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Editorial

There's an old joke that marriage is picking the person you'll spend forever asking, 'Any thoughts on dinner?'

What to eat is just one of an estimated 35,000 decisions humans make each day.

To make decisions more efficiently humans use heuristics or mental shortcuts. Heuristics are used to make inconsequential decisions but also to reduce the cognitive effort of solving complex problems. That is where the problems start.

Heuristics often lead to errors. Behavioural research shows the errors are not random and instead follow a predictable pattern.

In the investment world most studies are done on individual investors. But in 2018 a group of behavioural researchers looked at the decision making of expert investors.

The results are surprising. Expert investors make good decisions when they buy new securities. But their selling decisions are so bad their investment performance would improve by randomly picking what to sell. That is not the type of results you'd expect from experts.

What the research shows

The paper titled *Selling Fast and Buying Slow: Heuristics and Trading Performance of Institutional Investors* was written by Akepanidtaworn, Di Mascio, Imas and Schmidt.

The data set was institutional investors with portfolios averaging \$573 million in assets under management. A total of 783 portfolios and 4.4 million trades between 2000 and 2016 were analyzed.

To assess the decision making the researchers used counterfactuals or alternative options the portfolio manager could have taken. For both buy and sell decisions the counterfactual assumed the manager had no skill. The absence of skill in decision making is to randomly select what to sell or buy.

The differences between decision making on buying and selling is stark. The study showed that the positions the portfolio managers bought outperformed the benchmark and the strategy of random buying.

When picking what to sell the portfolio managers significantly underperformed the random sale of an asset in a portfolio. Returns were lowered between 0.50% and 1.00% annually due to poor decision making when selling assets.

Why the difference between buy and sell decisions?

In theory there should be no difference between the results of a buy and sell decision. Both require an estimation of future returns on individual securities. A skilled investor will purchase the securities with the highest expected returns and sell securities with the lowest expected returns.

The researchers attribute the disparity to the different levels of effort put into each decision. Portfolio managers spend more time figuring out what to buy than what to sell. This does make sense.

Buying decisions are subject to scrutiny and the holding shows up in performance reporting. The opportunity cost of selling a security takes more effort to evaluate and once something is out of a portfolio it is largely ignored.

Like all humans trying to make complex decisions in an efficient way, portfolio managers rely on heuristics to decide what to sell. In this case something called a salience heuristic.

A salience heuristic refers to our tendency to disproportionately focus on more prominent or emotionally jarring information instead of considering all data objectively. When considering what to sell the portfolio managers focused on positions with the most extreme returns – both up and down.

The data showed extreme positions were 50% more likely to be sold than those with more moderate returns. The greater the tendency of an individual portfolio manager to follow this pattern the more the manager underperformed the random selling counterfactual.

This pattern was not evident at all in buying decisions where portfolio managers spent more time and carefully considered all available options instead of relying on a heuristic.

How does this impact individual investors?

Individual investors tend to exhibit the salience heuristic on both buy and sell decisions which further lowers returns.

Logically it makes sense that investors focus on more extreme returns. Most individual investors spend less time investing than professionals and tend to focus on investments that are frequently reported in the media where extreme returns get more attention.

This is called the availability heuristic and describes our tendency to focus on things that immediately come to mind. There are many examples outside of the investment world.

Murders are frequently reported in the media and people assume they are more prevalent than suicides which tend to be more private. Yet in Australia the ratio of suicides to murders is roughly 13 to 1. This also explains why people fear low probability events like shark attacks or plane crashes far more than higher probability events like car crashes.

Individual investors also tend to suffer from a disposition effect which increases the likelihood that winners are sold too soon and losers are held for too long. Known as cutting the flowers and watering the weeds, loss aversion refers to the avoidance of realizing a capital gain by selling.

Avoiding the impact of poor behaviour

When I first started investing, I assumed that most professional and individual investors were getting great results. Professionals sounded sophisticated and could articulately explain the rationale for their actions. Most of the stories I heard about – and from – individual investors involved their winners.

I'm much more skeptical now because the data doesn't add up. Most professionals don't beat the passive equivalent and every study I've seen shows individual investors in aggregate get poor results. In this edition of Firstlinks Larry Swedroe outlines more [data on poor individual investor outcomes](#).

These poor returns are largely the result of self-sabotage. Understanding the predictable pattern that investors follow in these acts of self-sabotage is helpful. Seeing the data about how poor returns are helps. But improving decision making means replacing heuristics with more deliberate and analytical decision making.

Adding structure to the investment process by setting goals and creating a plan lay the foundation for better decisions. But slowing down decision making is also crucial. The results of the study on expert investors show what happens when time and attention is in short supply. Slowing down decision making reduces the likelihood you will rely on a heuristic.

As I've gained experience I've learned to take my time. I've figured out that my mistakes come from feeling an unwarranted sense of urgency. The frenetic pace of markets makes it appear as though opportunities are short-lived. In rare cases this is true, but most people are hurt far more by rushing than by missing out on opportunities.

Write down the rationale for making an investment, sleep on it, and revisit your thesis.

Call a mate and explain why you think a particular investment is a good idea.

Do whatever it takes to lower the influence of heuristics and increase the rationality in your decision making. It might just improve your outcomes.

Mark LaMonica

Also in this week's edition...

We still don't have details on the government's proposal to change the CGT discount but that hasn't stopped the debate from continuing. **Jago Dodson** and **Liam Davies** propose an approach that [supports home ownership](#) and discourages speculation.

When the weight loss drug Ozempic hit the shelves the markets quickly - and ultimately unjustly - punished several shares including ResMed. **Ron Shamgar** argues the same thing is happening now to [software as a service shares](#).

Meg Heffron has been helping the Firstlinks community understand the implication of the Div 296 tax in a series of articles. In her last article on the subject she lays out the case that [doing nothing is likely the best option](#) for investors hit with the tax.

Everyone is talking about bubbles but according to **Joachim Klement** they [last far longer than we think](#) and are impossible to spot in real-time.

Anthony Turtone and Chris Bokosky lay out six major themes that will [impact private markets](#) for years.

A study tracked the fortunes of four different types of investors and things didn't look good for individuals. **Larry Swedroe** outlines [six ways to improve your odds](#).

The prevailing negative narrative about Melbourne is missing out on the [strengths of the city](#) according to **Manning Clifford**.

This week's white paper is the **World Gold Council's** 2026 edition of [Gold as a Strategic Asset](#).

Curated by Mark Lamonica and Leisa Bell

How cutting the CGT discount could help rebalance housing market

Jago Dodson, Liam Davies

Capital gains tax is once again the subject of parliamentary debate, with Treasurer Jim Chalmers [declining to rule out options for reform](#).

Along with negative gearing, the capital gains tax discount has long been suggested as one cause of Australia's [housing affordability crisis](#).

The tax applies to the capital gain when an asset is held for more than a year, and it currently includes a "discount" of 50% on the total gain as a nominal offset for inflation.

These policies make [speculative investment in housing more attractive](#), driving up prices and making it harder for first home buyers.

