and balance sheet. The present phase of QT [quantitative tightening] began in spring 2022 – and more forcefully in autumn 2022 – as part of the Fed's then campaign to curb the USA's inflationary pressures. This QT approach contrasted with the quantitative easing it pursued in the two years from early 2020 and, in an earlier cyclical episode, from 2009 to 2014.

Quantitative easing had – in that earlier episode – been intended to support economic activity, and to obviate the adverse impacts on output and employment of the Great Recession. In my latest book *Money and Inflation at the Time of Covid* I argue that the QE exercise in the early 2020s was responsible for an explosion in money growth and was the main causal driver of the subsequent increase in inflation. On the other hand, QT from early 2022 reduced the quantity of money. In fact, the US quantity of money (on the broadly defined M3 measure) fell for much of 2022, while in the two years to March 2024 it was roughly unchanged. According to the analytical framework (of “broad-money monetarism”) developed in *Money and Inflation at the Time of Covid*, as well as a large body of earlier work from me, the change from rapid money growth in 2020 and 2021 to money stagnation in the two years from spring 2022 ought logically to have been associated with a marked deceleration in inflation. Indeed, I said as much in my regular Institute of International Monetary Research commentary in May 2022. This duly happened, with inflation at the end of the Biden Presidency coming back towards the Fed's 2% target.

The chart below shows the story in the 2020s of the effects of its open market operations on the Federal Reserve's holdings of securities. The surge in those holdings in April 2020 – of almost \$1,350b. in the four weeks to 15th April, from \$4,007.5b. to \$5,357.0b. – is evident. It was the dominant reason that broad money surged at that time. In fact, in *the one month* of April 2020 M3 broad money jumped by

7.4%, more than *in any full year* in the 2010s. (I use the M3 number estimated by the Shadow Government Statistics consultancy, to whom my thanks.)



The purchases of securities were smaller in the following months, but QE continued to spring 2022, when on 13th April the Fed's holding of securities peaked at a remarkable \$8,502.2b. But the chart also brings out that spring 2022 was the watershed between excessive money growth and a marked monetary constriction. Between 13th April 2022 and 15th May 2024 the Fed's holdings of securities dropped from \$8,502.2b. to \$6,860.1b. Its holdings of Treasury securities plunged between the two dates from \$5,762.1b. to \$4,488.1b., as the US national debt was increasingly held outside the banking system in the hands of long-term investors. The shrinkage of the Fed's Treasury bond total coincided with a rise in the US budget deficit, because of President Biden's so-called "expansionary fiscal policy". Needless to say, bond yields rose as long-term investors had to absorb both the new debt from the deficit and debt being jettisoned by the Fed.

Managers of the US public debt are finding it harder to market their wares as the years of deficit continue. In recent commentary I pointed out that total assets held by money market mutual funds on 15th October 2025 were \$7,367.3b., 14.9% higher than on 16th October 2024, with the difference between the two dates being \$899.5b. After a regulatory clampdown following the Great Financial Crisis, MMMFs [money market mutual funds] are allowed to hold only kind of new asset, claims on the US Treasury with less than a year to maturity. (By holding such claims – which are taken to be very safe – the MMMFs can always repay depositors at 100 cents in the \$. The worry had been that in the GFC they came close to "breaking the buck.")

But it is obvious that the MMMFs – with their almost \$900b. balance-sheet expansion in the year to mid-October – are now crucial to the financing of the US Federal deficit of about twice the size. It has to be emphasized that MMMF funding is very short-term in character, while the liabilities of MMMFs are quasi-monetary. The debt isn't being financed from the central bank and in that sense American policymakers are not "resorting to the printing presses". *But – in my view – selling paper of less than one year to the MMMFs is monetary financing of the deficit.* (Readers might wonder what has happened since 15th October. The answer is that MMMF assets on 29th October were \$7,418.3b. The annualised growth rate in the fortnight was 19.6%. The message of the analysis is unchanged.)

