

Edition 644, 9 January 2026

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Editorial

As an investor, it was hard not to make money in 2025. The “everything bubble” gathered steam as almost every asset price went up, similar to 2023 and 2024. Interestingly, bitcoin was the only major asset that fell last year.

CREATIVE PLANNING		Asset Class Total Returns Since 2011 (Data via YCharts as of 12/31/25)													@CharlieBilello			
ETF	Asset Class	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2011-25 Cumulative	2011-25 Annualized
GLD	Gold	9.6%	6.6%	-28.3%	-2.2%	-10.7%	8.0%	12.8%	-1.9%	17.9%	24.8%	-4.2%	-0.8%	12.7%	26.7%	63.7%	186%	7.2%
EFA	Developed International	-12.2%	18.8%	21.4%	-6.2%	-1.0%	1.4%	25.1%	-13.8%	22.0%	7.6%	11.5%	-14.4%	18.4%	3.5%	31.6%	159%	6.6%
VWO	Emerging Markets	-18.7%	19.2%	-4.9%	0.0%	-15.8%	12.2%	31.5%	-14.8%	20.8%	15.2%	1.3%	-18.0%	9.3%	10.6%	25.6%	71%	3.6%
QQQ	US Nasdaq 100	3.4%	18.1%	36.6%	19.2%	9.5%	7.1%	32.7%	-0.1%	39.0%	48.6%	27.4%	-32.6%	54.9%	25.6%	20.8%	1187%	18.6%
IWF	US Growth	2.3%	15.2%	33.1%	12.8%	5.5%	7.0%	30.0%	-1.7%	35.9%	38.3%	27.4%	-29.3%	42.6%	33.1%	18.3%	871%	16.4%
SPY	US Large Caps	1.9%	16.0%	32.2%	13.5%	1.2%	12.0%	21.7%	-4.5%	31.2%	18.4%	28.7%	-18.2%	26.2%	24.9%	17.7%	609%	13.9%
CWB	Convertible Bonds	-7.7%	15.9%	20.5%	7.7%	-0.8%	10.6%	15.7%	-2.0%	22.4%	53.4%	2.2%	-20.8%	14.5%	10.1%	16.6%	286%	9.4%
IWD	US Value	0.1%	17.5%	32.1%	13.2%	-4.0%	17.3%	13.5%	-8.5%	26.1%	2.7%	25.0%	-7.7%	11.4%	14.2%	15.7%	352%	10.6%
EMB	EM Bonds (USD)	7.7%	16.9%	-7.8%	6.1%	1.0%	9.3%	10.3%	-5.5%	15.5%	5.4%	-2.2%	-18.6%	10.6%	5.5%	13.9%	82%	4.1%
IWM	US Small Caps	-4.4%	16.7%	38.7%	5.0%	-4.5%	21.6%	14.6%	-11.1%	25.4%	20.0%	14.5%	-20.5%	16.8%	11.4%	12.7%	286%	9.4%
HYG	High Yield Bonds	6.8%	11.7%	5.8%	1.9%	-5.0%	13.4%	6.1%	-2.0%	14.1%	4.5%	3.8%	-11.0%	11.5%	8.0%	8.6%	107%	5.0%
DBC	Commodities	-2.6%	3.5%	-7.6%	-28.1%	-27.6%	18.6%	4.9%	-11.6%	11.8%	-7.8%	41.4%	19.3%	-8.2%	2.2%	8.1%	-4%	-0.3%
LQD	Investment Grade Bonds	9.7%	10.6%	-2.0%	8.2%	-1.3%	6.2%	7.1%	-3.8%	17.4%	11.0%	-1.8%	-17.9%	9.4%	0.9%	7.9%	74%	3.7%
MDY	US Mid Caps	-2.1%	17.8%	33.1%	9.4%	-2.5%	20.5%	15.9%	-11.3%	25.8%	13.5%	24.5%	-13.3%	16.1%	13.6%	7.2%	342%	10.4%
BND	US Total Bond Market	7.7%	3.9%	-2.1%	5.8%	0.6%	2.5%	3.6%	-0.1%	8.8%	7.7%	-1.9%	-13.1%	5.7%	1.4%	7.1%	42%	2.3%
TIP	TIPS	13.3%	6.4%	-8.5%	3.6%	-1.8%	4.7%	2.9%	-1.4%	8.3%	10.8%	5.7%	-12.2%	3.8%	1.7%	6.8%	50%	2.7%
PFF	Preferred Stocks	-2.0%	17.8%	-1.0%	14.1%	4.3%	1.3%	8.1%	-4.7%	15.9%	7.9%	7.2%	-18.2%	9.2%	7.2%	4.9%	91%	4.4%
TLT	Long Duration Treasuries	34.0%	2.6%	-13.4%	27.3%	-1.8%	1.2%	9.2%	-1.6%	14.1%	18.2%	-4.6%	-31.2%	2.8%	-8.1%	4.2%	41%	2.3%
BIL	US Cash	0.0%	0.0%	-0.1%	-0.1%	-0.1%	0.1%	0.7%	1.7%	2.2%	0.4%	-0.1%	1.4%	4.9%	5.2%	4.1%	22%	1.3%
VNQ	US REITs	8.6%	17.6%	2.3%	30.4%	2.4%	8.6%	4.9%	-6.0%	28.9%	-4.7%	40.5%	-26.2%	11.8%	4.8%	3.3%	188%	7.3%
N/A	Bitcoin (\$BTC)	1473%	186%	5507%	-58%	35%	125%	1331%	-73%	95%	301%	66%	-65%	156%	121%	-6.0%	29256314%	131.4%
Highest Return		BTC	BTC	BTC	VNQ	BTC	BTC	BTC	BIL	BTC	BTC	BTC	DBC	BTC	BTC	GLD	BTC	BTC
Lowest Return		EEM	BIL	GLD	BTC	DBC	BIL	BIL	BTC	BIL	DBC	TLT	BTC	DBC	TLT	BTC	DBC	DBC
% of Asset Classes Positive		62%	95%	52%	71%	38%	100%	100%	5%	100%	90%	71%	10%	95%	95%	95%	95%	95%

Gold was the standout performer in 2025, up 64% in US dollar terms. The sharp fall in the US currency helped its cause, as did growing concerns about the US budget deficit and easy money. It's capped what's been a stellar decade for the yellow metal.

The performance of international stocks also stood out. At this time last year, the biggest mantra in markets was US exceptionalism and seemingly every investor was board. That didn't pan out as planned with the S&P 500 return of 18% trailing the world index's 22%, emerging markets' 33% and Europe's 35%.

Bonds have been much maligned, though bounced back last year. That led to solid performance for 60/40 stock-bond portfolios.

As seen in the first chart, it's the third year in a row that 95% of major asset classes have delivered positive annual returns.

Bitcoin was the only asset to finish in the red this year. Its extreme volatility during the April dip quietened talk of it being a 'safe haven' or 'digital gold'.

Stocks: Europe and Asia fly, Australia lags

Breaking down stocks by country, South Korea was the best performing major market, rising 95% in US dollar terms in 2025. The likes of Spain and Greece weren't far behind.

60/40 Portfolio: US Stocks (S&P 500) and Bonds (Bloomberg US Aggregate) Total Returns (1977 - 2025)					
Year	Return	Year	Return	Year	Return
1977	-3.0%	1994	-0.4%	2011	4.4%
1978	4.5%	1995	29.9%	2012	11.3%
1979	11.9%	1996	15.2%	2013	18.6%
1980	20.1%	1997	23.9%	2014	10.6%
1981	-0.3%	1998	20.6%	2015	1.1%
1982	25.3%	1999	12.3%	2016	8.2%
1983	16.7%	2000	-0.8%	2017	14.5%
1984	9.7%	2001	-3.8%	2018	-2.6%
1985	27.6%	2002	-9.2%	2019	22.4%
1986	17.2%	2003	18.8%	2020	14.0%
1987	4.6%	2004	8.3%	2021	13.8%
1988	13.1%	2005	3.9%	2022	-16.1%
1989	24.8%	2006	11.2%	2023	18.0%
1990	1.7%	2007	6.1%	2024	15.5%
1991	24.7%	2008	-20.1%	2025	13.6%
1992	7.5%	2009	18.2%		
1993	9.9%	2010	11.7%		

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Global Equity ETFs: 2025 Total Returns (in US \$)								
Country/Region	Ticker	2025 TR	Country/Region	Ticker	2025 TR	Country/Region	Ticker	2025 TR
South Korea	EWY	95.4%	Canada	EWC	35.9%	Japan	EWJ	25.9%
Peru	EPU	86.8%	Europe	VGK	35.8%	Kuwait	KWT	25.4%
Spain	EWP	78.0%	Germany	EWG	35.8%	Total World	VT	22.4%
Poland	EPOL	77.4%	Belgium	EWK	35.4%	UAE	UAE	21.3%
Greece	GREK	76.1%	United Kingdom	EWU	35.0%	US	SPY	17.7%
South Africa	EZA	75.2%	Netherlands	EWN	34.9%	Malaysia	EWM	15.7%
Austria	EWO	74.1%	Hong Kong	EWH	34.5%	Australia	EWA	13.4%
Colombia	COLO	69.1%	Switzerland	EWL	32.9%	Argentina	ARGT	11.5%
Vietnam	VNM	66.5%	World ex-USA	ACWX	32.6%	Denmark	EDEN	10.6%
Chile	ECH	65.4%	Emerging Markets	IEMG	32.6%	Qatar	QAT	8.8%
Italy	EWI	55.7%	Norway	NORW	32.6%	Indonesia	EIDO	4.9%
Mexico	EWW	53.7%	EAFFE	IEFA	32.1%	India	INDA	2.7%
Finland	EFNL	53.5%	Singapore	EWS	31.3%	New Zealand	ENZL	2.4%
Brazil	EWZ	48.9%	China	MCHI	31.0%	Thailand	THD	2.4%
Israel	EIS	45.1%	France	EWQ	28.9%	Philippines	EPHE	1.5%
Eurozone	EZU	40.0%	Ireland	EIRL	28.8%	Turkey	TUR	-1.5%
Sweden	EWD	36.5%	Taiwan	EWT	28.4%	Saudi Arabia	KSA	-8.2%

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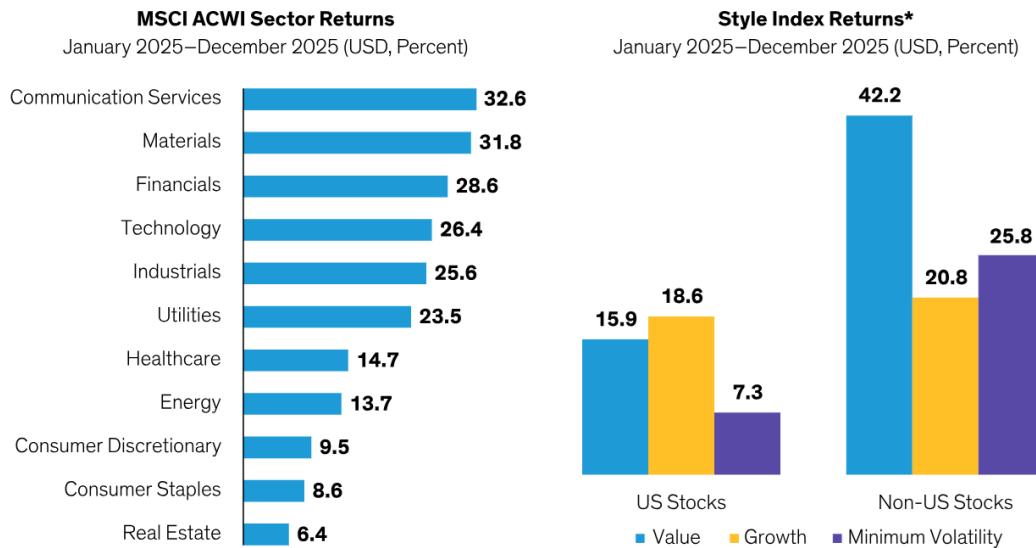
Data via YCharts as of 12/31/25

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Overall, the Eurozone was the standout, but Asia also did well. Major Asian markets such Singapore and Japan were up 31% and 26% respectively. Even China, deemed 'un-investible' by many at the beginning of last year, bounced 31% to trounce both the World Index and US stocks.