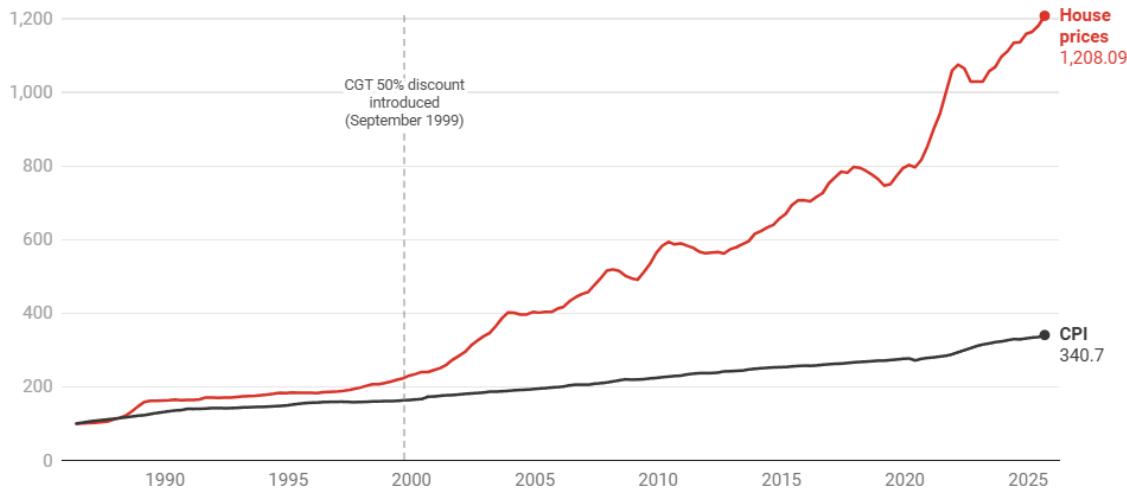
The true cost to the federal budget

Australia only introduced a capital gains tax [in 1985](#), applying it to all gains made from investments. Importantly, the family home was not included, but investment properties were. Originally, the tax applied to the gain in value above inflation, known as the consumer price index (CPI) method.

In 1999 the Howard government, informed by the Ralph Inquiry, [changed the way capital gains tax was calculated](#). A flat ['discount' of 50%](#) was applied to capital gains, rather than adjusting the price by inflation. This figure was an estimate given the [limitations with the available data](#).

Each year, Treasury calculates the costs of tax policies. This data reveals that in 2024–25 the 50% discount [cost the budget an estimated \\$19.7 billion](#). This is partly driven by increases in housing prices which have far outpaced inflation, as shown below.

House prices and CPI change by index



June 1986 = 100

Chart: The Conversation • Source: Multiple ABS sources • [Get the data](#) • [Embed](#) • [Download image](#) • Created with [Datawrapper](#)

It is notable that between 1986 and 1999 housing prices were growing slightly faster than inflation, but since 1999 (the year the 50% discount was introduced) they have accelerated.

The benefits flow to the wealthy and people over 60

The benefits from the capital gains tax discount overwhelmingly benefit the wealthy and older people.

The Treasury's [Tax Expenditure and Insight Statements](#) show that in 2022–23 89% of the benefit went to the top 20% of income earners, with 86% flowing to those in the top 10%. On average, the highest income earners received a benefit of more than \$86,000, while those in the bottom 60% received around \$5,000.

Recipients of the capital gains discount by taxable income decile, 2022-23

Around 83% of the benefit went to those earning the largest incomes

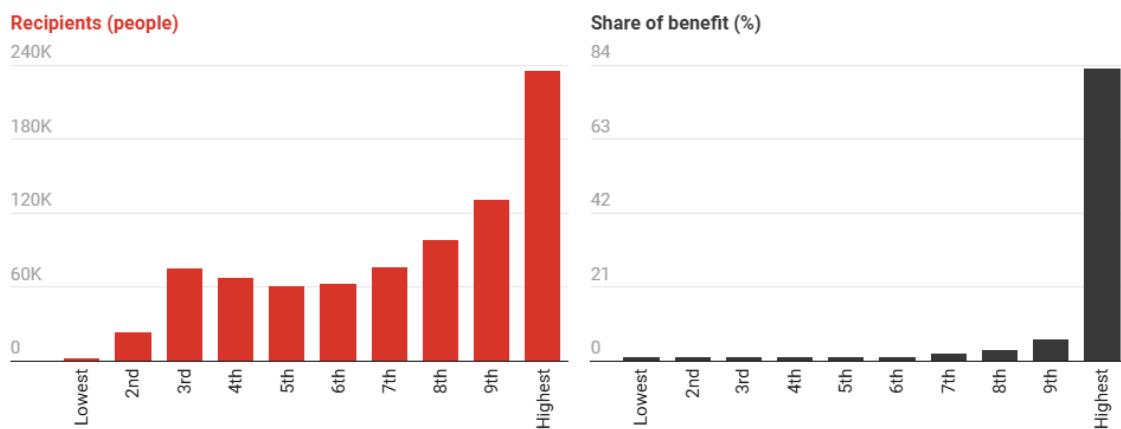


Chart: The Conversation • Source: [2025–26 Tax Expenditures and Insights Statement, Chart 2.7](#) • [Get the data](#) • [Embed](#) • [Download image](#) • Created with [Datawrapper](#)

Similarly, older people benefit far more than younger people. People over 60 received 52% of the benefit, while those between 18 and 34 received 4%. That is despite both groups comprising around 29% of the adult population.

Share of benefit and recipients by age, 2022-23

The largest share of the benefit, 20%, went to those aged 60 to 64, driven by a small number of individuals who received a particularly large share of the benefit.

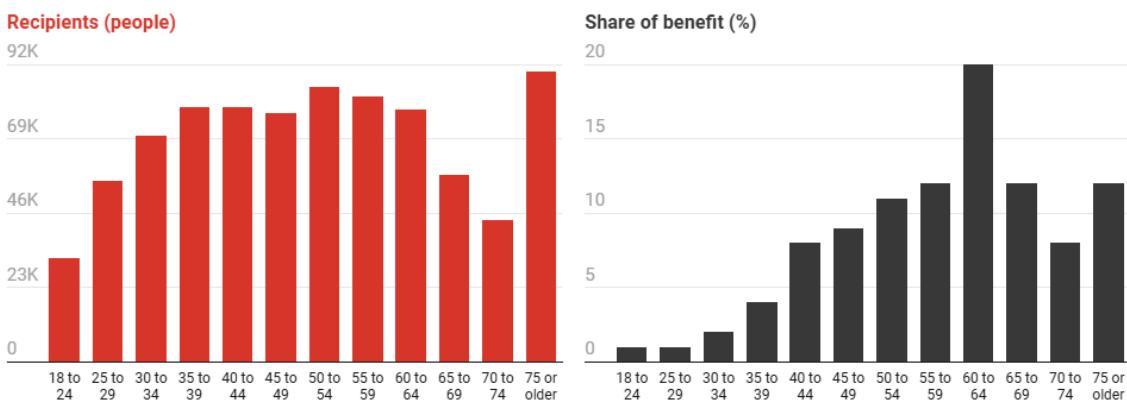


Chart: The Conversation • Source: [2025–26 Tax Expenditures and Insights Statement, Chart 2.8](#) • [Get the data](#) • [Embed](#) • [Download image](#) • Created with [Datawrapper](#)

Some options for reform

Current [attention](#) is centred on the prospect of the government reducing the capital gains tax concession for landlord investors in residential property. This reduction would have the combined effect of reducing the attractiveness of owning an investment property.

A further option is to retain this 'gift' to landlords and investors, but to make it work much harder to improve housing outcomes, especially for households who are caught in the lower-quality end of the private rental market.

We have previously proposed to make negative gearing and capital gains tax concessions available only to investors who adhere to higher national [dwelling and tenancy quality standards](#) or who participate in social housing investment schemes. Landlords who did not want to operate according to these requirements would not receive either negative gearing or capital gains tax concessions.