Assume the US Federal deficit is \$2,000b. in the 2025/26 fiscal year (i.e., that running from October 2025 to September 2026). If \$1,500b. of that is financed from the commercial banks and MMMFs, I would suggest that the positive effect on broad money (now about \$30,000b. on the M3 measure) would be roughly 5%. If banks are also growing their loan books, broad money growth will be more than 5%.

The importance of the Fed's latest announcement becomes clear. *Without QT acting to reduce the quantity of money and hence the rate of money growth, the expectation has to be that the annual rate of money growth will be in the high single digits, i.e., with a typical rate of increase of 6% - 8%. This is too high to be consistent with 2% inflation. Instead, while monetary policy settings stay as they now are, annual inflation is more likely to be in a 2% - 5% band.* The Fed will fail to bring inflation back to the kind of figures deemed normal for most of the last 30 or so years. The basic underlying problem is that the large budget deficit is in conflict with anti-inflationary monetary policy.

My claim here may challenge the consensus view. Well, so what? My correct forecasts of almost double-digit US inflation in early 2020 were an application of (what I regard as) an organized and successful theory of the determination of nominal national income and inflation. My current prognosis is just another application of that theory.

Professor Tim Congdon, CBE, is Chairman of the [Institute of International Monetary Research](#) at the University of Buckingham, England. Professor Congdon is often regarded as the UK's leading exponent of the quantity theory of money (or 'monetarism'). He served as an adviser to the Conservative Government between 1992 and 1997 as a member of the Treasury Panel of Independent Forecasters. He has also authored many books and academic articles on monetarism.

This article is general information and does not consider the circumstances of any investor.

Are excessive super funds giving Australia "Dutch Disease"?

Paul Zwi

Dutch Disease explained

Dutch Disease, coined following the Netherlands' natural gas discoveries in the 1960s, describes an economic phenomenon where a resource boom paradoxically weakens a nation's broader economic competitiveness. The mechanism operates through two channels: the spending effect, where increased

income from the booming sector drives up domestic prices and wages, and the resource movement effect, where capital and labour shift from manufacturing to the resource sector. The result is an appreciated currency that makes tradeable goods sectors—particularly manufacturing—internationally uncompetitive, leading to premature deindustrialization.