In terms of which styles of stock investments worked best, there was a marked difference between the US and the rest of the world. Outside of America, value stocks beat growth. Yet in the US, it was the opposite.

Communications and Materials Led Global Sector Gains; Regional Style Returns Diverged



Source: *Alliance Bernstein*

In the US, it's hard to believe but the S&P 500 and Nasdaq were down 19% and 24% respectively for the year through to lows in April. That's before both came roaring back by year end. Amazingly, the Nasdaq gained 52% from the lows.

Index	Index 2025 return	Index maximum drawdown from YTD high	Average member maximum drawdown from YTD high	Index return since 4/8/25 low	Index maximum drawdown since 4/8/25 low	Average member maximum drawdown since 4/8/25 low
S&P 500	16%	-19%	-27%	37%	-5%	-19%
NASDAQ	20%	-24%	-52%	52%	-8%	-43%
Russell 2000	11%	-24%	-41%	41%	-9%	-30%

Source:

Charles Schwab, Bloomberg, as of 12/31/2025.

What were the key drivers in the US? Company earnings came in better than expected, rising 13% for the year. The rest of the gains came from valuation multiple expansion.

The S&P 500's trailing price to earnings (P/E) ratio of 26x is well above the historical average of 19.8x. The current multiple was last seen in 2020-2021 before the correction of 2022, and in 1998-2001, when a bear market then followed.

S&P 500: Earnings Growth, Price Returns, TTM P/E Ratios (1989 - 2025)							
Year	S&P Operating EPS	% Change Operating EPS	S&P End Price	% Change S&P 500 (Price)	S&P 500 TTM P/E	P/E % Change	Multiple Expansion/Contraction
1989	24	0.8%	353	27.3%	14.5	26.4%	Expansion
1990	23	-6.9%	330	-6.6%	14.6	0.3%	Expansion
1991	19	-14.8%	417	26.3%	21.6	48.2%	Expansion
1992	21	8.1%	436	4.5%	20.9	-3.4%	Contraction
1993	27	28.9%	466	7.1%	17.3	-16.9%	Contraction
1994	32	18.0%	459	-1.5%	14.5	-16.6%	Contraction
1995	38	18.7%	616	34.1%	16.3	12.9%	Expansion
1996	41	7.8%	741	20.3%	18.2	11.6%	Expansion
1997	44	8.3%	970	31.0%	22.1	20.9%	Expansion
1998	44	0.6%	1229	26.7%	27.8	25.9%	Expansion
1999	52	16.7%	1469	19.5%	28.4	2.4%	Expansion
2000	56	8.6%	1320	-10.1%	23.5	-17.3%	Contraction
2001	39	-30.8%	1148	-13.0%	29.6	25.6%	Expansion
2002	46	18.5%	880	-23.4%	19.1	-35.3%	Contraction
2003	55	18.8%	1112	26.4%	20.3	6.4%	Expansion
2004	68	23.8%	1212	9.0%	17.9	-11.9%	Contraction
2005	76	13.0%	1248	3.0%	16.3	-8.8%	Contraction
2006	88	14.7%	1418	13.6%	16.2	-1.0%	Contraction
2007	83	-5.9%	1468	3.5%	17.8	10.0%	Expansion
2008	50	-40.0%	903	-38.5%	18.2	2.6%	Expansion
2009	57	14.8%	1115	23.5%	19.6	7.5%	Expansion
2010	84	47.3%	1258	12.8%	15.0	-23.4%	Contraction
2011	96	15.1%	1258	0.0%	13.0	-13.1%	Contraction
2012	97	0.4%	1426	13.4%	14.7	13.0%	Expansion
2013	107	10.8%	1848	29.6%	17.2	16.9%	Expansion
2014	113	5.3%	2059	11.4%	18.2	5.8%	Expansion
2015	100	-11.1%	2044	-0.7%	20.3	11.7%	Expansion
2016	106	5.8%	2239	9.5%	21.1	3.5%	Expansion
2017	125	17.2%	2674	19.4%	21.5	1.5%	Expansion
2018	152	21.8%	2507	-6.2%	16.5	-23.0%	Contraction
2019	157	3.6%	3231	28.9%	20.6	24.4%	Expansion
2020	122	-22.1%	3756	16.3%	30.7	49.3%	Expansion
2021	208	70.1%	4766	26.9%	22.9	-25.4%	Contraction
2022	197	-5.4%	3840	-19.4%	19.5	-14.8%	Contraction
2023	214	8.4%	4770	24.2%	22.3	14.6%	Expansion
2024	233	9.3%	5882	23.3%	25.2	12.8%	Expansion
2025	263	12.8%	6846	16.4%	26.0	3.2%	Expansion
Historical Average				19.8			
*2025 TTM EPS includes estimates for Q4 2025, S&P 500 Price as of 12/31/25							
 CREATIVE PLANNING		@CharlieBilello			Data Source: S&P Dow Jones		

The 'Magnificent 7' stocks were frequently quoted in 2025, though their performance didn't live up to the hype. It was really the Magnificent 2 as only Alphabet and Nvidia outperformed the index.

Alphabet rocketed as the market realized that the extent of its AI capabilities, dampening fears that AI would take out its cash cow, the search business. Meanwhile, Nvidia continued its ascent as demand for its chips showed few signs of slowing down.

Tesla did ok considering its auto volumes continued to shrink as Chinese competitors gained share in electric vehicles.

2025 Magnificent 7 Performance

-	2025 return	S&P 500	S&P 500	NASDAQ
		Performance rank	Contribution rank	Performance rank
Alphabet Inc	65%	28	2	405
NVIDIA Corp	39%	75	1	617
NASDAQ	20%	NA	NA	NA
S&P 500	16%	NA	NA	NA
Microsoft Corp	15%	165	7	952
Meta Platforms Inc	13%	183	18	996
Tesla Inc	11%	200	26	1022
Apple Inc	9%	229	8	1088
Amazon.com Inc	5%	264	33	1208

Source:

Charles Schwab, Bloomberg, as of 12/31/2025.

Valuations for these Magnificent 7 stocks still seem punchy.

Magnificent 7 Stocks - Valuations
 (Data Using TTM Earnings/Sales via YCharts as of 12/31/25)

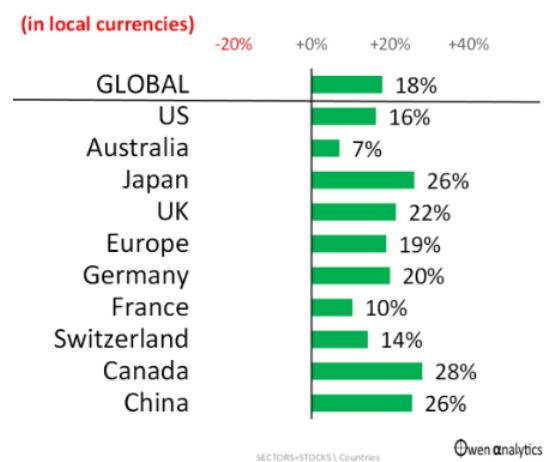


Despite the mixed performance of the Magnificent 7, technology was still the best performing sector in the US. Notable sector laggards included real estate and consumer facing sectors.

CREATIVE PLANNING		S&P 500 Sector Total Returns Since 1999 (Data via YCharts as of 12/31/25)																							@CharlieBilello							
Ticker	S&P Sector	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Last 5 Years	Last 10 Years		
XLK	Technology	65%	-42%	-23%	-38%	38%	5%	0%	12%	15%	-41%	51%	11%	3%	15%	26%	18%	5%	15%	34%	-2%	50%	44%	35%	-28%	56%	22%	25%	130%	653%		
XLC	Communication Services																															
XLI	Industrials	21%	8%	-10%	-25%	32%	18%	3%	14%	13%	-39%	22%	28%	-1%	15%	41%	10%	-4%	20%	24%	-13%	29%	11%	21%	-36%	53%	35%	23%	83%			
XLU	Utilities	-4%	22%	-13%	-29%	26%	24%	16%	21%	18%	-29%	12%	5%	20%	1%	13%	29%	-5%	16%	12%	4%	26%	1%	18%	1%	-7%	23%	16%	59%	171%		
XLF	Financials	3%	26%	-9%	-15%	30%	11%	6%	19%	-19%	-53%	18%	12%	-17%	28%	36%	15%	-2%	23%	22%	-13%	32%	-2%	35%	-11%	12%	31%	15%	103%	242%		
XLV	Health Care	20%	-11%	-1%	-1%	15%	1%	6%	7%	7%	-23%	20%	3%	12%	17%	41%	25%	7%	-3%	22%	6%	20%	13%	26%	-2%	2%	15%	48%	152%			
XLB	Materials	23%	-15%	2%	-5%	37%	13%	4%	18%	22%	-44%	48%	21%	-11%	15%	26%	7%	-9%	17%	24%	-15%	24%	21%	27%	-12%	12%	0%	10%	38%	155%		
XLE	Energy	19%	24%	-18%	-15%	26%	34%	40%	18%	37%	-39%	22%	22%	3%	5%	26%	-9%	-21%	28%	-1%	-18%	8%	-33%	53%	64%	-1%	6%	8%	185%	116%		
XLY	Consumer Discretionary	19%	-17%	13%	-19%	37%	13%	-7%	18%	-14%	-33%	41%	27%	6%	24%	43%	9%	10%	6%	23%	2%	28%	30%	28%	-36%	40%	27%	7%	55%	240%		
XLR	Real Estate																															
XLP	Consumer Staples	-14%	26%	-10%	-20%	11%	8%	3%	14%	13%	-15%	14%	14%	14%	11%	26%	16%	7%	5%	13%	-8%	27%	10%	17%	-1%	-1%	12%	2%	31%	101%		
Highest Return		XLK	XLF	XLY	XLV	XLK	XLE	XLE	XLP	XLK	XLI	XLU	XLF	XLY	XLU	XLY	XLE	XLK	XLV	XLK	XLE	XLE	XLC	XLK	XLE	XLC	XLK	XLE	XLK			
Lowest Return		XLP	XLK	XLK	XLK	XLP	XLV	XLY	XLV	XLF	XLU	XLV	XLF	XLU	XLU	XLE	XLV	XLE	XLE	XLC	XLU	XLP	XLC	XLR	XLC	XLK	XLP	XLR	XLE	XLK		
% of Sectors Positive		78%	56%	22%	0%	100%	100%	78%	100%	78%	0%	100%	100%	67%	100%	100%	89%	44%	90%	90%	30%	100%	73%	100%	18%	73%	100%	100%	100%	100%	100%	

In Australia, stocks underperformed the rest of the world. The ASX 200 rose 7% in 2025, 10% including dividends. That 10% looks poor compared to the returns of other markets, though it's still in line with the long-term returns from the ASX index.

Delving deeper, it was mid and small caps that thrashed larger stocks, up 18% and 26% respectively. A lot of that outperformance was due to the continued rise in gold equities, and the comeback of lithium plays.



Australian Equity

S&P/ASX 200 (8714.31)	1.30%	-1.01%	10.32%
S&P/ASX 20	2.92%	-0.59%	7.89%
S&P/ASX 50	1.81%	-1.44%	7.61%
S&P/ASX MidCap 50	-1.23%	-0.04%	18.35%
S&P/ASX 100	1.36%	-1.24%	9.00%
S&P/ASX 200 ex-S&P/ASX 100	0.67%	1.37%	25.72%
S&P/ASX 300	1.37%	-0.89%	10.66%
S&P/ASX Small Ordinaries	1.42%	1.80%	24.96%
S&P/ASX Emerging Companies	10.17%	8.34%	39.34%

Source: S&P Global

Across the board, materials were the big winner in 2025, while tech and healthcare were the big losers.