How the housing system rewards wealth, not work

But a bigger problem lies beyond the investor segment of the residential housing market.

The total overall value of Australia's residential stock is around \$12 trillion. Of this, about [\\$4.5 trillion is growth since 2020](#), spurred in part by very low interest rates over 2020–22. Around 65% of residential dwellings [are owned by owner-occupiers](#), who are exempt from paying capital gains tax on their primary residence.

Growth in dwelling prices is due to many factors. Income growth and availability of credit are among the most important.

Since the deregulation of Australia's financial sector in the 1990s, greater access to housing finance and [relatively low interest rates](#) have allowed households to leverage their incomes into tax-free capital gains in housing.

Wealthier households can gear their incomes and existing assets into even more valuable housing assets that they can also live in. This comes at the expense of households with lower incomes and assets, or those who are renters.

There is no sound economic reason why [owner-occupied housing](#) should be exempt from capital gains tax.

A more rational taxation system that supports home ownership but discourages asset speculation could provide greater financial support to first home buyers but also demand a greater tax share of the capital gains that their asset enjoys.

The tax rate could be set to allow capital growth in line with inflation, wages or the economy (gross domestic product), but then apply to the gains beyond that.

Such an arrangement could also tax higher-value properties at a higher rate than cheaper properties – thus tilting the burden of taxation towards the wealthy whose properties see the greatest capital growth.

Is housing a human right or an asset?

Ultimately, there is a more fundamental question to be answered about role of housing in society.

While housing has always had a speculative dimension in addition to providing shelter and comfort, the past 30 years since financial deregulation has seen the balance shift in favour of the former.

The question [facing the current government](#) is to what extent it is prepared to reduce speculation in housing in favour of the social purpose of housing? Does it have the appetite for a structural reset that prioritises housing as a home, rather than as a debt-geared speculative asset?

Is this a government of nervous tweaks and twiddles, or might the dire times in housing embolden landmark transformation? Can the values that Labor espouses be translated into progressive policy?

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The Ozempic moment for SaaS

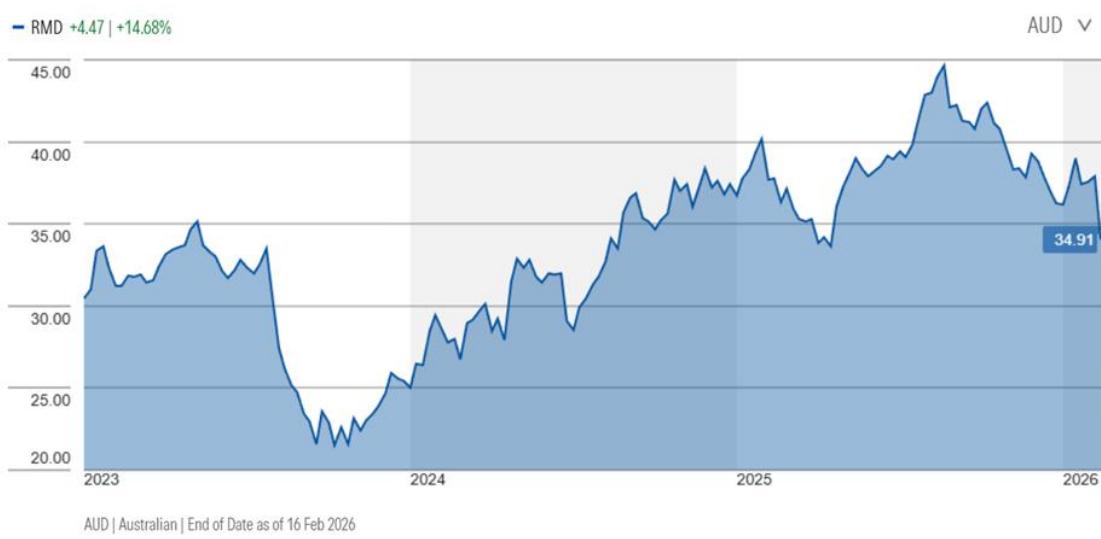
Ron Shamgar

The Ozempic moment for SaaS ([software as a service](#)) refers to a pivotal disruption scenario where a transformative technology threatens to erode or fundamentally reshape an established market leader's core business model, much like the hype around Ozempic (and other GLP-1 drugs like Wegovy) did to ResMed (ASX:RMD) around 2023.

Back in mid-2023, as Ozempic exploded in popularity for dramatic weight loss, investors panicked over its potential impact on ResMed, the dominant provider of CPAP machines and sleep apnea devices.

Obesity is a major risk factor for obstructive sleep apnea (OSA), affecting a large portion of patients. The fear was straightforward: if millions lost substantial weight via these drugs, demand for ResMed's hardware; masks, flow generators, and related consumables could collapse, shrinking the addressable market and pressuring recurring revenue from resupplies and adherence.

The market reaction was brutal. ResMed's shares plunged roughly 30-40% in the second half of 2023 (from highs around \$33-34 AUD to lows near \$21), with some periods seeing over 25% drops tied directly to GLP-1 headlines. Analysts and headlines screamed "Ozempic overshoot" or "end of ResMed," drawing parallels to how weight-loss drugs might cannibalize device sales. Valuations compressed sharply, with forward P/E dropping from historical averages near 30x to lows around 18-21x amid "nonsense sell-off" commentary. Investors priced in a structural decline, fearing GLP-1s would reduce OSA prevalence or adherence rates.



Source: Morningstar

Yet the reality diverged. By late 2023 and into 2024, ResMed's data showed GLP-1s as a tailwind, not a headwind. Patients on these drugs entered the healthcare system more motivated, showed higher propensity to start CPAP therapy (up to 10.5% in some analyses), and maintained stable adherence/resupply. Many used combined therapies, and not all OSA stems from obesity (about 50% of cases aren't weight-related). CEO Mick Farrell repeatedly downplayed the threat, calling fears overblown. By 2024, shares recovered strongly, with the company beating forecasts and declaring the "headwind thesis completely gone." The initial panic proved exaggerated; the disruption was real but incremental and slower than feared, with adaptation (e.g., hybrid treatments) preserving demand.