The superannuation leviathan

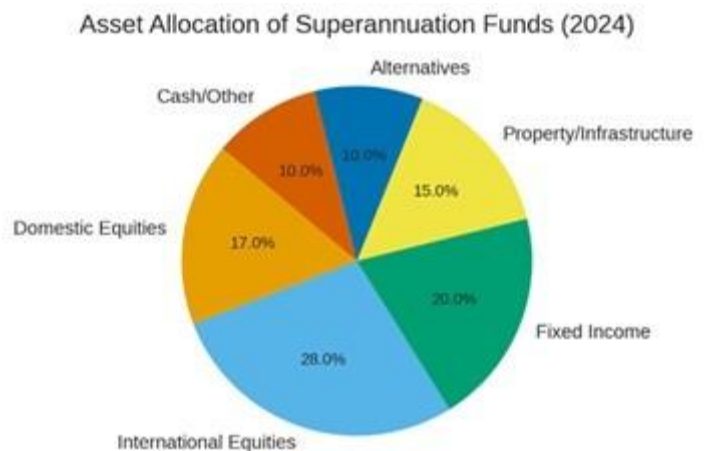
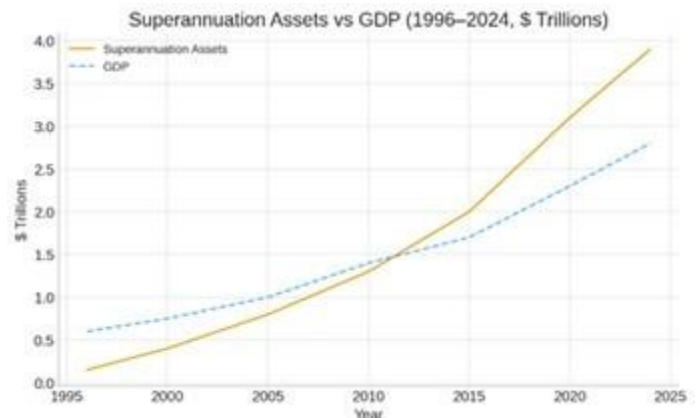
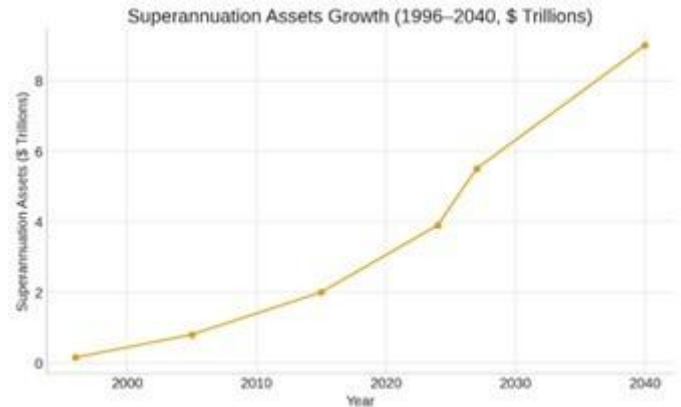
Australia's compulsory superannuation system has created an investment behemoth of staggering proportions. As of September 2024, total superannuation assets reached approximately \$3.9 trillion, representing roughly 140% of Australia's GDP. This figure has grown exponentially from \$148 billion in 1996, demonstrating a compound annual growth rate exceeding 12% over nearly three decades.

To contextualize this scale: Australia's superannuation pool is the fourth-largest pension market globally, behind only the United States, United Kingdom, and Japan—nations with populations 13x, 2.6x, and 5x larger respectively. On a per capita basis, Australia's \$150,000 per person in retirement savings dwarfs comparable economies.

The system's growth trajectory remains formidable. With the Superannuation Guarantee rising from 11% to 12%, and an ageing population entering peak accumulation years, industry projections suggest assets could reach \$5.5 trillion by 2027 and potentially \$9 trillion by 2040.

Capital deployment and market distortions

Australian superannuation funds deploy capital across diversified portfolios, but their sheer magnitude creates structural market impacts. As of 2024, approximately 45% of superannuation assets are invested in equities—roughly \$1.75 trillion. Of this, domestic Australian equities make up approximately \$600-650 billion, while international equities account for \$1.1-1.15 trillion.



Domestic equity market inflation

The ASX's total market capitalization stands at approximately \$2.6 trillion, meaning superannuation funds own roughly 25% of the entire Australian equity market. This persistent, mandated bid has compressed risk premiums and inflated valuations beyond fundamental justifications. The ASX 200's price-to-earnings ratio has averaged 17-18x over the past five years, elevated compared to historical averages of 14-15x prior to 2010. At present, the forward PE is 19x, close to the top of its historic range.



Index concentration exacerbates this distortion. The Big Four banks and major miners represent approximately 40% of the ASX 200 by market weight, creating a feedback loop where superannuation inflows disproportionately inflate a narrow subset of large-cap stocks, regardless of underlying business conditions. We have observed this most recently with the pricing of Commonwealth Bank shares, which hit a peak of \$192, pricing them well above virtually any comparable bank in the world.

Currency appreciation dynamics

The superannuation system's offshore investment component—approximately \$1.1 trillion—requires initial AUD conversion, but subsequent repatriation of dividends, distributions, and rebalancing flows creates ongoing upward pressure on the Australian dollar. Australian funds have become significant owners of global equities, with estimates suggesting they hold \$150-200 billion in US equities alone.