S&P/ASX 200 Sectors

Materials	6.65%	12.99%	36.21%
Industrials	-1.40%	0.09%	13.98%
Utilities	-1.07%	-2.58%	13.22%
Financials	3.42%	-1.91%	12.05%
Communication Services	-3.11%	-6.45%	10.56%
Real Estate	1.82%	-1.63%	8.38%
Consumer Discretionary	-2.65%	-11.69%	4.09%
Energy	-1.87%	1.15%	3.21%
Consumer Staples	-2.77%	-1.02%	2.01%
Information Technology	-8.68%	-26.01%	-20.80%
Health Care	-7.14%	-9.88%	-23.66%

Source: S&P Global

Unlike in the US, growth and momentum stocks performed poorly in Australia. Interestingly, quality stocks also trailed the pack.

Australian Equity Factors

S&P/ASX 200 Equal Weight	-0.14%	0.69%	18.21%
S&P/ASX 200 High Dividend	2.16%	2.38%	17.25%
S&P/ASX 200 Value	2.16%	3.09%	16.48%
S&P/ASX 200 Enhanced Value	-0.43%	3.20%	16.17%
S&P/ASX 200 GARP	-0.08%	-2.01%	14.19%
S&P/ASX 200 Low Volatility	-0.09%	0.60%	13.02%
S&P/ASX 200 Momentum	-1.49%	-6.03%	6.82%
S&P/ASX 200 Growth	0.43%	-4.81%	4.77%
S&P/ASX 200 Quality	-2.26%	-5.07%	4.61%

Source: S&P Global

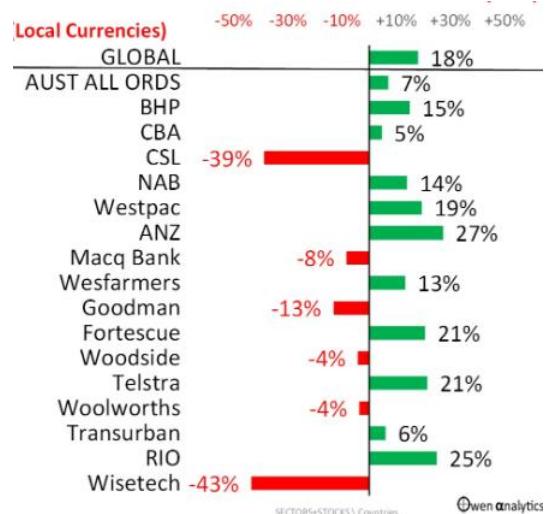
Quality stocks like CSL, Goodman, REA and CAR Group didn't live up to expectations. In the case of CSL, that was self-indicted, and in the other cases, it was likely excessive valuations coming back to earth (somewhat).

Commodities: up, up and away

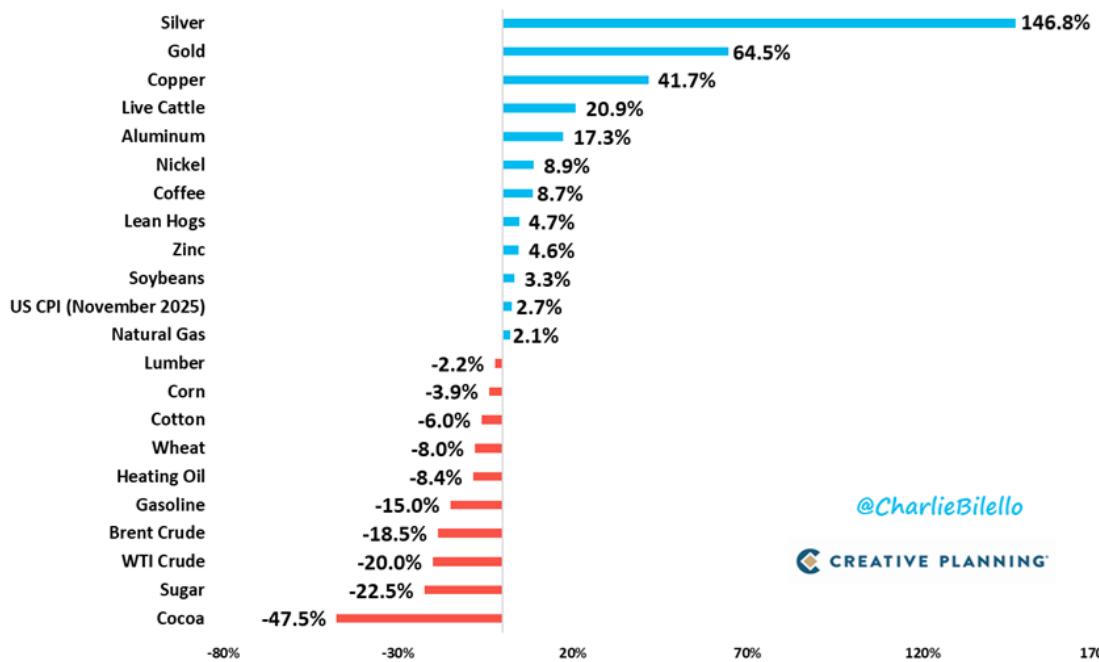
Australian resource stocks were helped by the surge in many commodities. In 2025, silver even outdid gold, rising an astonishing 147%. Copper also did well as investors fingered it as a key AI and data centre beneficiary.

On the flip side, oil prices went south as a supply surge overwhelmed tepid demand, leaving large excess inventories.

With the notable exception of beef, agricultural commodities also underperformed.



Commodities: 2025 % Change (Data via YCharts as of 12/31/25)



King dollar no more?

The rise of the US dollar took an abrupt about-turn in 2025. The USD finished the year down 10% on a trade-weighted basis.

The Aussie dollar started the year near 62 cents to the US dollar and finished above 67 cents. That was driven by changing expectations for interest rates and inflation. The market now forecasts rate rises in Australia this year. Conversely, in the US, consensus suggests rate falls, especially with a new Trump-friendly Federal Reserve Chairman replacing Jerome Powell by mid this year. Given the differing paths for rates, it wouldn't surprise to see a further rise in the Aussie versus the USD.

2026 outlook

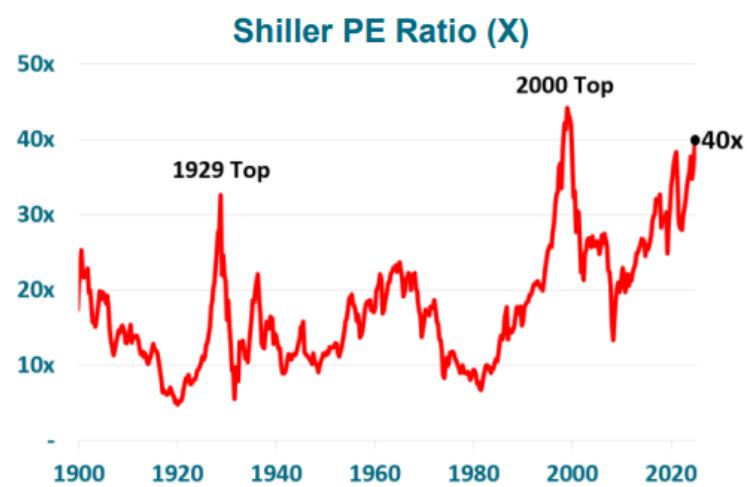
At this time last year, I suggested that [investors should seek to diversify their stock holdings](#) beyond the US and Australia. The primary reason being that other major markets like Europe and Asia were considerably cheaper. That suggestion paid off, not that many Australian-based investors listened as they continued to pile into American markets.

I see no little reason why the outperformance of non-US stock markets can't continue.

American equities have had a remarkable 16-year bull market, with stocks up close to 16% per annum (p.a.), well above their historical 10% p.a. returns. The average US market has lasted around 18 years, which would indicate that we may be in the last leg of this bull market. Most importantly, every valuation metric for US stocks is near or at record highs. Whenever the Shiller PE and trailing PE for America have been at current levels, it's resulted in flat to low single digit returns on every single occasion throughout history.

In other words, if you're betting on the US stock market, you really do think this time is different, and that spectacular recent performance can continue. I'm on the other side of that bet.

Where does that leave the ASX? If commodities continue to their ascent, there is a good chance that Australia outperforms the US this year (yes, you read that right). And given my expectations for low single digit returns from US equities over the next decade, I believe the odds favour ASX stocks handily beating their American counterparts over that period.



Drilling down on the ASX, I wrote at the start of last year that [a rotation out of miners into banks could happen soon](#) and resource outperformance may then persist for many years to come. That rotation happened in 2025, and I think there's a high probability for it to continue. The reason being that the banks remain steeply priced given mediocre growth prospects and many miners have lagged the rise in commodity prices.

What about bonds and cash? It's hard to be bullish. Major countries around the world have enormous debt loads and higher inflation is the easiest way to bring these debt levels down to more reasonable levels. And in Australia, interest rates are on the way up, not down.

On the flip side, investor positioning and flows show bonds remain the most hated of the major asset classes. It wouldn't take much for this to change.

Overall, you're likely to see pedestrian returns from bonds for 2026 and beyond.

For 60/40 portfolios, that's not a bad thing, as it should deliver solid overall returns.

James Gruber

In this week's edition...

Just before Christmas, the federal government released revised draft legislation for its \$3 million super tax. Over the holidays, **Meg Heffron** has had a thorough look through it and says while it's better than the original legislation, there are [some stings in the tail](#).

Tim Farrelly has been around markets for a long time and each year he provides his [10 fearless forecasts](#) for the 12 months ahead. His 2026 predictions include US government bonds will beat gold, US market performance will be underwhelming, and dividends will outstrip growth as a source of Australian equity returns.

The media talks endlessly about our ever rising population, but little is said about the [infrastructure that will be needed to cater to more people](#). **Ross Elliot** has written a great piece breaking down how many hospitals, schools, and so, that we'll need in future. The numbers are eye opening.

Is the world's safest currency - the US dollar - actually the riskiest? **Orbis' Nicholas Purser** says it may be, and [outlines the case why](#).

Dementia has become Australia's biggest killer and I've documented my family's recent battles with it.

Ashley Owen went through it with his mother and he details his extensive experience with aged care homes and [what he learned along the way](#). Separately, Ashley himself has recently developed cancer and *Firstlinks* wishes him and his family well.

China has flooded the world with electric cars and solar panels to offset the economic drag from a weak domestic property market. How long can this go on, and what are the [implications for commodities and Australia](#)? **Greg Canavan** gives his take.

Elon Musk's trillion-dollar Tesla pay deal looks like excess, but its structure may be one of the strongest examples of alignment between a CEO and shareholders. Strip away the outrage and **Lawrence Lam** thinks it becomes a blueprint for how long-term, high-risk incentives can [drive founder-style ambition](#) rather than reward inertia. And, ASX companies should take note.

Lastly, in [this week's whitepaper](#), **Vanguard** sees upside to economic growth but risks for stock markets in 2026.

Meg on SMSFs: First glimpse of revised Division 296 tax

Meg Heffron

Shortly before Christmas, Treasury released draft legislation for a new version of the controversial Division 296 tax – the additional tax for those with more than \$3 million in super. The new version does represent a significant improvement on the original proposal in that it no longer includes taxing unrealised capital gains. But there are definitely some stings in the tail.

Key points

If implemented exactly as outlined in the draft legislation, the new tax:

- is due to start from 1 July 2026 (ie, the first financial year would be 2026/27) rather than 1 July 2025,
- would be a brand-new tax levied on individuals (although it can be paid from super) – in addition to all normal super taxes which will remain exactly the same,
- will be charged as an extra 15% tax on the proportion of super ‘earnings’ (more on this later) that relates to an individual’s super balance over \$3 million. However (the first sting in the tail), there would be a further extra tax of 10% on the proportion of super earnings relating to the proportion over \$10 million. This means some people will pay an extra 25% (15% + 10%) tax on *some* of their super earnings. The Government talks about ‘headline rates’ of tax on those with large super balances being up to 30% and 40% respectively – this is simply adding the normal super fund tax rate of up to 15% to the new tax rates above,
- unlike the old proposal (which involved taxing unrealised capital gains), uses normal tax principles to calculate ‘earnings’ for Division 296 tax purposes. It even incorporates some special protections to allow SMSFs with capital gains built up before 30 June 2026 to avoid paying Division 296 tax on these gains when the assets are eventually sold, and
- calculation will have **some** similarities to the previous draft bill in that it will be:
A percentage x earnings x a tax rate
but (a second sting in the tail), the percentage will be worked out differently and the new method is designed specifically to stop people avoiding the tax by taking a lot of money out of super during the year.