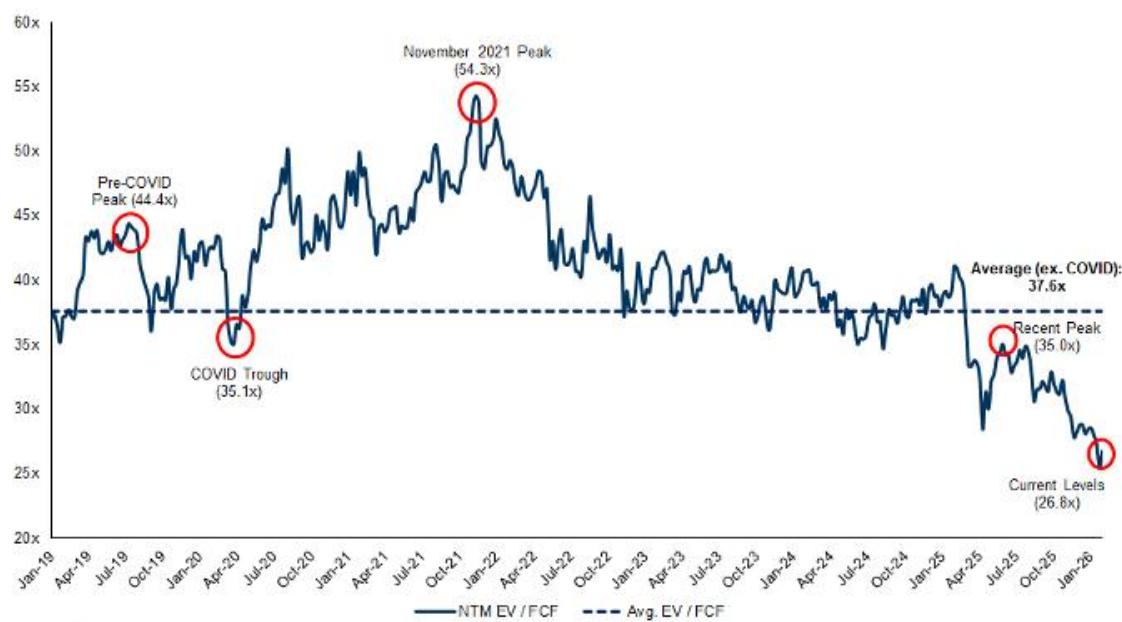
Fast-forward to January 2026, and SaaS faces its own Ozempic moment – this time from agentic AI and generative tools. Investor sentiment toward software/SaaS companies is overwhelmingly bearish, mirroring 2023's ResMed rout. Stocks like ServiceNow, SAP, Salesforce, Adobe, and others have seen double-digit plunges post-earnings (e.g., ServiceNow down ~10% despite beats, SAP cratering 16% on guidance shortfalls). The Philadelphia SE Software sector is down sharply, with phrases like "SaaS meltdown" and "software apocalypse" dominating commentary.

The core fear: AI agents could replace human workflows, eroding seat-based/per-user pricing models that underpin SaaS giants. One AI agent might handle tasks previously requiring multiple licensed users, enabling in-house builds or cheaper alternatives. Horizontal/point SaaS without deep proprietary data

or complex integrations looks especially vulnerable to commoditization. Investors demand immediate, exponential AI-driven growth to justify elevated valuations, yet guidance often shows steady (but not explosive) 18-20% subscription increases, triggering sell-offs.

Exhibit 3: EV/FCF multiples average 28x vs. an ex-COVID 5-year average of 38x

Software EV/FCF multiples since 2019, for coverage with time series available



Average EV/FCF excludes COVID period (April 2020-April 2022)

Source: FactSet, Goldman Sachs Global Investment Research

Source: Goldman Sachs via Jeff Richards [@jrichlive], on X platform.

Like ResMed's case, though, the threat may be overstated in the short term. Agentic AI adoption remains slower than hyped due to enterprise caution around trust, governance, security, and integrations. Many incumbents (e.g., Salesforce's Agentforce, ServiceNow) are embedding AI deeply, shifting toward outcome-based or hybrid pricing. Vertical/deep-domain SaaS with proprietary workflows could endure or thrive as AI augments rather than replaces. Insiders predict evolution, SaaS reinvented as intelligent orchestration hubs, rather than outright death.

The parallel is striking: hype drives sharp deratings, but real-world data often reveals adaptation, tailwinds, and slower disruption. For SaaS today, as with ResMed then, the market may be over-discounting extinction while underpricing resilience and reinvention. The next 12-24 months of agentic progress and adoption will tell if this is another temporary panic—or a more profound shift.

TAMIM Takeaway

Every investing cycle has its *Ozempic moment*, a narrative shock so compelling that the market briefly forgets how slow real-world change actually is.

ResMed lived it in 2023. The story was clean, frightening, and wrong in its timing. GLP-1 drugs did not kill sleep apnea. They nudged behaviour, pulled more patients into the system, and ultimately reinforced demand for therapy. The sell-off was real. The extinction thesis was not.

SaaS is now in the same psychological phase.

Agentic AI is genuinely transformative. But transformation does not arrive overnight, and it rarely destroys incumbents before they adapt. Enterprises move slowly, governance matters, integrations are messy, and mission-critical workflows are not casually handed to autonomous agents. The seat-based model will evolve, pricing will change, and margins will be pressured at the edges. That is not the same thing as obsolescence.

History suggests the winners will be platforms with deep customer embedment, proprietary data, and the ability to orchestrate AI rather than compete with it. Just as importantly, history suggests markets overshoot on fear before they recalibrate on facts.

For patient investors, these moments are not warnings to flee. They are invitations to think clearly while others extrapolate headlines. The SaaS extinction trade may yet prove as exaggerated as the ResMed panic, and the opportunity may lie in separating real disruption from narrative excess.

Ron Shamgar is Head of Australian Equities at [Tamim Funds Management](#) and Portfolio Manager of the TAMIM All Cap Fund. This article contains general information only and should not be considered financial or investment advice. It has been prepared without taking into account your personal objectives, financial situations or needs. You should seek personal financial advice before making any financial or investment decisions.

Meg on SMSFs: Last word on Div 296 for a while

Meg Heffron

I promise this will be my last article for a while on Division 296 tax (the proposed new tax for people with more than \$3 million in super). There are other interesting things to talk about when it comes to super. But with so much commentary about the need to 'do something' to respond to the new tax, I wanted to throw my thoughts into the mix.

A controversial view: lots of people with less than \$10 million in super should do absolutely nothing. And even some with more than \$10 million should think carefully before doing anything drastic.

Let me explain.

Say Peter is 65 (so can withdraw money from super if he wants to), is in good health and has \$7 million in super in his SMSF, including a \$2 million pension. Division 296 will effectively turn Peter's super into a vehicle where every \$100 of earnings is divided into three parts:

- Around \$29 (earnings relating to the 29% of his fund in a pension) will be tax free
- Around \$14 (earnings relating to the rest of his super up to \$3 million) will be taxed at 15% (the normal super tax rate), and
- Around \$57 (earnings relating to the proportion of his super over \$3 million) will be taxed at 30% (the normal fund tax rate plus 15% Division 296 tax).

The maths doesn't work quite that way but... it's close enough.

Firstly – there's plenty of commentary that will remind us Peter's effective tax rate is still only around 19% (ie, the total tax taken from that \$100 will be \$19 if you add them all up). Let's ignore that analysis

right from the start. Effective tax rates are useless when thinking about what Peter should do. Unless Peter is seriously thinking about withdrawing *all* of his super (unlikely), we only care about the tax paid on earnings from that last \$4 million (the bit over \$3 million).

Think of it this way: when you're weighing up the value of a tax deduction, you don't calculate your effective tax rate. You think about your *marginal* rate of tax – how much tax will I save if I claim this deduction? The same principle applies here – effectively Peter now has a quasi-marginal rate of tax on his super fund's income of 30%.

So let's talk about that part of his super – the \$4 million or 57% of his super that is over the \$3 million threshold.

What would happen if Peter moved that money out of super? He'd invest it elsewhere. That 'somewhere' will involve tax. Let's look at the tax on regular income first – say it generates \$200,000 (5%) in income each year.

If he invested it in his own name, most of it will be taxed at more than 30% (the 30% marginal rate cuts in at \$45,000 and even then, the addition of the Medicare Levy means it's actually 32%).

Someone with this much in super probably already has assets in their own name (or in another vehicle like a family trust that distributes income to them) – so it's entirely possible he's already using up the lower tax thresholds and all of the \$200,000 would be taxed at more than 30%.

(In fact, if Peter's not receiving at least around \$30,000 in personal income each year, he probably should have moved some of his super into his own name years ago – to benefit from the fact that he can pay zero tax on his personal income if it's that low.)