With the boom in Artificial Intelligence mega-cap stocks in the US, our super savings are highly vulnerable should the AI boom eventually burst.

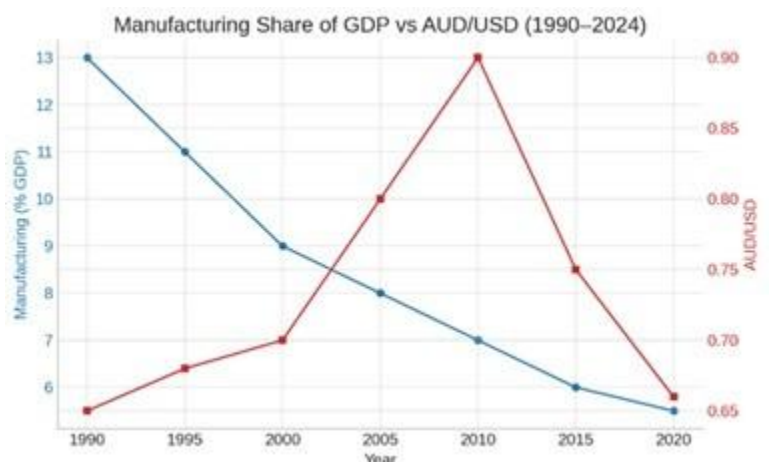
This capital round-tripping—where compulsory domestic savings flow offshore then return as income—mimics the resource boom's currency effects. The AUD has traded structurally higher post-2000, averaging USD 0.75 compared to USD 0.65 in the 1990s. While commodity prices explain part of this appreciation, persistent superannuation-driven capital flows provide an underlying structural bid.

The manufacturing hollowing

Australia's manufacturing sector has contracted dramatically, falling from 13% of GDP in 1990 to just 5.5% in 2024.

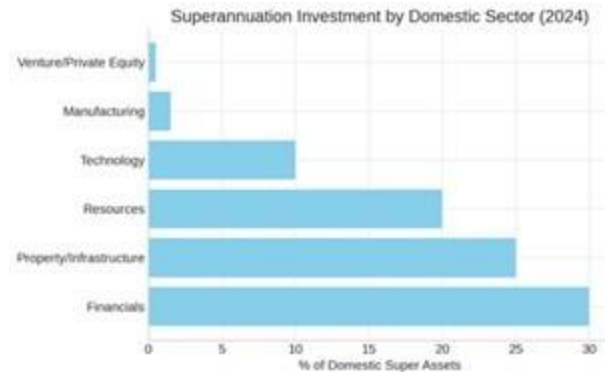
Employment in manufacturing has declined from 1.3 million workers in 1990 to approximately 900,000 today, despite population growth of 60% over this period.

The elevated currency makes Australian-produced goods internationally uncompetitive. A persistently strong AUD, supported by both commodity exports and



superannuation-driven capital dynamics, functions as a tax on exporters and a subsidy to importers. Tradeable goods sectors cannot compete when labour costs remain high in AUD terms but translate to uncompetitive rates in foreign currency. Fortunately, the AUD has recently been trading at the relatively subdued level around US\$0.66.

Meanwhile, superannuation funds themselves show minimal appetite for direct manufacturing investment. Less than 2% of superannuation assets flow toward direct private equity or venture capital in domestic industrial enterprises. Instead, capital clusters in financial services, property, infrastructure monopolies, and offshore markets—sectors either shielded from international competition or benefiting from the very currency strength undermining manufacturers.



Conclusion: A self-reinforcing cycle

Australia's superannuation system, while achieving its retirement adequacy objectives, may indeed be inducing Dutch Disease dynamics. The mandated accumulation of \$3.9 trillion creates structural market distortions: inflated domestic equity valuations, persistent currency appreciation, and capital starvation for internationally exposed manufacturing. Like natural resource wealth, excessive financial asset accumulation can hollow out productive tradeable sectors, leaving the economy dangerously specialized and vulnerable to financial market corrections.