A simple example

Tim and Sonia have an SMSF worth \$20 million at the start of the year (1 July). Tim has \$12 million and Sonia has \$8 million. During the financial year, their super fund received income (rent on various properties and interest) of \$1.5 million, and the properties grew in value by \$1 million (but no properties were sold – no capital gains were realised during that financial year). Let’s say they drew pensions of \$100,000 each (\$200,000 in total). Their super fund would pay income tax in the usual way – let’s say that was around \$180,000. For now, we’ll just ignore any expenses the fund might have paid to keep the calculations simple.

During the year, their super fund would have grown by \$2.12 million (ie, \$1.5 million in rent and interest plus \$1 million in growth less pension payments and taxes of \$380,000 combined).

Let’s say Tim and Sonia’s balances are \$13,287,500 and \$8,832,500 respectively at the end of the year as shown below:

	Tim	Sonia	Total
Balance on 1 July	\$12,000,000	\$8,000,000	\$20,000,000
Income (rent & interest)	\$900,000	\$600,000	\$1,500,000
Growth in property values	\$600,000	\$400,000	\$1,000,000
Pension payments	-\$100,000	-\$100,000	-\$200,000
Tax	-\$112,500	-\$67,500	-\$180,000
Balance on 30 June	\$13,287,500	\$8,832,500	\$22,120,000

We then work out their Division 296 tax in 4 steps:

Step 1: Add up the whole super fund's 'Div 296 earnings'.

This is \$1.5 million (rent and interest). Notice how the "growth" amount is completely ignored? (Under the old version of Division 296 tax, it would have been included in each member's earnings and the total amount would have been reduced by their share of the fund's tax bill of \$180,000).

Step 2: Divide the fund's 'Div 296 earnings' between the two of them.

The details of how this will be done are yet to come – we need to see some more regulations. But based on what we *do* know, it's likely the split would be 60% to Tim (on the basis that he has around 60% of the fund) and 40% to Sonia. This means the \$1.5 million divided between them would be \$0.9 million and \$0.6 million respectively.

Step 3: Work out the % of their super balances over \$3 million and \$10 million.

Under the old version of Division 296 tax, this would have been worked out using their end of year balances only. The new version will be based on the ***higher of their balances at the start and end of the year*** (with a special concession in the first year – 2026/27 – more on this below).

In other words, for Tim we'd work out this % based on the higher of \$12,000,000 and \$13,287,500. Like many people, Tim's super balance has grown during the year so the right number for him will be \$13,287,500.

Of this, 77.42% is over \$3 million (ie, his balance is over \$3 million by \$10,287,500 and this represents 77.42% of his total balance). In addition, 24.74% of his balance is over \$10 million. The equivalent figures for Sonia are shown below.

Step 4: Apply the two tax rates to these proportions of the earnings amount.

	Tim	Sonia
Super fund earnings for Division 296 tax	\$900,000	\$600,000
First component (15%):		
% of balance over \$3 million	77.42%	66.03%
Earnings over \$3 million	\$696,780	\$396,180
Tax at 15% [A]	\$104,517	\$59,427
Second component (10%)		
% of balance over \$10 million	24.74%	0.00%
Earnings over \$10 million	\$222,660	\$0
Tax at 10% [B]	\$22,266	\$0
Total Division 296 tax (A + B)	\$126,783	\$59,427

There are some interesting features of this tax that will change some of the planning strategies we might have adopted under the old method.

A different approach for the percentage

As mentioned above, when working out the proportion of super over a threshold (\$3 million or \$10 million), the new draft bases this on the **higher of** the member's super balance at the start and end of the year. Previously it only depended on the balance at the end of the year.

This is a big issue for those hoping to realise gains in a particular year and then withdraw a lot of their super before the end of the year to avoid Division 296 tax. The Government was presumably on to this one!

For example, what if Tim had withdrawn \$11 million of his super right at the end of the year (bringing his balance down to \$2,287,500)? Under the original proposal, this would have been enough to avoid Division 296 tax altogether. His super 'earnings' might still be very high but the percentage subject to the tax would have been 0%.

Under the new method, the super balance used to work out how much of Tim's super fund earnings is over \$3 million and \$10 million would be based on the higher of two balances: his balance at the start of the year (\$12 million) and end of the year (\$2,287,500).

The big withdrawal would change his Division 296 tax a little bit but not much:

	If Tim withdrew \$11 million on 30 June	If Tim left his super intact
Super fund earnings for Division 296 tax	\$900,000	\$900,000
First component (15%):		
% of balance over \$3 million	75.00%	77.42%
Earnings over \$3 million	\$675,000	\$696,780
Tax at 15% [A]	\$101,250	\$104,517
Second component (10%)		
% of balance over \$10 million	16.67%	24.74%
Earnings over \$10 million	\$150,030	\$222,660
Tax at 10% [B]	\$15,003	\$22,266
Total Division 296 tax (A + B)	\$116,253	\$126,783

There is a special transitional rule in 2026-27 – the percentage will be based on the member's super balance on 30 June 2027 only.

That means people seriously intending to extract a lot of superannuation because they have no intention of ever paying this tax realistically have until 30 June 2027 to do so. If Tim's big withdrawal (above) had occurred in 2026/27, for example, he would have been able to avoid Division 296 tax entirely.

Capital gains

So far we've ignored the possibility that Tim and Sonia's SMSF might sell one of its properties during the year.

If it did so, the fund would realise some capital gains. Normally these would be taxed and now that we're going back to 'normal tax principles' for Division 296 tax, they'll be caught in the tax net too.

For example, let's imagine everything is exactly as before but this time, Tim and Sonia's SMSF sold a property. The property was purchased for \$1.8 million in 2027 and sold for \$3 million in 2030, making a capital gain of \$1.2 million. This would trigger an extra tax bill in the super fund (so their end of year balances would be a little lower) but it would also mean the 'earnings' used to work out their Division 296 tax would include some of this capital gain.

Super funds only pay tax on two-thirds of their capital gains if they've owned the asset for more than 12 months but even so, the 'earnings' for Division 296 tax would increase from \$1.5 million to \$2.3 million (\$1.5 million plus \$0.8 million i.e. two-thirds of \$1.2 million).

This changes the figures a lot:

	Tim	Sonia
Super fund earnings for Division 296 tax	\$1,380,000	\$920,000
First component (15%):		
% of balance over \$3 million ¹	77.32%	65.90%
Earnings over \$3 million	\$1,067,016	\$606,280
Tax at 15% [A]	\$160,052	\$90,942
Second component (10%)		
% of balance over \$10 million ¹	24.40%	0.00%
Earnings over \$10 million	\$336,720	\$0
Tax at 10% [B]	\$33,672	\$0
Total Division 296 tax (A + B)	\$193,724	\$90,942

¹ These change a little bit because the fund will also pay extra tax and their super balances will be lower as a result.

Note – if Tim and Sonia’s SMSF had capital losses carried forward from previous asset sales, these can be used to reduce the normal tax paid by the fund. The same applies to Division 296 tax. For example, the ‘earnings’ amount shown above was \$2.3 million between them because it included \$0.8 million (two-thirds of the \$1.2 million capital gain). If the super fund had \$0.3 million in losses carried forward from previous asset sales, only \$0.6 million would be included in earnings (two-thirds of \$0.9 million).

There is a special concession that allows Tim and Sonia to shield existing growth from this tax.

Importantly, if Tim and Sonia’s SMSF already owns the property on 30 June 2026, any growth built up before that date can be protected.

For example, if they bought it in 2020 rather than 2027 and on 30 June 2026 it was already worth \$2.5 million there would be an extra step.

While the fund would still pay the normal amounts of capital gains tax (i.e., based on the whole capital gain of \$1.2 million), the earnings used for Division 296 tax would be less. The capital gain taken into account for Division 296 tax would only be \$333,333 (ie, two-thirds of the gain that built up after 30 June 2026, being \$500,000).

A critical point here – that special treatment isn’t automatic. Funds wanting to take advantage of it will need to opt in using an ‘approved form’.

The requirement to opt in is an important one because it comes with a deadline: the due date of the SMSF’s 2026/27 annual return. Funds that – for example – lodge their return late will miss out. Similarly, funds that just lodge their return without specifically opting in will miss out (we don’t know exactly what the opt in process will look like yet).

Note that any SMSF can opt in – even one with no members who have more than \$3 million in super at 30 June 2026. It might still be attractive to do so if any of the members expect to be over \$3 million in the future and the fund has already accrued large gains.

The 'opt in' happens at a fund level rather than a member or asset level. In other words, funds are either 'in or out' of the relief, they don't get to choose to opt in for some assets but not others (eg assets that are currently in a loss position). It also – curiously – means members who join that same fund in the future will benefit from the opt in if pre-July 2026 assets are eventually sold while they are a member.

A new challenge for the future

The special protection for capital gains built up before 30 June 2026 will be useful in the near term but eventually most SMSFs will be selling assets they bought after this tax started.

The way in which the percentage is calculated (taking into account both the start and end of year super balances) creates all sorts of headaches in different circumstances.

Example: Jane and Kris both had \$15 million in super at the start of the year (1 July 2030). They were fortunate in that one of their SMSF's investments exploded in value during 2030/31, significantly increasing their super (it's May 2031 and looking more like \$25 million each). They would like to de-risk and sell the asset but they can see Division 296 tax will be a major issue for them. They need to make some decisions quickly.

They *could* hang on to the investment for now and accept that when they eventually sell it in a few years, their 'Div 296 earnings' will include a very large capital gain AND the percentage of this amount which is subject to tax will be based on a really high balance (likely to be \$25 million at least). Even if they make a large withdrawal from super in the same year they sell the asset, this might not lower their tax percentage very much since we'll now look back at their start of year balance as well.

Or they could sell it 'now' (May 2031) and immediately withdraw the money from super. That way at least the Division 296 tax percentages would be based on \$15 million (ie, their super before it increased dramatically).

Or they could hope that in the future they will have other assets they can sell first (at much lower gains) to get their overall super lower at a time when their 'earnings' are still low. This will require careful management!

Different CGT relief for large funds

Large funds will adjust the fund's actual realised capital gains for the first four years only (2026/27 – 2029/30) – presumably on the basis that mostly assets are turned over during this timeframe (whereas many SMSFs tend to be 'buy and hold' investors). We'll need the regulations to see exactly how this will work.

Splitting the fund's Division 296 earnings between members

Once the fund has calculated its 'earnings' overall, it will need to split that global amount between members since Division 296 tax is a personal tax calculated at the individual level.

For an SMSF, the precise method will be set out in Regulations (yet to be released) but additional guidance issued by Treasury indicates the regulations will involve relying on a special actuarial certificate. This makes sense in that the style of calculation required is similar to the calculations used for actuarial certificates already in place for many pension funds.

Of course, not all SMSFs with members impacted by Division 296 tax are in pension phase – so some accumulation funds will find they need an actuarial certificate for this purpose for the first time.

Hopefully this will be administered in a practical way so that it is not necessary for every single fund to obtain an actuarial certificate ‘just in case’.

Interestingly, Treasury has specifically highlighted that SMSFs holding specific asset pools for specific members will be required to use the same method as all other funds – effectively ignoring any specific asset allocations.

Large funds (ie other than SMSFs, small APRA funds) will again use a different approach. They will be required to allocate the Division 296 earnings amount in a “fair and reasonable” way between members.

What if ‘earnings’ are negative?

Unfortunately, there’s no refund for Division 296 tax under these circumstances – there’s just none payable for the current year.

This might happen if, for example, the fund has expenses that are much higher than its assessable income. While these could be carried forward and used to reduce both fund taxes and Division 296 tax in the future, there’s no immediate refund to the member.

What’s next?