What if Peter put the \$4 million he might move out of super into a family trust and distributed it to lots of beneficiaries on low tax rates?

That might work – but remember even at \$45,000 income pa they're paying more than 30% tax (thank you, Medicare Levy). He'd need a few beneficiaries. And then there's the awkward need to actually give them the money or the ATO comes calling.

Alternatively, Peter could move this \$4 million out of super, hold it in a family trust and distribute the income to a company (a beneficiary of the trust). There are a few challenges here. If Peter wants to actually use the money for something, he'd have to take it out of the company by taking a dividend. That's a problem. It's taxable. And if Peter's personal tax rate is high, he's back to paying more than 30% tax again.

Finally, Peter could consider a product like an investment bond. These are great products – the way they work is that someone like Peter could put his \$4 million into one, leave it alone for 10 years and then get it back with no extra tax paid in his personal return. Sounds like a tax-free win! But behind the scenes it's not exactly tax free. Throughout that 10 years, the investments within the bond have generated income (taxed at 30% within the bond itself), assets have been bought and sold (with capital gains taxed at 30% within the bond) and when the money is returned to Peter the 'price' he gets reflects the tax that would be paid if all the investments were sold. So these aren't really 'tax-free' vehicles – more like 'tax paid behind the scenes'. Still great for the right purpose but not tax free – effectively Peter is paying 30% somehow. (Note – like individuals and trusts, bond products get to reduce their tax bill using franking credits, so their effective tax rate is often less than 30%. But that's a red herring – for the

purposes of deciding what to do, Peter should ignore this. He would get exactly the same benefit from franking credits no matter where he held the money.)

So far, we've just looked at income. But what about capital gains?

Modelling I've done on this makes it clear that even capital gains are generally taxed less in super. Perhaps it should be obvious. This is over simplistic – but capital gains in super are taxed at 20% at worst (both the super fund and Division 296 taxes are only applied to two-thirds of the capital gains tax, ie the tax rate is at worst $2/3 \times 30\%$ which is 20%). In contrast, a capital gain in a company is taxed at 30% and a capital gain distributed to an individual will inevitably push up their marginal tax rate. For someone like Peter it's hard to see how he could avoid paying the top marginal rate of tax on a lot of the gain. Since individuals only have to pay tax on 50% of their capital gains, that translates to a tax rate of 23.5%.

(In fact, the maths isn't quite this simple – I modelled a host of different scenarios but came to the same conclusion.)

And throughout all of this, I've ignored one big elephant in the room: it's unlikely Peter's SMSF could simply pay out \$4 million without selling some assets and realising capital gains tax. The cost to move could be significant for, what appears to be, little benefit.

What would encourage Peter to remove some of his super?

While Division 296 tax isn't necessarily a decisive driver for Peter to take money out of super, there are plenty of reasons Peter might want to anyway.

Super isn't a forever vehicle

Some or all of everyone's super has to come out of their fund when they die. At that point, Peter's family won't have a choice, they'll have to do something.

The trouble with death is that it sets a deadline – super benefits have to be paid out as soon as practicable. That will give Peter's family a relatively short window to manage withdrawals in an optimal way. (And – a story for another time – when it comes to minimising fund tax and Division 296 tax, it's almost always better to have the luxury of doing this over time).

It also means there's no such thing as an intergenerational asset in super – everything is eventually sold or transferred out of the fund (with capital gains tax, stamp duty etc). In contrast, assets bought in a family trust might be kept for several generations with no disruption. Capital gains tax will be paid one day but, who knows whose problem that will be?

(There are some rare exceptions – where children belong to a parent's super fund and have high enough balances themselves to effectively 'take over' the fund's long term assets. This is becoming harder and harder as today's Gen X / Gen Z children simply can't build up as much super as their Boomer parents did.)

Death taxes

These are without a doubt the biggest destroyers of intergenerational wealth transfer when it comes to super. It's highly likely a large part of Peter's super will be subject to tax of at least 15% if it ends up with his adult financially independent children. And remember – it's a tax on **capital** not income. The numbers for Peter could be huge – 15% of \$7 million is over \$1 million.

If Peter has a spouse, he won't be too worried about death taxes yet since spouses can inherit each other's super tax free. But it will be a consideration one day if his spouse pre-deceases him.

These two factors might prompt Peter to think beyond the simple analysis presented earlier. A more sensible mindset might be:

- Thanks to Division 296 tax, super is less tax effective for me than it used to be,
- It's actually still a bit better than investing outside super but at least for my \$4 million over the Division 296 threshold, it's closer. I don't need to hang on to absolutely every opportunity to leave money in super,
- For now, I'll do nothing as both my spouse and I are healthy, but where I *will* take money out of super is if:
 - My spouse dies (and I want to get in early to move wealth and avoid death taxes), or
 - I want to buy an asset that I expect the family wants to hold for a very long time (eg property). Given my age, I might as well buy that in a more 'long-term' vehicle.

Heffron has recently revised its Client Guide on Division 296 tax, which can be [downloaded here](#) (details required).

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](#).

If people talk about a bubble, it's unlikely to crash soon

Joachim Klement

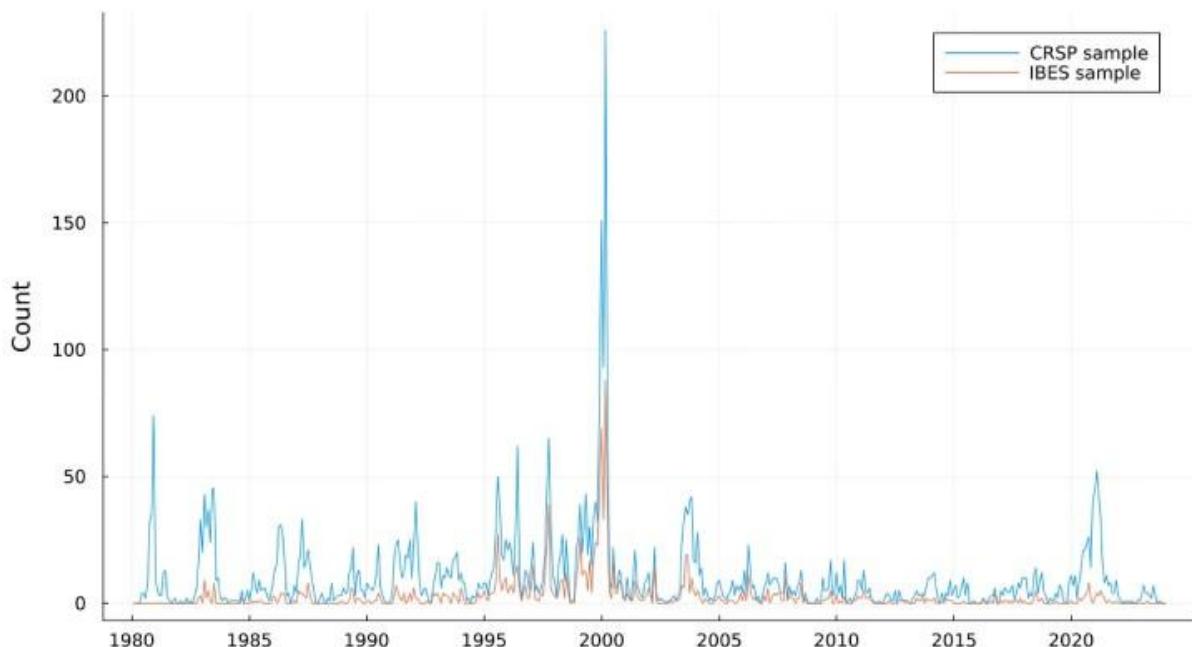
We have had our fair share of bubble talk in the AI space over the last six months. So many people argue that AI stocks are in a bubble and that bubble may lead to a crash soon. But while we can debate the former, I think the latter is the wrong conclusion.