The irony is profound: a system designed to secure Australians' futures may be systematically dismantling the economic diversity necessary for long-term prosperity.

Paul Zwi is a Portfolio Strategist at [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).

For more articles and papers from Clime, [click here](#).

Could your children pass the inheritance 'stress test'?

Bruce Kluk

"Leave children enough so they can do anything, but not enough that they can do nothing."

Warren Buffet's words capture a truth often overlooked. Transferring wealth is simple; ensuring someone is ready to manage it responsibly is much more complex.

You devote years of your life working, saving and investing, striving to build a legacy that outlives you and gives your children a meaningful head start.

But that intention is colliding with a new reality. Younger Australians are struggling with money more than ever, with [62% of young women and 48% of young men feeling overwhelmed by financial](#)

[decisions](#). That sits in stark contrast with the [A\\$5.4 trillion](#) in wealth many are set to inherit, which raises an uncomfortable but necessary question: *Are my children actually ready to inherit?*

Readiness is not about age. It is about confidence, judgement and the ability to maintain composure when the stakes are high. These skills are not innate. They need to be taught, practiced and reinforced over time. Yet too often, families only spot these gaps once the paperwork is signed and responsibility falls on heirs who have never been tested. By then, the consequences can be costly.

That's why assessing readiness early isn't just sensible - it's fundamental. The right questions can reveal blind spots before they become a problem and give families time to build capability long before the money changes hands.

Before any wealth moves to the next generation, here are six questions every parent should ask themselves:

1. Do they have the right attitude?

Attitude shapes every financial decision that follows.

Look for humility, curiosity and respect for the effort that created the wealth in question. These traits are far more predictive of long-term success than technical skill. If an heir sees the inheritance as a fuel for opportunity, rather than a shortcut or entitlement, they're more likely to preserve – not deplete – what you've built.

2. Are they stable and self-reliant in their own life?

Wealth amplifies a person's underlying habits.

If your children can manage work, bills, relationships and day-to-day responsibilities without intervention, an inheritance could strengthen an already-stable foundation. But if they're relying on the promise of future wealth as a Plan A, rather than support for Plan B, more preparation is needed to instil discipline.

3. Do they understand and live by the family's core values?

Money brings opportunity, but values give direction.

If your children understand *why* the wealth exists – what your family stands for, what it rejects and how it defines 'enough' – they will be better equipped to make decisions aligned with legacy. Without this anchor, wealth can drift into spending, conflict or directionless choices.

4. Can they make decisions confidently and without constant validation?

Managing wealth rests on one skill above all; the ability to make sound choices – to exercise independent judgement and to know where specialist guidance can lead to a better outcome.

An heir must also strengthen their own decision-making muscle: learning to weigh competing options and commit to a path, so their engagement with expert financial advice becomes genuinely collaborative.

If your child needs reassurance for every financial choice or freezes without direction, they'll likely feel overwhelmed by the pressure and ambiguity that come with substantial wealth.

5. Are they prepared for the risks that come with inheriting significant wealth?

Significant wealth attracts attention, and not all of it is welcome.

Heirs need the judgement to recognise when something feels off, whether it's a scam, a pushy investment pitch, a manipulative relationship or someone trying to exert influence for their own gain. That 'street smart' instinct is a critical form of protection.

If your children already show an ability to pause, think things through and seek a second opinion in other areas of life, that's an encouraging sign. Good decision-making often starts with slowing down, assessing the situation and choosing deliberately.

6. Are they financially literate, and do they know the difference between lifestyle money and long-term capital?

They don't need to be investment experts, but they do need to understand the fundamentals: compounding, inflation, spending rules, taxation, risk and time horizons.

Most importantly, they must understand the boundary between everyday spending and capital that must last for decades.

With around [45% of Australian](#) adults struggling with basic financial concepts, it's important to be realistic about where your children sit. If they're not confident now, focused education and guidance can make all the difference.