The consultation period for this Bill is short – it ends on 16 January 2026. The Government is obviously keen to get the legislation tabled and passed quickly. They have included some improvements to the Low-Income Superannuation Tax Offset (LISTO) in the same Bill – presumably in the hope this will encourage other parties to support it.

It’s difficult to see where significant changes might be made – so I think we can expect to see this introduced as law if the Government can navigate the politics.

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

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

10 fearless forecasts for 2026

Tim Farrelly

As is our custom at this time of the year, we provide 10 fearless forecasts for the year ahead.

The track record of these forecasts is pretty good as you’ll see later.

Off to the races? Unfortunately, no. These forecasts are quite different from most that you read at this time of the year. Firstly, they are quite accurate. Secondly, there are not a lot of money-making opportunities in there. Thirdly, while there are not a lot of money-making ideas, there are some ideas that may help avoid some disasters.

Reading between the lines, at the heart of the forecasts, are really just some pretty commonsense ideas.

- Stay diversified.
- Be careful about assets that have run hard in recent years
- Don't chase past returns.
- Be sceptical when reading fund manager marketing materials – particularly those promoting past returns and using dubious risk metrics.

The idea that is categorically NOT in our list of forecasts is the one that we normally see at this time of the year which is that the author has some special insights into the year ahead and will enable the positioning of the portfolio to take advantage of that.

And, we reproduce our forecasts and the outcomes of those forecasts. This is the other thing that is different about these forecasts: we hold ourselves to account.

2026 Forecast	
1	The new, more volatile, monthly Australian CPI numbers will have everyone confused for a while. Expect modest moves from the RBA with cash rates ending the year within 0.5% of the current 3.6% rate.
2	Despite widespread concern about currency debasement, out of control deficit spending and the ballooning US government debt, humble US Government bonds will outperform gold, the ultimate hard asset, in 2026.
3	The AI boom will continue to attract extravagant claims of boom and bust throughout the year. Nonetheless, by year end, we will not be much closer to understanding the long-term winners and losers.
4	Investors with excessively large holdings in CBA (still the most overpriced bank in the world) will discover the benefits of diversification.
5	Concerns about Private Credit will continue to escalate throughout the year. A few smaller players will experience difficulties. Investors with a diversified portfolio of experienced Private Credit managers will again produce positive returns.
6	Commercial property and Infrastructure assets will grind out positive returns regardless of the performance of the equity markets.
7	Dividends will outstrip growth as a source of returns for Australian equity investors this year. Perhaps by a lot.
8	The S&P500 will hit a new high in 2026. Nonetheless, by year end, US equity investors will be disappointed with the returns over the year.
9	At least one so-called Stable Coin will experience a crisis this year due to concerns about whether its asset backing is sufficient to maintain its stable price. Fraud will probably be involved. Nonetheless, investors will be bailed out by the US government. With or without a bailout, all US dollar stable coins will underperform US T-Bills.
10	Private market fund managers will continue to promote their products using utterly meaningless measures such as Sharpe ratios and risk adjusted returns. Utterly meaningless because these measures compare the volatility of listed markets with the smoothed, appraised returns from unlisted markets. This misleading and deceptive behaviour will continue to escape broad condemnation .

2025 forecasts in review: 8.5 out of 10

The 2025 results were healthy with three half marks reducing the score from a perfect 10 down to 8.5. Nothing wildly wrong but not quite spot on either.

While the 2025 forecasts may not have helped readers make money, we believe that they did contain quite a lot of commonsense.

Firstly, try to ignore forecasts or recommendations that are not backed by sound data.

For example, the idea that government deficits will produce high inflation and interest rates is often spruiked around. Last year we correctly forecasted that deficits will remain high but that cash rates will fall and bonds will produce reasonable returns. In fact, the data shows that there is a very weak linkage between deficits and interest rates over meaningful timeframes.

Another widely held idea is that a struggling Australian economy may cause a major fall in the Australian dollar. Again, the data simply does not support this idea. Hopefully, readers of our forecast will have resisted the urge to lift any currency hedging they may have had in place, saving money if not actually making it.

Also in that category was the suggestion that High Yield Debt will continue to produce strong returns despite all the alarmist commentary. Another example of money saved for those who continued to hold positions in High Yield Debt of various stripes despite all the chatter.

Secondly, unremarkably, we continue to be fans of diversification whether it is to rebalance wildly overpriced and over-represented assets (eg. CBA) or to add to assets that may have been through a tough time (commercial property).

Related to our strong support of diversification was our encouragement to drop A-REITs as a benchmark for commercial property and real assets. With around 40% exposure to Goodman Group, the ASX A-REIT Index is wildly undiversified and could, if followed closely, lead to some pretty bizarre behaviour. (Like the A-REIT manager who boasted in 2024 that they beat the index by being over-weight GMG! Good stock picking but terrible risk management. If GMG had gone south, it would have been terrible on both counts.)

Hopefully, nothing in the forecasts would have encouraged any reader to make any big macro bets which, in Delta's view, more often than not, end in tears.

Finally, if while reading any of the multitude of 2026 outlook papers you do find yourself tempted to take some action, we suggest you first check out what the data says.

How have the pundits' forecasts worked out in the past? (And not just a sampling but all of their forecasts and for every year.) Is there any data-based evidence to suggest a real connection between what is being claimed and the suggested drivers?

If you don't have the resources to do this work yourself, dial a friend. We will be anxiously awaiting your call!

2025 Forecast		The data. (Overall score: 8.5/10)
1	Australian inflation (ex energy) will still be above the 2.5% RBA target late in 2025. (Ex energy because that gives a better indication of underlying inflation).	Correct. The late inflation spike brought the annual rate to 3.6% and a halt to the RBA's rate cutting cycle.
2	This year Australian home owners will finally get some real relief on their home loan interest payments with cash rates falling by 0.8% or more by year end.	Wrong. Just. Rates fell by 0.75% not 0.8%. Why, oh why did I not predict 0.75%??? I am claiming a half mark here.
3	Equity returns in the US will be lower in 2025 than in both 2023 and 2024.	Correct. But not proudly so. After returning 26% and 25% in 2023 and 2024, S&P500 total returns were 17% this year. All in US dollar terms. Technically correct but, again, just a half mark here.
4	Investors in CBA (reputedly the most overpriced bank in the world) will begin to discover the cost of holding dramatically overpriced assets.	Correct. Over the year CBA gained 21% in the first six months of the year before giving most of it back in the second half of the year. This is just the beginning for CBA investors, more pain lies ahead.
5	Direct commercial property prices will bottom in 2025 after falling by around 20% on average in the five years since the COVID outbreak. Even office properties will start to attract investor interest.	Correct. A few indicators here. The Dexus (formerly AMP) Wholesale Property Fund, an unlisted unit trust investing in commercial properties, finally bottomed out in June 2025 having fallen 25% since September 2022. Secondly, REIT managers were reporting overseas interest in Australian office properties in late 2025. Centuria Office REIT (COF) recently sold a Chatswood office building at a 12% premium to its appraised value. COF itself returned around 8% for the year after a price decline of 55% since 2021.
6	Australian & US budget deficits will increase. In Australia, the increase will be caused by continued too-high government spending and falling taxes from commodity producers. In the US, the best cost cutting efforts of Elon Musk will not be enough to offset new government giveaways in the form of tax cuts and subsidies.	Half right. The mid-year revised 2025/6 forecast deficit for Australia shrunk from \$42.1 billion to \$36.8 billion. Hooray? Hardly, this is still a whopping increase over the actual 2024/5 deficit of \$25.1 billion. In the US, the deficit shrunk modestly from \$1.83 to \$1.78 trillion despite little contribution from the DOGE
7	US & Australian Government Bonds will produce positive returns in 2025 despite continuing concerns about the size of US & Australian deficits, the amount of issuance of US government Bonds and the seeming lack of buyers for new bonds.	Correct. Australian bonds returned 3.9% for the year, while US Govt bonds returned 6.4% for the year in US\$ terms.
8	Failure rates for High yield (non-investment grade) debt will increase in 2025 causing more alarmist commentary about the impending doom in Private Debt. Despite increasing failures, Private Debt returns will be positive over the year.	Correct. The media, ASIC and a whole slew of commentators spent the year warning about private credit in increasingly alarmist terms. And while credit failures did start to appear, they were at very low levels. Returns from the vast majority of funds were excellent.
9	The Australian dollar will be above US\$0.60 by the end of 2025 defying widespread predictions of a fall to US\$0.55 or lower. Australian investors that hedge currency exposure will not be unhappy.	Correct. The Australian dollar rose by over 8.0% this year. Hedged investors were well in front. And at no stage did the A\$ fall below US\$0.60 let alone to the pessimists target of US\$0.55.
10	The ASX A-REIT index will cease to be a credible benchmark for investors in listed property securities due to the fact that Goodman Group now makes up 39% of the index. Investors will increasingly use G-REITs as their asset allocation building block for listed property	Correct. The A-REIT index has lost all credibility as a measure of commercial property performance.

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How many hospitals will an extra 1 million people need?

Ross Elliot

A million people generate a lot of demand for things. Hospitals included. In Australia, we need on average 1 hospital bed for every 270 people, so that's 3,703 beds for 1 million people. Based on a large hospital of say 500 beds, that's roughly 7.5 hospitals for 1 million people.

Why is this of interest? Because we are about to add another million people to cities like Brisbane (by 2045), Sydney (by 2040) and Melbourne (by 2038). So, just to tread water, we should have the equivalent of around 7.5 new hospitals planned for each, otherwise we go backwards.

For some more context, an average new hospital bed in Australia costs around \$1.5 million to \$2 million. So those 3,703 extra beds for each major city are going to need something like \$5.5 billion to \$7.5 billion in new capital invested. That's at today's dollars.

We could ask the same for schools: roughly how many do we have for every 1 million people? The answer is somewhere between around 360 (250 of which are government schools and 110 non government). If we are to maintain schooling with the same range of choice and sized schools, and to maintain class sizes as they broadly are now, that's a lot of schools.

At policy adviser, Suburban Futures, we recently modelled a number of options for new school designs in urban infill locations (even including a repurposed Bunnings style shed). The cost for a full P-12 school of 1,000 students was in all cases over \$100 million. Not all schools are full P-12 formats with 1000 students, but even on conservative guesstimating, we are looking at maybe \$5+ billion for 50 x P-12 size schools, plus just as much again for the remaining 300 schools of smaller size. Combined that's another \$10 billion, per city region, by 2040. A lot of money, let alone the challenge of finding the sites for them.

How will the extra 1 million people get around? If the current ratio of private cars to people doesn't change, each city region will have another 600,000 cars on the roads. Plus, another 200,000 or so commercial vehicles doing commercial things. Should we put them underground with more road tunnels? A good idea, which costs roughly \$1 billion per kilometre (depending on in-ground conditions and surface portals). OK, let's build more commuter rail track so that we won't notice the traffic impacts of an additional million people. That's also now around \$1 billion per kilometre but will likely move fewer people than a road tunnel, so is arguably not going to have as much impact.

Need something to drink, flush the toilet, wash the car or do the laundry? There's another 200 million litres per day for 1 million people, or 73 gigalitres per year. For context, that's roughly 30,000 Olympic swimming pools worth of extra water, each year, for each city.

Been naughty? That will mean another 1,600 to 2,000 prison cells per million people. A prison cell isn't cheap either – around \$700,000 per cell not including the operational costs. There's at least another \$1.2 billion to house the criminal element that another 1 million population will generate.

We will also need another 4,000 police officers, 12,000 nurses, 1,000 firefighters and the workplace buildings to accommodate them.

Sadly, another 1 million people will also mean another 48 people will die on the roads. Promises to lower the road toll mean that, mathematically, none of the extra 1 million will die on our roads and the toll for the existing population will fall. A noble and worthy ambition, but the maths is sadly challenging.

In amongst this are our housing targets. I've long maintained that housing should be the easiest types of structures to deliver. But we have made even that difficult. The plethora of codes and regulatory and planning approvals now needed are reflected in our worsening ability to match demand with supply.