It is extremely hard, if not impossible, to identify a bubble in real time. Still, even if you can identify a bubble with certainty, you shouldn't expect the affected stocks to see a drastic decline in prices anytime soon. That is one of the lessons I take away from reading a new paper by [Christian Stolborg and Robin Greenwood](#).

They looked at all the boom-bust stocks in the US since 1980. Boom-bust stocks meet the following criteria: (i) they have had >100% return in the last 12 months and the last 6 months, (ii) a positive return in the current month, (iii) a price-to-book or a price-to-sales ratio of more than 5x, and (iv) a drawdown of at least 50% in the next 24 months.

As you can see in the chart below, there have been quite a few of these boom-bust stocks, not just in 2000 but throughout the period from 1980 to 2023 covered in the study.

Figure 1: Boom-bust stocks since 1980

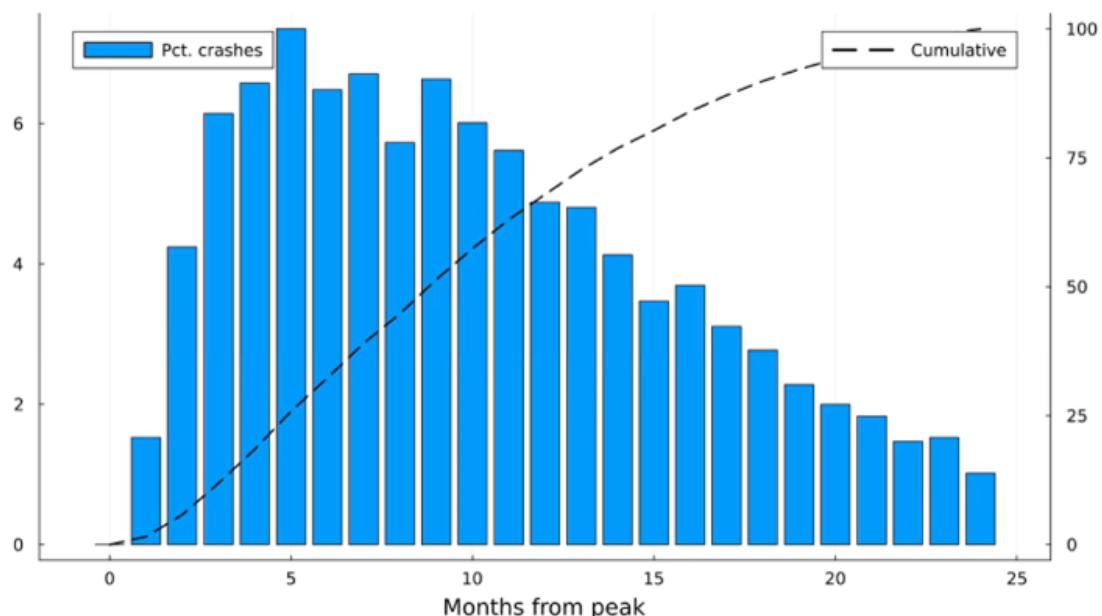


Source: Stolborg and Greenwood (2025)

In hindsight, we can identify these stocks and know precisely when their share prices peaked. But when did they crash? The second chart today shows that it can take more than a year before even these extreme bubble stocks face a significant drawdown. About 75% of bubble stocks are down by 50% within a year after they have reached their peak, but 25% of stocks continue to drift along for more than a year before they crash.

And because boom stocks are defined as having at least 100% return in the six months before they peak, a 50% drawdown only means that investors have lost six months' worth of gains by then. Often, the drawdowns continue from there until most of the gains from the bubble phase are lost again.

Figure 2: Months until boom stocks meet the bust criteria of 50% drawdown

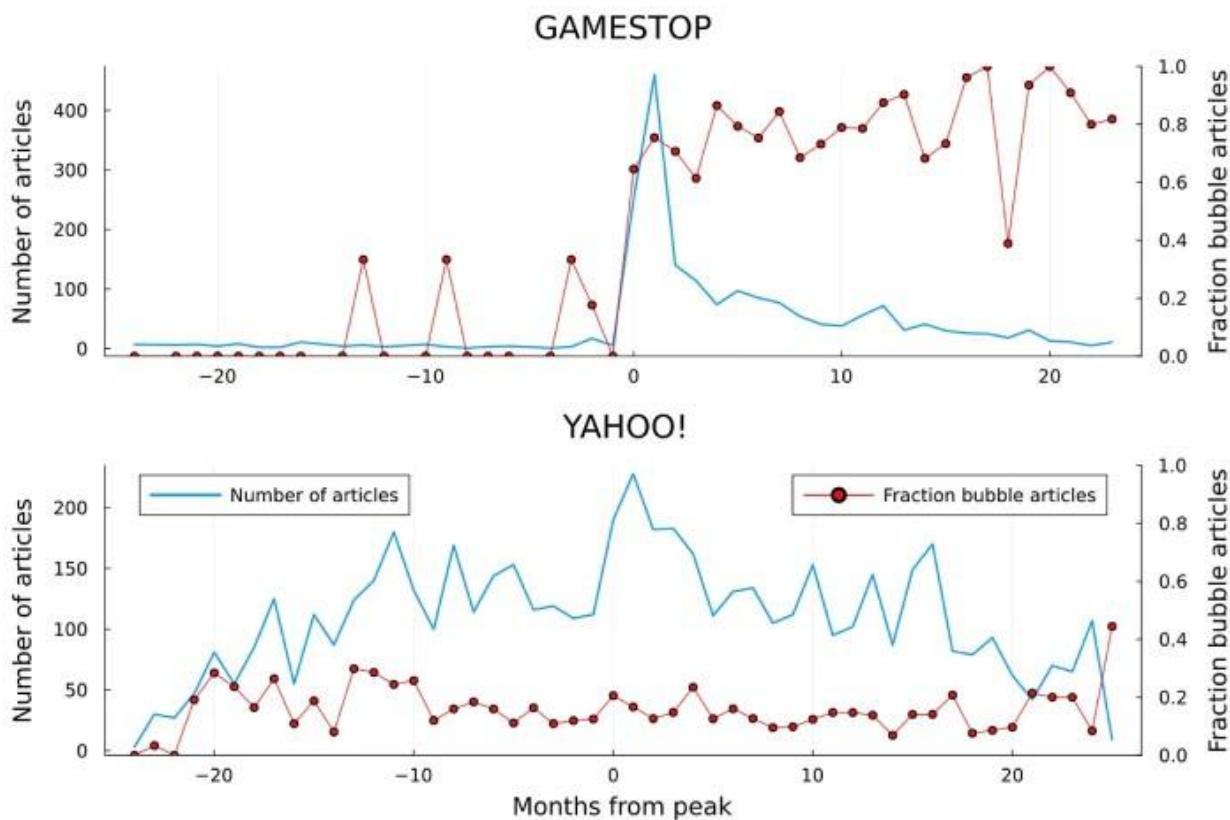


Source: Stolborg and Greenwood (2025)

So even if you know you are in a bubble, share prices can linger near the bubble peak for quite some time. But do people at least talk about the stocks being in a bubble during that time? It turns out no. There are two types of media coverage of boom-bust stocks, as exemplified by Gamestop in 2021 and Yahoo in 1999. Gamestop was immediately identified as a bubble stock, and the media talked a lot about the bubble in Gamestop as it unfolded and before the stock crashed. But this is the exception rather than the rule.