A successful wealth transfer isn't about how much you leave, but how confidently the next generation can stand on their own two feet. When young adults can shoulder responsibility, make sound decisions and seek guidance wisely, wealth becomes a launchpad for their lives rather than a burden handed to them too soon.

Bruce Kluk is the Founder and Director of [Principal Edge Financial Services](#). Also contributing to this article was Marshall Brentnall, Principle Edge's Chief Investment Officer and Director.

Energy policy must prioritise the economy

Tony Dillon

Energy policy in Australia is currently the topic *du jour*. And rightly so.

No other policy, not taxation, immigration, or industrial relations, has such far-reaching effects on the economy. The cost of energy feeds into every single economic activity. Be it household budgets, manufacturing, mining, data centres, farming, construction, or the services industry. There is literally no good or service in the Australian economy that is unaffected by the price of energy.

The Coalition has just announced its new energy policy which, in basic terms, prioritises energy affordability, economic competitiveness, and grid reliability over emissions targets. It is essentially an economy-first, 'no Australian left poorer' energy policy.

Importantly, such a policy does not reject climate action. Rather, it reframes the approach, favouring technology pathways without forced transitions. It is pro-economic, not anti-climate. It is policy viewed through an economic lens, not a moral one.

Labor's energy policy is vastly different

The distinction between this and the current energy policy is stark. The Labor way is to set emissions reduction targets, then set policy around that. It's a climate first policy, economics second. It's an approach that turns economics on its head: announce a target, often for political or symbolic reasons (62% - 70% emissions reduction by 2035, net-zero by 2050), then retrofit a policy to meet the target. The risks of this target-first approach include:

- rising implementation costs due to rushed decisions and aggressive timelines.
- reliability problems because of the backwards policy.
- increasing energy costs putting households and industry under pressure.
- narrower technology options, with speed of rollout prioritised over efficiency or least cost. And little allowance is made for future technology gains.

Meanwhile, an economics-first approach would begin by assessing future energy requirements, available technology, and what supply can be built, in what time, and at what cost. It would consider future technology pathways, cost-benefit analyses, financing, and transition approaches. Policy is then built according to economics and engineering, and targets would then be set consistent with what's feasible. Any target would be a policy output, not an input.

What Australia should do

As the Coalition rolls out its new energy policy, we look at what a 'no Australian left poorer' policy would prioritise.

To avoid energy poverty, on-demand energy must stay on-line until an adequate replacement can be built. That means not retiring coal too early or suppressing gas supply. Otherwise, the cost of energy will spike. And there must be no bias towards any technology or ideology in energy supply. A balanced system should be considered including renewables, gas, hydro, coal, and nuclear (which would require lifting the ban). Diversification leading to lowest cost and reliable outcomes is what matters.

Energy supply is key to leaving no Australians worse off, and what is emerging is a need for large amounts of new supply. Energy demand in Australia is rising fast due to AI and data centres, expanding electrification, critical minerals and rare earths mining, and population growth. We need to be implementing not just an energy transition, but energy addition. It's not inconceivable that electricity demand could double by 2050, which means that the retirement of existing energy sources could be far too premature.

A 'no Australian left poorer' policy doesn't reject emissions reduction. It re-prioritises in order: affordable energy, economic competitiveness, grid stability, and then emissions reduction within the constraints of the above. It is a policy with emphasis on technology, lowest-cost pathways, and private investment, without forced market interventions and transitions. It avoids unrealistic targets while maintaining emissions reduction ambitions.

And importantly, a policy driven system would break the cycle of subsidies, or at least substantially ease them. We have seen a target-driven system become a sequence of expensive subsidies to paper over the gaps that emerge with ambition-first policy.