It now takes longer and costs more doing the very same thing than just 20 years ago. The Federal Government's target of building 1.2 million homes over 5 years could most kindly be described as an aspirational target. At worst a lie. Either way, even when it comes to the simplest form on construction, our supply response is clearly lagging, and slowing.

It's going to be interesting to watch how this growth challenge pans out. Much of our national dialogue is focused simply on population and housing. There's quite a bit of attention also on the increasing traffic congestion experienced in our major centres. If we start to add to that obvious short falls in hospitals, schools, drinking water, corrections and any number of other things that are the direct consequence of growth, the debate could quickly go febrile.

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Is the world's safest currency actually the riskiest?

Nick Purser

For generations, the US dollar has been regarded as the ultimate 'safe haven'. In times of uncertainty, global investors instinctively seek the depth, liquidity, and unrivalled status of the world's reserve currency. But what if that confidence is misplaced? What if the US dollar is actually the *riskiest* major currency to own today?

The dollar's historical appeal is easy to understand. The US is home to efficient and liquid financial markets and numerous world-class companies, and its government debt is viewed as 'risk free' thanks to strong institutions that have treated foreign investors fairly. That trust has helped the US attract roughly \$4.5 trillion of net capital inflows over the past five years.

But the market turbulence of early 2025 was a wake-up call. The 'Liberation Day' sell-off was a reminder that American exceptionalism has limits. The dollar's traditional role as a shock absorber began to break down, gold prices surged as investors looked for alternative stores of value, and several major currencies strengthened relative to the dollar. The dollar's value ultimately rests on trust in US policy and institutions – and that assumption is being questioned.

The US dollar is no longer acting as a 'shock absorber'

Figure 1: Trade-weighted US dollar performance during each S&P 500 correction of at least 15%, April 2010 to June 2025.



30 June 2025 | Source: FRED, LSEG Datastream, Orbis. The trade-weighted Nominal Broad US Dollar Index measures the value of the US dollar against a broad basket of 26 foreign currencies. Performance for the most recent correction is shown from the previous peak to recovery. All other corrections are shown from previous peak to corresponding trough.

The first concern is fiscal policy. The US continues to spend far more than it raises in tax revenue, running a deficit of roughly 6% of GDP – a recession-like level of borrowing in an economy close to full employment. Even Elon Musk's DOGE (Department of Government Efficiency) initiative failed to make a dent. Each year of overspending adds to an already enormous debt pile. Were the US to experience a downturn, this leaves the government with fewer levers to pull.

A second concern is the current account deficit, which compounds the fiscal problem. The US spends more than it earns, importing far more goods and services than it exports. To plug the gap, it must rely on a continued stream of investment from abroad. Much of this capital has flowed into government debt and equities, concentrated in a handful of high-growth AI companies. If enthusiasm for US technology fades, or if investors start worrying about the sustainability of the government's debt, those inflows could quickly dry up. What once looked like a position of strength now feels like dependence.

US deficit as a percentage of GDP for fiscal year 2025 - a recession-like level of borrowing in an economy close to full employment.



Uncertainty around monetary policy credibility adds further pressure. The Federal Reserve has a challenging job balancing the impact of tariffs against a backdrop of weakening employment. Doing this in the face of aggressive political pressure to lower rates only adds to the potential for a mistake. If the Federal Reserve yields to political pressure and cuts rates prematurely, the dollar could lose both its yield advantage and investors' confidence.

Perhaps even more troubling is a gradual loss of confidence in US institutions. The Trump administration has taken a more adversarial stance towards some historical allies while also trying to assert greater influence over the judicial system – actions that may prompt some foreign investors to look for a new home for their capital.

From a valuation perspective, the dollar also looks vulnerable on a fundamental basis. On our valuation models, it has been expensive relative to other currencies for some time. To some extent, this could be justified by relatively high US interest rates, supported by robust growth, which offered a yield premium over most developed markets. But that foundation is now weakening while the concerns discussed above are intensifying.

Looking beyond the dollar

If the dollar is expensive and vulnerable, where might investors look instead? The problem is that there is still no realistic challenger to the dollar's position as the global reserve currency. In our view, a better approach is to build a basket of alternative currency exposures that help to mitigate some of the risk that comes with excessive reliance on the dollar.

To name just a few current examples, the Norwegian krone, Australian dollar, and Japanese yen all offer compelling characteristics ranging from fiscal strength and external surpluses to deep undervaluation. The rise in the gold price also reflects a wider search for assets that can preserve value in a world of high debt and political uncertainty.

To be clear, exposure to the greenback is nearly impossible for global investors to avoid altogether. But we think it's more important than ever to avoid being complacent and to challenge the conventional wisdom that the dollar is the only game in town. While none of the alternatives can individually replace

the dollar, they collectively provide a valuable counterweight in a world where the traditional safe haven may no longer be as safe as it appears.

Key Takeaways

- **Safe-haven question:** The US dollar's long-standing role as a 'shock absorber' during times of market stress is showing cracks. The 'Liberation Day' sell-off was a timely reminder that even American exceptionalism has limits, and the dollar's defensive reputation can no longer be taken for granted.
- **Mounting headwinds:** The dollar's yield advantage may fade if the US Federal Reserve cuts rates too soon or fiscal pressures lead to financial repression. Rising debt, persistent deficits, and a greater tolerance for inflation also point to a weaker long-term backdrop for the currency.
- **Currency diversification:** Investors may benefit from building a balanced basket of alternative currencies to reduce dollar dependence. In our view, the Japanese yen, Norwegian krone, and Australian dollar all offer compelling characteristics ranging from fiscal strength and external surpluses to deep undervaluation.

Nicholas Purser is responsible for currency management in the Orbis Global Equity Strategy at [Orbis Investments](#), a sponsor of Firstlinks. This article contains general information at a point in time and not personal financial or investment advice. It should not be used as a guide to invest or trade and does not take into account the specific investment objectives or financial situation of any particular person. The Orbis Funds may take a different view depending on facts and circumstances.

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10 things I learned about dementia and care homes from close range

Ashley Owen

This is a brief summary of some aspects of my experiences dealing with my mother's dementia and dementia facilities in Sydney over the past three years. Every case is different of course, so these are just my random anecdotal comments that may be of interest to others facing the prospect of parent(s) or family member(s) with, or developing, dementia.

First, some background. My mother was born in 1928 in remote country NSW. Married for 56 years to my father, who died in 2012 at age 80. Four kids. One died in 2013. My two other siblings live in remote country NSW and country SA. My mother had outlived her siblings and had no other relatives in or near Sydney where she lived, so I was the only family in Sydney.

1. Cognitive decline can be very quick

After my dad died in 2012, my mother lived alone in Sydney. The location was perfect – a modern, secure high-rise unit in a complex that included a full range of supermarkets, shops, medical services, etc. She kept herself busy writing. She was mentally sharp enough to obtain her PhD from UNSW at age 90 in 2018 and was certified competent to execute legal documents at age 94.

However, she went downhill quite rapidly. Formally diagnosed with vascular dementia at age 95. Into the first 'permanent' dementia facility in March 2023 after some short-term respite stays in a few places. Died in the fourth 'permanent' facility in June 2025 a few days after a massive stroke a week after turning 97. (There are various paths to dementia. Vascular dementia is one path, involving progressive damage to brain cells caused by a series of mini strokes over many years. In the end, it was a major stroke that caused the final damage.)

The decision to 'go in'

In the years before 'going in' to permanent care, there were many signs of cognitive decline. She, and we, put it down to forgetfulness at the time but, in hindsight, we probably should have recognised it as something more. She refused to accept this and obtained diagnoses from GPs and geriatricians that she had full mental capacity.

Her forgetfulness started to get more serious over time. In the months leading up to the final decision to go into permanent care, the forgetfulness got much more serious – like forgetting to eat regular meals (which caused significant loss of weight and strength), forgetting what to do when she got into the lift she had used every day for 20 years, getting lost on the streets close to home, writing blank cheques when paying bills, forgetting how to use email, laptop, phone.

She was always a very independently minded person who was extremely reluctant to admit that she could no longer live alone safely, even with her extensive use of in-home help services almost daily. After much debate with the family, she finally but reluctantly agreed she needed full-time care in a permanent place. She needed 24/7 supervision as she had several episodes of falling over and breaking bones, including in the middle of the night in her unit.

However, she hated the idea of not being able to just walk out the door and go home whenever she felt like it. During the first year in aged care places, her principal obsession was plotting and planning her escape. She did actually manage to escape a few times – for example though fire escapes and loading docks, and was found wandering the streets, lost.

2. It took a few facilities to eventually find the right fit

I looked at more than a dozen different aged care homes. Each one is different. The trick is to find the best fit for each person's particular condition and needs. This can take a fair bit of trial and error. There may be some places that are ideal, but they invariably have long wait lists to get in.

Different facilities cater to different types of conditions. In my mother's case it was advanced dementia with physical aggression issues. We discovered that normal aged care homes are not equipped for this, and even normal dementia facilities are not equipped for this. Following short-term respite stays in a few places, my mother had stints in three different 'permanent' facilities before finding the right place, the fourth.

Where did her physical aggression come from? My mother was a quiet bookworm all her life, but she was also very forthright, argumentative, and stubborn. Before dementia set in, she would express this verbally, in the form of endless arguments, and in writing – sending off complaint letters left, right and centre about all sorts of things. Problem is, once she started losing the ability to express herself verbally and in writing, her forthright, argumentative, stubborn nature turned into lashing out physically –

slapping, hitting, scratching, biting, punching, throwing things, pushing, shoving. She didn't know she was doing it, and/or would forget it immediately.

Evicted!

She was evicted from the first three places (firmly asked/told to leave). I am not exaggerating. One of them even had to get the police to remove her – literally. Paramedics do an amazing job, but their procedures require that if a patient does certain things, they must call the police for support. Getting my mother out of Beresford/Drayton Rose Bay required two paramedics and two police officers!

The other evictions were less dramatic but no less traumatic. In one case I got a phone call while I was overseas (and they knew I was overseas because I told them beforehand and begged them to keep her until I returned the following week). Their message was - 'Come and pick her up – NOW. Not tomorrow or next week. Now!'

The more common form of eviction is eviction by stealth. When there is a problem – like a fall injury or uncontrollable aggression – they send them to an emergency department (ED) at the nearest available hospital. Then, while they are in ED, the aged care place calls to say, "I'm sorry, but we're not taking her back!" So she is stuck in ED. After a few days in ED, the hospitals move them to the Acute Observation ward, or Palliative care until I can find a new place.

The four 'permanent' places (all in Sydney) we went through were -

- Lulworth House, Potts Point
- Beresford / Drayton, Rose Bay
- Sacred Heart, Darlinghurst
- Lilian Wells, North Parramatta

These are fine institutions from my experiences with them. But each is different and caters to different types of needs. You don't really know that until you get inside.

There is a right facility for every need

The fourth place turned out to be a perfect fit. Around 70 patients, all with similar conditions – advanced dementia with various types of aggression issues. Ages ranged from 60s to 90s. My mother, at 96, was not the oldest when she arrived, but soon became the oldest.

Most aged care homes are all boring beige and white, but this one was very different. It was a cross between a 'madhouse' and a kindergarten. Full of bright colours, big pictures of birds, fish, flowers, etc. Every day was filled with group activities like music, colouring-in, painting, balloon games, dancing, cooking, foot massages, fingernail painting, sing-a-longs, – just like in a kindergarten. There were also petting zoo visits, and bus trips to local parks. (The 'madhouse' part I will get to below under 'Restraints').

These organised group activities filled every day from first thing in the morning to after dinner. Wherever possible, all residents are involved in all activities – as they benefit from social interaction, physical activity, and a sense of involvement and achievement, even if they didn't remember it minutes later.

I found that a good test is to walk around the corridors and count how many residents are alone in their rooms. In many places I visited, most patients were sitting or lying in their rooms alone. In the fourth place it was very few if any, which is very different to all the other places she was in, and others I investigated in my ongoing quest for the next place in case she was evicted again.

3. Memory and reversion to early childhood

In the case of my mother and other dementia patients I saw, memory loss goes progressively right back to early childhood. My mother started out forgetting recent day-to-day stuff (like whether she had lunch that day, or coffee five minutes ago), then she forgot the past decade, then the past 30 years, then the past 50 or so years.