According to the authors of the study, most media coverage resembles that of Yahoo in 1999 much more closely. The media coverage of a potential bubble in Yahoo intensified about one year before the shares actually hit their all-time high and then collapsed. Once the bubble actually burst, the share of media articles covering Yahoo as a bubble stock was about half of that in 1997 and 1998. Only when the crash had fully unfolded in 2003 did the media characterise Yahoo shares again as a bubble stock because by then, it was clear to everyone that the shares had gone through a boom-and-bust cycle.

Figure 3: Gamestop 2021 vs. Yahoo 1999



Source: Stolborg and Greenwood (2025)

The lessons I learn from the paper are that it is (i) incredibly difficult to identify a bubble in real time, (ii) you cannot trust media or investor worries about a potential bubble as a signal to identify crash risk, (iii) even if you are in a bubble, many stocks can linger for a long time near their all-time highs giving investors hope and short-sellers seemingly endless pain before the share price collapses.

But just to be sure that you don't blame me for being a booster to AI stocks. Even though the media typically misses a bubble, it sometimes catches it in time. Maybe AI stocks follow the path of Gamestop, perhaps they follow the path of Yahoo. I don't know. We will find out in due course.

There are some other interesting results in the paper about which metrics to use to get some indication that a stock may be in a bubble, but I leave you to read the paper and find out about them yourself.

Joachim Klement is an investment strategist based in London. This article contains the opinion of the author. As such, it should not be construed as investment advice, nor do the opinions expressed necessarily reflect the views of the author's employer. Republished with permission from [Klement on Investing](#).

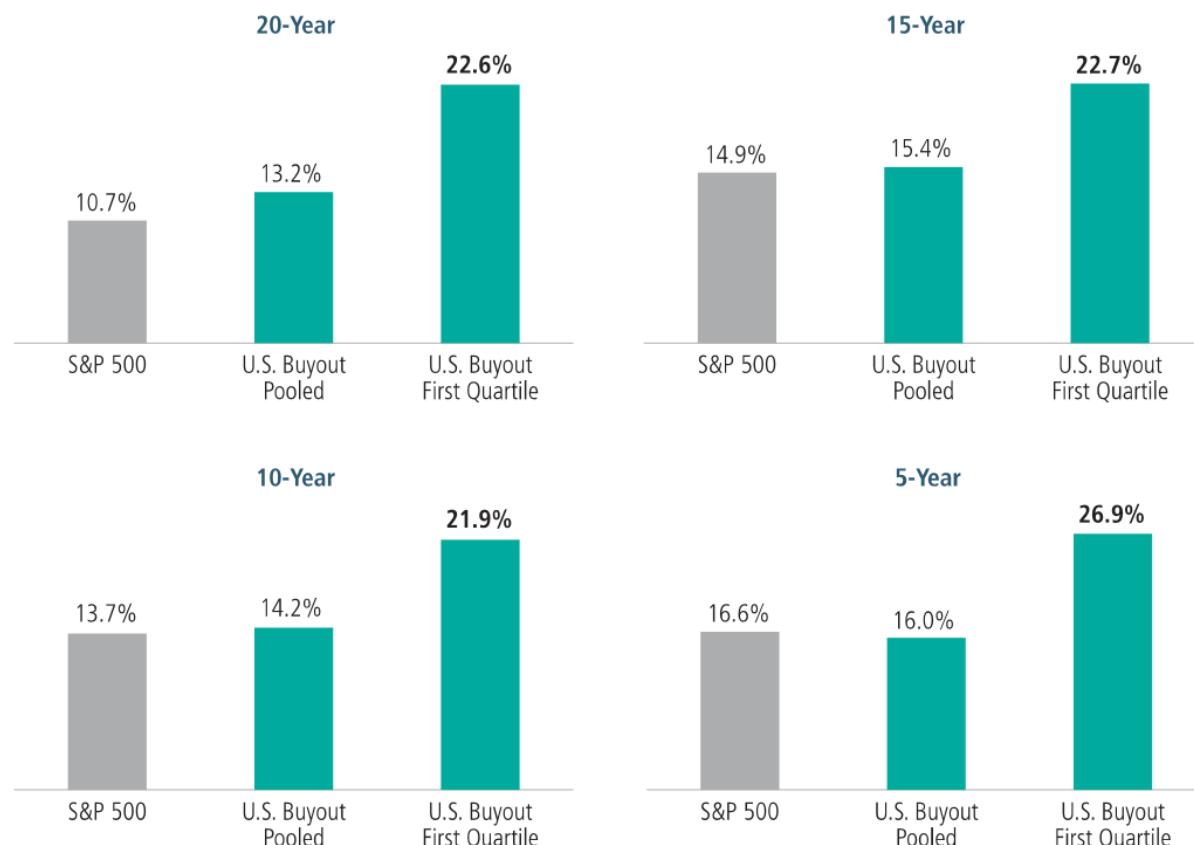
Seismic shifts that could drive private markets

Anthony Turtore, Chris Bokosky

In the midst of the public market run-up of the last three years, private equity has advanced, but not to the extent that investors have previously been accustomed. Off the highs of 2021, slow dealmaking has limited 'exits' from portfolios, fostering an attractive opportunity for liquidity-oriented strategies, such as general partner-led 'continuation' transactions, co-investments and capital solutions, as well as a heightened focus on the secondary market (see "Current Opportunities" below). Recently, however, activity has started to recover, with a rise in initial public offerings and M&A activity resulting in an increase in distributions to investors through the third quarter of 2025 versus the same period in 2024.¹

Figure 1: Private equity has provided strong long-term results

Annualized total return



Source: Private equity data from MSCI (formerly Burgiss). Represents pooled horizon IRR and first quartile return for U.S. Private Equity as of 2Q 2025 which is the latest data available. Public market data sourced from Neuberger as of 2Q 2025.

What could happen from here? We have reason to believe that a slow normalization of the market is emerging, slowly trimming the inventory of private investments and making use of elevated 'dry powder' from investors seeking to capitalize on private markets' historically favorable risk/reward characteristics. In our view, the liquidity solutions noted above should continue to play a pivotal role in this process. More broadly, at a time when public equity is reaching extended valuations, we think private market prices look relatively reasonable. (See our [Private Equity Outlook](#) for further details.)

That said, we live in a highly volatile world, with numerous forces affecting economic and market dynamics. Attention to key secular forces could be highly important in seeking to achieve success in private markets over the coming years. We explore them below.

The Seismic Six

1. Artificial intelligence

AI-driven disruption is now everywhere, affecting consumer behavior, business models and the markets. For private market firms, the impact will relate not only to investment choices, but to how those firms run their businesses. In our view, the best practitioners are investing in AI for use in evaluating portfolio companies, streamlining operations and enhancing their sourcing for deals. Private market firms that enthusiastically embrace AI and have sufficient in-house resources and expertise should be better positioned to determine the winners and the losers in the new environment.

In terms of exposures, the buildout of AI data centers and the energy capacity needed to support them will continue to be a major trend in which private capital should be a major player. Investment opportunities could extend to industries and businesses across the economy that leverage AI to their advantage.