It begins with government subsidies to encourage and accelerate renewables investment to meet targets, including underwriting returns for investors. Without forced acceleration, a transition would be market driven and subsidies free. Next, the government subsidises coal plants to keep them running for

longer because the rollout of renewables plus storage is not ready. So the taxpayer, is in effect, subsidising both the acceleration of the transition, and the consequences of that acceleration – in this case, a lack of coal plant maintenance.

Next in the queue for subsidies are households that need assistance to absorb rising costs due to the need for renewable energy backup, storage, and extensive transmission. Finally, heavy energy-intensive industry requires assistance to keep afloat and prevented from going offshore. It's a veritable merry-go-round of subsidies holding the system together.

A 'no Australian left poorer' policy aims to secure a stronger economy. It would manage a changing grid without destabilising it, avoid cost blowouts and energy poverty, and keep manufacturing in Australia. It wouldn't place emissions reduction above all else, jeopardise Australia's competitive advantage in natural resources, or profess to fix the climate when simple mathematics says it can't.

Australia's continuing prosperity is underpinned by reliable and affordable energy. Energy is the economy. Get the energy policy wrong, and you get the economy wrong. Yes, climate goals are important, but they should be an outworking of responsible energy policy. Economic activity must come first.

[Tony Dillon](#) is a freelance writer and former actuary. This article is general information and does not consider the circumstances of any investor.

Invest like you are bad at making predictions

Joe Wiggins

Investing can often feel like one giant prediction game. Most financial market commentary involves forecasts about the future that are hastily discarded and willfully forgotten, and many investment approaches are founded on taking bets about the complex interactions of economies and asset prices. The problem with all this activity is that the world is a highly uncertain place and we are wildly overconfident in our ability to foresee what will happen next. A fact confirmed (again) in a [recent study](#) by Jeffrey A. Friedman, an associate Professor of Government at Dartmouth College.

Friedman ran a large-scale study of over 63,000 judgements made by nearly 2,000 national security officials from NATO allies and partners. The expert participants were given a set of 30 to 40 statements and had to estimate the chances that they were true.

Such as:

"In your opinion, what are the chances that NATO's members spend more money on defense than the rest of the world combined?"

Or apply probabilities to future events:

"In your opinion, what are the chances that Russia and Ukraine will officially declare a ceasefire by the end of 2022?"

How did these experts fare when posed these questions?

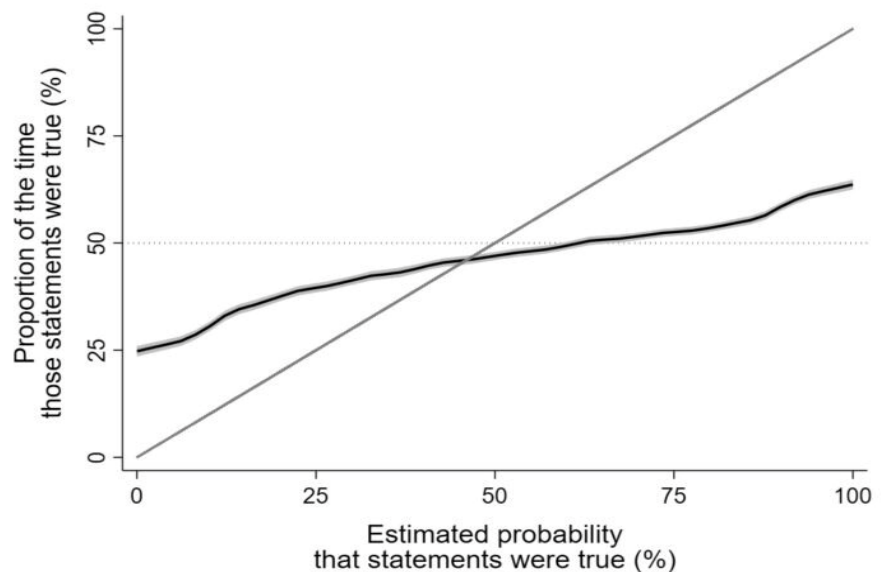
It is fair to say that their calibration was a little off or, to put it another way, they exhibited pronounced levels of overconfidence.