In the last six months or so, she had no idea who I was, and she could not recognise anybody in family photos, but she could talk about her dog she had when she was nine, and her friends at school, her first job in the local hardware store when she was fourteen, and so on. It would be very difficult to get her to concentrate for any more than a minute or so, but it was clear there were still some very early memories in there somewhere.

A large proportion of the patients were immigrants who came out to Australia in the decades following the Second World War. They had spoken English fluently as a second language while living in Australia for many decades, but with dementia they totally forgot English and reverted to the language of their childhood. This made it very difficult for staff as they had to deal with patients yelling in dozens of different languages.

Many of the patients were constantly clinging to one of a large selection of fluffy toys and dolls, much like they probably did when they were toddlers themselves. They were like two-year-olds again – in diapers and being hand fed, washed, clothed, toileted, and changed by others.

4. Some surprising aspects of cognitive decline

In my many visits I observed that the pace and pattern of mental decline is different for every person. Some would not say a word for hours (or even days according to the staff), but then suddenly start up a long but one-sided conversation with nobody about detailed stuff from their workplace. Others would suddenly scream out all sorts of abusive things to other people and often to nobody – often in their childhood language.

One gentle gent called Gary would happily chat with me about what he remembered about his life but then would suddenly become aggressive and start physically attacking another resident.

In my mother's case, during the last 12-18 months of her life (which was only a couple of years after being diagnosed with dementia), she was no longer capable of conversations – it became a series of seemingly random sentences blurted out between long periods of blank stares.

It was not complete gibberish (ie not just random words that made no sense). They were actually well constructed sentences that she would articulate as if she was having a rational conversation. Then it would be back to a vacant stare.

She had been a writer since the 1970s, and it was clear that her brain had still remembered hundreds or even thousands of words, and her brain had also retained the ability to put together a proper sentence using words. Good sentences with an object, subject, verbs, nouns, prepositions, etc. The problem was

that she had lost the ability to know which words to use in a sentence to express what she was trying to say.

While on the surface it appeared she didn't know who she was or where she was, and didn't recognise me or anyone in family photos, it was clear that something was still going on in there.

For example, on visits, I might be sitting with her for half an hour or so without her recognising me or sometimes not even realising I was there – just blank stares into space, unresponsive to my questions or chatter. But then she would suddenly blurt out to a staff member nearby - 'Do you know you look just like my son Ashley!' So my being there was actually getting through to her, but it came out in a strange sentence. There was something going on in there after all!

Here are some actual examples of random-sounding sentences she blurted out suddenly out of the blue:

- 'I do wish they would hurry up and finish building that bathroom!' – that probably meant she wanted to go to the bathroom, so the staff took her to the bathroom.
- 'There wasn't any bacon at the beach today!' – she was probably hungry.
- 'Why don't you just put the oranges over there?' – she was thirsty.
- 'Thank heavens you found me. I was stuck in a tunnel underground for months and didn't know where I was!' - That was an early one in the first facility, and I figured it was her way of saying she was lost and was trying to get out, feeling alone and trapped. All very true, and completely understandable why she expressed it in that way.
- 'Do you know, we really should spend more time in Paris!' – I still don't know what that one was about, but it may have been about my dad. I will never know.

These were just some of the seemingly random sentences that I could figure out (I think) what she was trying to say, more or less. Most were completely beyond me, but I can't help thinking that there was some clue in them that she was genuinely trying to communicate using the mental tools she had left.

Whenever I asked her to repeat what she said, or ask her what she meant, she had forgotten it straight away, and she would go back to blank stares again. Nothing. Just blank stares.

In the last two or three months, there were fewer and fewer of these mysterious random sentences, and it progressively became just blank stares. It was a rapid decline.

5. Life inside takes some getting used to

The environment inside the dementia facilities I experienced takes a bit of getting used to. Pretty much throughout every day, there is always one or more patients yelling or screaming (often in foreign languages), or pushing or shoving another patient or a staff member, or throwing their food or drink, or continually knocking a chair or table against a wall or window. Constant unnerving din.

When the patients are calm, they would usually sit around large tables and, from a distance, it would look like they were talking to each other, but they were actually just muttering things to themselves or yelling random things at nobody. Even when they were doing an activity like colouring-in, they weren't actually talking to anyone. Although they were physically 'together', there was very little interaction between them. I think they were aware of the existence of other people, because they would randomly steal each other's food or drinks or paint brushes, but there was very little social interaction between

most residents. It was not unusual to see two residents sitting at a table intently chatting away in completely different languages.

Every time I was there, there would always be someone who would come up to me and pinch me or push me or punch me or grab my arm or ram me with their walker. The staff would always be on the lookout and race over to divert their attention.

Like the other residents, my mother had mostly 'good days' but occasionally had a 'bad day'. For example, one day she decided the building was on fire, so she tried to push and shove other residents through doors and windows while yelling 'fire!' On other days she would wander into other people's rooms (she didn't know which room was hers) and use her walker as a battering ram against other residents and staff.

The general commotion would usually get worse in the afternoons, but it was mostly quieter in the evenings. But even then, there would often be some eerie howling or wailing.

There is no quality-of-life dignity in this. Bodily functions, not just mental functions, regress back to very early childhood. They end up not knowing who they are or where they are, back in diapers, unable to feed, dress, toilet or bathe themselves, and unable to communicate. Completely and utterly at the mercy of staff at all times.

No concept of personal possessions

Initially we put things in her room like family pictures, to make her feel more at home and familiar. But after only a few months, she didn't recognise anything at all. Not even me, nor my sister on facetime phone calls. Nothing. Just blank stares and shuffling off aimlessly.

Personal items turned out to be not a good idea, even family pictures. Patients would wander in and take them as theirs, and/or use them as weapons or projectiles. Likewise, my mother would be clinging to a handbag I knew wasn't hers, or using a walker that I knew wasn't hers. She just wandered into other people's rooms, took things and thought they were hers. Then she would forget all about it minutes later.

There are no personal possessions. Not even their own clothes, even though everything was labelled meticulously. The staff would wash all their clothes regularly (dementia patients can make a real mess of themselves when eating) and then put them back neatly in the right wardrobes. But the patients, including my mother, would wander around aimlessly into other people's rooms and take random things from other people's wardrobes.

There would often be verbal and physical fights over possessions that did not actually belong to either person.

6. Medications and restraints

Every patient has different needs, and the staff do the best they can. But often the staff are only able to give proper care with the aid of medications. I found that the doctors and nurses always involved family in discussions about what types of medications were needed in what circumstances.

This meant I got to learn a fair bit about things like risperidone, lorazepam, haloperidol, targin, and others I don't even remember now. Each is different - different ways of administering, differences in how fast they kick in, how long they last, side effects, etc.

As my mother was also on a host of other medications for other conditions as well, the trick is to get to know how all these things interact with each other, and what combination works best in what situations.

The doctor would prescribe the medications, but the nursing staff exercise a fair bit of discretion over how, what, how much, and when to use them. I found the nursing staff were happy and keen to discuss this with family, in coming up with different regular combinations to use at different times, and what was on 'PRN' (as the situation arises).

Restraint consents

There was a rather scary form I was asked to sign – a Restraint Consent form. This is a consent that allows staff to use several different types of restraints (or 'restrictive practices') on the patient, when necessary, at their discretion. The types of restraints include:

- Chemical – drugs to control behaviour
- Mechanical – using things like handcuffs, belts, harnesses
- Physical – being held down by staff, eg to prevent harm or allow medication
- Environmental – limiting access to areas
- Isolation – eg in secure area or room.

This is obviously quite confronting stuff the first time you see it, and the family would only sign the consent form if they have utmost trust in the staff.

I got to know the surrounding hospitals quite well

My mother was always falling over and breaking bones – mostly arms, elbows, hand, shoulders, but also eye socket, hip, femur, and pelvis – twice. She had a walker, but she didn't actually understand what to do with it, so she was constantly wandering off from the walker and falling down. No matter how many staff were on duty, it is impossible to be one-on-one with every patient 24/7. There are motion sensors in the beds, so they can rush to the room when someone is on the move, but often it is too late to prevent a fall.

So I got to know my way around several hospitals – mainly St Vincents Darlinghurst, Sydney Hospital (Macquarie St), Westmead, Ryde, and Auburn Hospitals.

7. Staff were amazing

In the four permanent facilities over the period of a little over two years, plus short-term respite stays in other places prior to that, I never witnessed any staff abusing or mistreating patients. In fact, I found the opposite. I was always amazed at how the staff knew how to soothe and placate each individual patient – especially in the fourth place, where she spent the most time.

On the other hand, I have a niece who has worked in several care facilities over the past two decades, and she says she has been horrified by what she has seen in some other places she has worked in. I

recall seeing and reading about shocking incidents highlighted in the Royal Commission into aged care a few years ago, but I saw none of that in the facilities I visited.

I volunteered regularly in the fourth place (still do), so I have seen a lot more of what goes on than regular visitors. Maybe we were just lucky. Who knows.

Staff at the fourth place were truly amazing. It seems all staff at all levels and in all roles knew what triggered every patient, and how to calm them down or divert their attention.

One example of staff involvement was mealtimes. It's all hands on deck – including management and office staff – making sure every resident is calmed down, sitting down and gets the right meal for their particular allergies – and at the right chewing grade (from regular through to 'puree'), and their right grade of drink (from regular liquid through to grade 4 thickness, which is almost jelly-like), and then they spoon feed all who need it. Then there is the massive clean-up after each meal. Mealtimes tend to get very messy!

Another example is when my sister visited (she is a school teacher in country NSW so could only visit in school holidays), the staff would greet her by name from across the room, even though she hadn't been there for three months and she walked in with no notice.

On the day my mother died (in the facility), several staff members, including kitchen staff and office staff came over and gave me a hug. They all knew every patient and every regular family visitor by face and by name, and I could see they genuinely cared for the patients and families.

Walk the corridors

A good test is to walk the corridors, including in the facilities you are checking out for the future. Observe all staff – including cleaners, kitchen staff, support staff, office staff, etc. Are they smiling? Singing to themselves? Chatting to residents? Greeting you? How are they talking to residents? Scolding or soothing? Are they singing lullabies to calm the residents, or are they busy on their phones? Do they pitch in and help out other staff when they need it, or do they stick to their assigned jobs?

On some of my visits, when my mother was busy involved in a group activity, I would sometimes stand for half an hour or so in her room, where I could look out the window across the courtyard and observe the main activities area, dining room and other common rooms where staff were going about their work – just to see what was going on without anyone knowing I was watching. I never saw anything unusual or concerning, so I did not get any sense that staff 'behaved' any differently when they knew visitors were watching.

8. Have all critical docs ready

I found out the hard way that it helps greatly if you have all of the important documents ready in advance – eg the Will, Enduring Power of Attorney, Enduring Guardianship, Advance Care Directive, and many other useful docs.

In my mother's case, she always insisted she was going to live to 120, so she refused to even discuss things like wills, powers of attorney or guardianships, and was horrified by the thought of an 'advance care directive'. (For example - Mother: "Well I can make that decision when the time comes." Lawyer: "But when that time comes, you might not be conscious or mentally able to make decisions for yourself." Mother: "But I will still be in control, so I'll make the decision when the time comes.")

With dementia setting in, there is a point in time when the lawyer will put his or her foot down and tell the client they are no longer mentally capable of executing legal documents. They can do this with or without a formal medical dementia diagnosis. So, in our case, we were stuck with old documents with different parties named, and filing cabinets full of various versions and unsigned drafts. Adds enormously to complexity and stress.

'Advance Care Directives' come in various forms. The standard ACD is relatively short with just a few questions. But when you get into the dementia world, there are other much more detailed forms with more questions about different aspects of conditions that may be encountered, and what the patient's wishes are at each level. Some of the questions can be confronting and disturbing, and can be difficult to discuss. The more detail the better, as it assists doctors and family if and when the time comes to make decisions.

Other docs

In addition, it is very useful to always have comprehensive lists of allergies, medications, past conditions and operations, and contact details of doctors, specialists, guardians, next of kin. For me, it soon became essential to always carry copies of these with me at all times because somehow they always manage to go missing somewhere along the way – eg lost in transit (eg to hospital, or between wards in hospitals).

As my mother always said she would live to 120, she never documented things like whom to contact when she died, funeral preferences, locations of documents, passwords, keys, etc.

As a result of that lesson, I have now updated my own end of life docs (Enduring Guardianship, Enduring Power of Attorney, Advance Care Directive, Will, Binding Death Nomination, pre-signed instruction to SMSF trustees to shift money out of super to minimise the 17% death tax, EPOA as shareholder of corporate trustee of the SMSF to elect a new director, Substitute Director Nomination for the corporate SMSF trustee, etc), plus funeral preferences, list of people to contact, etc.

I even drafted my own death certificate (I learned the hard way that it is easy to make mistakes when asked a bunch of detailed questions under sleep-deprived pressure in the funeral home, and it took another six weeks to get an amended Death Certificate issued, which delayed Probate even further).

Morbid? Maybe. But practical.

9. Nursing home costs were less than I had expected

Bottom line is that costs of permanent aged/dementia care homes were less than I had expected. Total costs turned out to be around \$120,000-150,000 per year out of pocket (ie net of insurance). This was around half of what it would have cost for full-time 24/7 professional care at home, which was the only other practical option.

I have reported on my experience with costs (including RADs, DAPs and all the rest) in [a separate story](#).

10. What's the best way to go?

My grand adventure on this planet will end one way or another. I have seen, close-hand, three of the main ways to go:

- Physically pain-free, but mentally completely gone and utterly devoid of control or dignity (advanced dementia), like my mother.
- Mentally sharp but physically wrecked (riddled with cancers and in excruciating pain, just begging to go), like my father.
- Or suddenly out of the blue (in a plane crash) like my brother.

I don't know if there is a 'best' way to go. I probably won't have a choice in how or when, but it certainly does focus the mind on how to make the best use of my limited time left on the planet.

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China's EV and solar backlog and future trade wars

Greg Canavan

The defining event of 2025 was the announcement of Trump's tariffs and an escalation of the trade war with China. While tensions cooled throughout the remainder of the year, sparking a historic stock market rally, it would be wrong to think the trade war is over.

Why? Because nothing has really changed.

The US is still running a massive trade deficit (around US\$1 trillion for the year to September) and China is still running a massive surplus (just over US\$1 trillion for the 11 months to November).

This huge global trade imbalance is unsustainable. While bilateral trade between the US and China has decreased since the tariff war in April, China has redirected its excess production to other parts of the world. This is the real problem with the global trading system. While everyone points to the US' excess consumption, the real culprit is China's excess production.

Let's look at why...

Property down, solar and EVs up

China's property boom turned to bust a few years ago. To maintain strict economic growth targets, China managed the decline of the property construction sector while boosting manufacturing investment to offset the drag.

The result has been a surge in manufacturing output. The key areas of growth have been electric vehicles (EVs) and solar panels.

Local governments provide businesses with cheap or free land to build factories on, low-interest loans and generous tax incentives. These incentives create excess production, which China then exports to the rest of the world.

All those Chinese EV cars you see on the roads are not because China is so efficient at producing them. It's because the sector is heavily subsidised to maintain employment and growth, not profitability.

It's the same with solar panels and many other industries.

This cutthroat pricing and lack of profitability are a concern for the central government. In the latter half of 2025, they began implementing what's known as anti-involution measures to address excess production. These measures are ongoing and are likely to feature in China's next five-year plan, scheduled for release in March 2026. The heavy incentives that characterised the previous five-year plan will likely be phased out.

In fact, it's already happening. And it has potential implications for commodity prices.

For example, since 2021, electric vehicles have been exempted from the purchase tax, which on an average car equates to around US\$4,200. But on 1 January 2026 the exemption fell from 100% to 50%.

This change incentivised Chinese consumers to purchase an EV prior to 1 January, and so production levels ramped up late in the year to meet this demand surge.

EVs are particularly resource-intensive, requiring battery metals like lithium and base metals such as copper and aluminium. Was this demand surge to beat increased taxes part of the reason behind lithium's huge run in the second half of 2025? We'll only know in hindsight, but it's worth considering.

If Chinese domestic demand slows, that might mean more excess production exported to western markets in early 2026.

The incentive structure for solar panels is also changing.

In late-November, lowcarbonenergy.co reported:

'Beijing has begun a phased rollback of the policies that helped accelerate global solar deployment. Key changes include:

- Reduced export tax rebates for photovoltaic products*
- Removal of the 13% VAT export rebate for solar modules and energy storage systems from Q4 2025*
- A broader transition away from domestic clean-energy subsidies towards market-based pricing*

These reforms aim to address overcapacity in China's solar sector and stabilise an industry that has expanded rapidly.'

These changes are likely to have accelerated demand to counteract price increases.

It is estimated that China exported around 240 GW of solar panel modules in 2025. Additionally, estimates indicate that China's domestic solar installation is expected to reach around 260 GW in 2026. Each MW of solar power requires significant amounts of aluminium, copper, silver and tin.

Will this demand drop next year as export incentives end? And will China continue to add record amounts of solar capacity to its grid?

Possibly, but current forecasts suggest another strong year for solar production. And China will continue to export excess EV production.

Along with many other industries where production volumes matter more than profitability (for example, see steel, below), you're going to see China run persistently large trade surpluses.

So expect more action from the US and other countries impacted by this excess production.

The world reacts

In fact, it's already happening...

The EU implemented the carbon border adjustment mechanism (CBAM) on 1 January 2026 to prevent cheap and 'dirty' steel and cement coming into the bloc.

This points to another area of excess production for China... steel.

The deflating of the property bubble in China removed a key source of demand for Chinese steel. While authorities have capped overall production at around 1 billion tonnes, this is still significantly more than domestic demand requires.

China exports this excess production. In 2025, steel exports were expected to reach a record high of 117 million tonnes, up from around 90 million tonnes in 2023.

Many Chinese steel producers run at a loss, but it is cheaper to incur a small loss on each tonne of production rather than cease operations or drastically reduce output. So Chinese steel is undercutting many global producers.

The EU's implementation of a carbon tax on this steel, from 1 January, is an attempt to level the playing field. Whether it works or not is another question. But it is one of many trade measures you can expect to see unfold in 2026.

The US isn't done with China

US Trade Representative Ambassador Jameson Greer participated in a Q&A session at the Atlantic Council in December.

The Wall Street Journal's Greg Ip said that the rules-based international order was dead, and asked the Ambassador, 'What will govern the rules of international trade going forward?'

The response was telling (my emphasis added):

'I think sometimes we kind of have white lies we tell ourselves in international relations to paper over the actual power politics that really control everything. I would say, with the WTO, it has a baseline set of commitments that were agreed to many years ago. There hasn't been a lot of development there. That's why we, as the United States, are layering over the WTO commitments bilateral agreements that we believe put America's interests first and are also in the interest of these other countries to be able to maintain access to the US market in ways that are beneficial to them.'

'So, I mean, I think we have some of those underpinnings, but where they can't—I mean, the WTO can't fix overcapacity, right? They can't even be transparent among their own members and publish notices of new rules. You know, they can't fix overcapacity. So we're going to have to deal with that, either on our own or with willing partners. So I think it's going to be interest-based.'

This tells you that China's overcapacity remains a problem. And with China redirecting much of its excess production to Asia, Latin America, Africa and Europe following Trump's tariffs, it's a global problem that you should expect to resurface in 2026.

And while I remain broadly bullish on commodities at the start of 2026, don't be surprised to see extreme volatility in certain metals should the trade war resurface this year.

Because the bottom line is that China is producing for demand that doesn't exist at market prices. Which means it's importing commodities for non-existent demand.

This charade can go on longer than you think. We may even get through the year without an issue. But as investors, we need to understand the risks and be ready to act if necessary.

Greg Canavan is the editorial director of [Fat Tail Investment Research](#) and Editor of its flagship investment letter, [Fat Tail Investment Advisory](#). This information is general in nature and has not taken into account your personal circumstances. Please seek independent financial advice regarding your own situation, or if in doubt about the suitability of an investment.

Why Elon Musk's pay packet is justified

Lawrence Lam

When Tesla shareholders approved Elon Musk's trillion-dollar pay deal, the headlines focused on excess. Yet its structure may be one of the clearest examples of alignment between leadership and shareholders.

Investors shouldn't dismiss it. They should study it. Beneath the noise is a blueprint for how pay can drive founder-style thinking – and a checklist for investors analysing any CEO remuneration plan. The three questions are simple: does the timeframe match the ambition, is the reward truly at risk, and do the goals drive transformation or just preservation?

The timeframe must match the ambition

Musk's deal stretches over ten years. The award is 100% equity. No cash. No early payout. He earns shares only if Tesla meets extreme targets – growing market value from roughly US \$1 trillion to \$8.5 trillion, selling twenty million cars (a ten-fold jump from today), and launching fleets of robotaxis and humanoid robots. Even if he achieves them early, nothing vests until at least 7.5 years in.

That's how founders think. They don't get paid for surviving the quarter; they get paid when the company wins. For investors, that horizon matters. It forces decisions that compound over time, not short-term fixes that bump next quarter's result.

By contrast, Australian companies still reward short-term thinking. The [ACSI 2024 CEO Pay Study](#) found 96% of ASX 200 chief executives received a bonus last year, with most long-term incentives tested over about three years, often on relative Total Shareholder Return (TSR). Short horizons breed caution. They create managers who defend the status quo, not visionaries who transform it.

The reward must carry real risk

Musk's plan is 100% equity. No fixed salary. Every dollar depends on Tesla's share price. If the company stalls, the paper value vanishes. That's real alignment.

Apple used the same playbook when Tim Cook received his 2011 mega-grant – one million restricted stock units later tied to performance hurdles, worth about US \$376 million. It turned him from a manager into an owner, fitting for Steve Jobs' successor. Since then, Apple's market cap has increased more than eight-fold.

Research from the [Stanford Graduate School of Business](#) shows that large, long-term, equity-only awards can align executives and shareholders when they include genuine downside risk. Big doesn't mean bad – provided failure remains possible.

Most Australian incentive plans don't go that far. They mix fixed salary, cash bonuses and modest equity. It keeps everyone comfortable, but it dulls ambition. Investors should prefer pay that hurts when performance slips and rewards only when value compounds.

The goals must be transformational

DaVita, a US healthcare group best known for dialysis clinics, redesigned its CEO pay to break from convention. The board issued a long-dated equity award that would only pay out if the company hit stretch growth and profit goals over time. The targets were difficult and exposed the CEO to genuine downside risk if the turnaround failed. That's how transformation looks – high ambition, real possibility of failure.

Tesla's plan follows the same philosophy. Its targets are extreme: twenty million cars, one million robotaxis, one million AI bots, four hundred billion dollars in adjusted EBITDA. Critics call them unrealistic. That's the point. They're designed to push the company beyond what seems possible. A Tesla back-test of its 2018 plan found only one other large-cap CEO met comparable performance; 79% failed to achieve any of the targets Elon Musk achieved.

Founder-led companies think that way. They chase revolutions, not refinements.

A [Deloitte report](#) shows most ASX incentive plans, by contrast, use relative shareholder return as long-term targets. They're tidy, safe, predictable. When incentives measure stability, you get stability, not the next global champion.

The investor's lens

Musk's package isn't flawless. The number is absurd. Governance hawks worry about power concentration. But in structure, it's logical. It pays only after record-breaking value creation.

Investors should care less about the number and more about the design. The risk isn't overpaying a visionary; it's rewarding mediocrity on a three-year cycle.

So next time you open a remuneration report, don't focus on what the CEO makes – focus on how they make it. Look for long horizons, equity at risk, and goals that demand transformation. If those ingredients are missing, you're not backing ambition. You're funding inertia.

By the way, that one other CEO who matched Musk's 2018 performance? That was Nvidia's Jensen Huang.

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Lawrence and his firm, Lumenary Investment Management, do not hold positions in any of the companies mentioned.

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