When the officials believed that a statement was likely to be 90% true, this was the case on only 57% of occasions. On the flip side, when a statement was assigned a 10% likelihood of truthfulness, it was correct 32% of the time. Notably, participants were more likely to say something was true when it was not, than the reverse (false positives were more common).

There was also a problem in dealing with certainty. When a participant had absolute confidence that a statement was false, they were incorrect 25% of the time. (They were obviously ignorant of [Cromwell's rule](#)).

Here is a visual depiction of the calibration gap, or level of overconfidence.

Friedman's paper goes in to more detail on the study, and he has also written an [excellent book](#) on decision making under uncertainty, which I would strongly recommend, but I wanted to turn to the implications of this study for investors:



Be very careful with geopolitical risks: Investors get very excited about geopolitical risk and love the opportunity to become foreign policy experts for the week, but making decisions based on geopolitics should be avoided. In Friedman's study, experts in the field consistently made off the mark, poorly calibrated judgements – what chance do generalist investors have?

Financial markets are harder to predict than most things: Although the foreign policy questions in Friedman's study were difficult, they are not as challenging as those many investors try to tackle. When investors make market predictions, they are attempting to forecast something as complex and chaotic as the global economy *and* how that will impact financial markets. It is incredible to me that anyone thinks this is possible.

Reduce your confidence levels: The participants in the study were overconfident, investors are overconfident, humans are overconfident. A very useful rule of thumb is to reduce our conviction every single time we express a view, this will almost certainly make our guesses more realistic.

Don't make an investment approach reliant on predictions: I appreciate that it feels like we should be constantly making predictions about financial markets – it is interesting, lucrative and everyone else is doing it – but it is a really bad idea.

Make easier predictions: Of course, all investing involves making predictions about the future in some form but let's make easy ones. I predict that over the next decade economies will grow, and stock

markets will generate real returns. It is a forecast, and it is not certain to be true, but I have a reasonable level of confidence in it being so. Simple predictions humbly made are always the way to go.

Reduce overconfidence by diversifying: Diversification is an exercise in humility. The future is uncertain, and we are terrible at making predictions, so our portfolios should reflect this.

If you are reading this and thinking that financial market forecasts are not really as difficult as I am making out then feel free to replicate Friedman's test. Make a set of statements about the future and apply a probability to them being true. Things like these:

The ten-year US treasury yield will be above 5% by the end of 2026.

Or

The US equity market will not lose more than 25% in value at any point over the next 12 months.

Let me know how you get on.

It is an oddity that investors are often reluctant to systematically measure themselves in this way given how much time we spend making predictions. It suggests that even though we behave in an overconfident way underneath it all we know the truth, we would just rather not remind ourselves of it.

Note: All opinions are my own, not that of my employer or anybody else. I am often wrong, and my future self will disagree with my present self at some point.

Joe Wiggins is Director of Research at UK wealth manager, [St James's Place](#) and publisher of investment insights through a behavioural science lens at www.behaviouralinvestment.com. His book [The Intelligent Fund Investor](#) explores the beliefs and behaviours that lead investors astray, and shows how we can make better decisions.

This article was originally published on Joe's website, [Behavioural Investment](#), and is reproduced with permission.

Disclaimer

This message is from Morningstar Australasia Pty Ltd, ABN 95 090 665 544, AFSL 240892, Level 3, International Tower 1, 100 Barangaroo Avenue, Barangaroo NSW 2000, Australia.

Any general advice has been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) without reference to your financial objectives, situation or needs. For more information refer to our Financial Services Guide at www.morningstar.com.au/s/fsq.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Past performance does not necessarily indicate a financial product's future performance.

For complete details of this Disclaimer, see www.firstlinks.com.au/terms-and-conditions. All readers of this Newsletter are subject to these Terms and Conditions.