2. Economic uncertainty

For much of the past 40 years, private markets generally enjoyed decreasing interest rates and increasing valuations, often obscuring differences in quality across companies and transactions. That 'free lunch' appears to be over, as we enter a period where interest rates, while likely trending down, could remain higher for longer, limiting potential upside for valuations.

This could put the onus on private market firms to make money 'away from the market', by creating value in their portfolio businesses in order to generate potential returns. Those who invest heavily in internal resources like AI expertise can help their portfolio companies and make strategic and operating improvements that accelerate their companies' earnings growth and make them more appealing to potential buyers.

3. Deglobalization and populism

The fragmentation of the global economic system continues unabated, driven by the growing influence of populist political movements, as well as competition and geopolitical rivalries. Deglobalization has been evident for some time but has accelerated in the wake of the pandemic and amid growing interest in reshoring to insulate supply lines and maximize benefits to domestic populations.

The April 'Liberation Day' tariff announcements were a part of this shift, unsettling markets and freezing mergers and acquisitions as businesses awaited clarity on key decisions tied to tariffs and other business

limitations. Continued economic activism on the part of governments will likely remain in place and result in significant market volatility moving forward.

While private markets will likely be affected, we believe that they can help mitigate some of the risks of this volatility. For example, our analysis suggests that private equity investments are less exposed to tariffs than public counterparts, largely by virtue of the types of industries favored by PE managers, including domestically oriented technology and business services.² This means that private markets could offer valuable diversification from global economic risks. More basically, the long-term and nimble nature of private capital should help managers navigate or avoid many challenges as they arise.

4. Changing investor base

The mix of investors in private markets is shifting rapidly, with individuals and sovereign wealth funds taking an increasing role. For different reasons, these investor groups prefer or need larger platforms with stronger brand names, which has tended to drive fundraising to major players. In 2024, for example, just six private market firms raised 60% of the money in the asset class, up from 20% five years earlier.³ Moving forward, we expect this trend to remain intact.

For individuals, such growth is tied to the emergence of 'evergreen' funds with reduced minimums and investment restrictions that provide more access to private market diversification. For large managers, the trend requires continued discipline in the amount of capital they will accept and deploy. Ironically, the trend creates opportunity for successful middle market firms as competition for deals softens given the fundraising struggles of their peers, and the middle market leaders' ability to exit investments by selling high-quality assets into large pools of capital raised by the mega-cap fund managers.

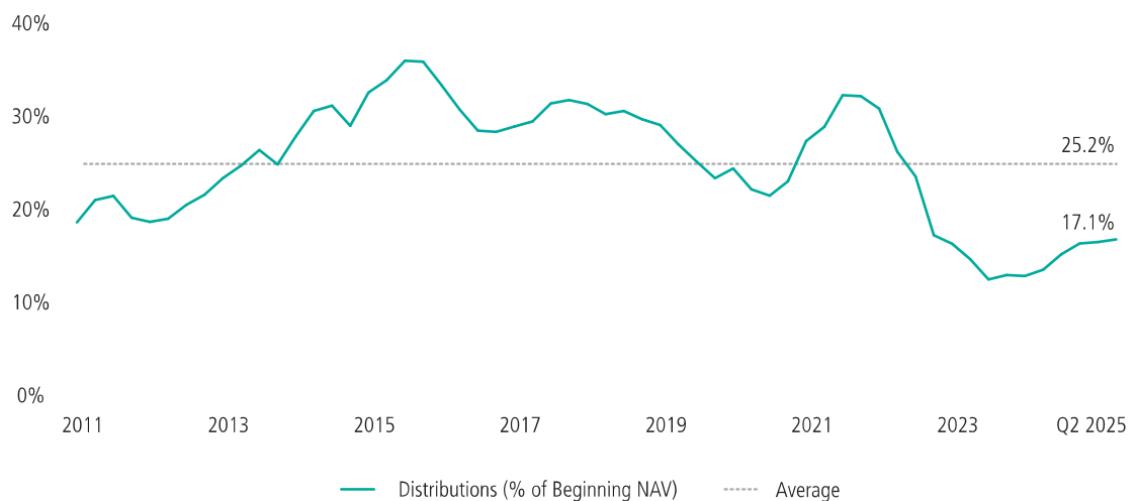
5. Increased M&A and public offerings of private market firms

A wave of mergers and acquisitions and initial public offerings is taking place among private markets firms. Strategic combinations can provide the deeper resources needed to serve the retail investors noted above and to enhance global reach, whether for fundraising or distribution. Meanwhile, traditional asset management firms are seeing acquisitions of private market firms as a way to enter the fast-growing private segment. Some of these deals could be highly successful, providing better strategies and services to clients, but they may come with operational risk tied to clashing cultures and employee turnover, reinforcing the need for selectivity in deal and manager selection.

6. The liquidity crunch

Even though the M&A and IPO markets have rebounded, the private markets must work through existing inventory to move toward a more normal environment for exits, elongating the average hold period of a typical investment. That means that liquidity, although improving, is likely in the beginning of a multiyear normalization period.

Figure 2: The liquidity spigot is loosening—slowly
 Buyout fund distributions as % of beginning net asset value (last 12 months)



Source: NB Alternatives Advisers analysis as of August 2025. Represents pure private equity primary investments, excluding venture capital as of 2Q 2025. Figures are simple averages.

The good news is that these conditions have created meaningful opportunities for some private market strategies. One is secondaries, where a continued imbalance between skeptical investors and eager sellers is creating what we consider a buyer's market with more deals than capital raised. 'Midlife' co-investments are also benefiting. Here, general partners may sell a portion of their holdings in typically strong portfolio companies to gain liquidity for investors or to generate capital for continued growth. The companies sold will have a track record under current ownership, reducing the 'blind pool risk' that may exist with more traditional buyout transactions. So-called capital solutions or hybrid capital, which utilizes highly structured equity, preferred equity or credit solutions, are also getting traction as a means to manufacture liquidity while accessing capital to execute strategic plans.

The bottom line? Strategies that can fill that illiquidity gap can take advantage of it for the potential benefit of their investors.

The big picture

Seismic change is reshaping private markets, challenging old paradigms and accelerating industry transformation. In our view, investors should expect greater dispersion of returns and prioritize managers with deep expertise and broad resources that can generate value without relying on public market tailwinds. For their part, managers need to be disciplined, making sure that they maintain a balance between deal flow and the capital they are able to raise. While a range of private markets strategies may be appropriate, we believe that investors should consider seeking exposure to strategies that address liquidity challenges as private market firms work off their inventory over time.

Current opportunities: Leaning into liquidity

- **Buyout:** Dealmaking has increased, auguring a slow thawing of the private equity market. Investments tied to the AI boom could play a key part in this revival.
- **Secondaries:** Quality, seasoned assets remain 'on sale' as current investors seek to generate liquidity.

- **Co-invest:** Limited partners invest alongside general partners in midlife portfolio assets with reduced 'blind pool' risk.
- **Capital Solutions:** Flexible capital, typically in the form of preferred equity, convertible preferred equity or similar hybrid capital, allows current private equity owners to fund strategic plans or return capital to investors.
- **Private Credit:** While competition has increased and spreads have tightened, carefully selected quality transactions can offer favorable yield and return prospects relative to more traditional fixed income markets.
- **Evergreen Funds:** Investors benefit from diversification, transparency, capital efficiency and typically lower investment minimums while gaining exposure to institutional-quality investments across the above asset classes.

¹ Source: Pitchbook, as of October 31, 2025.

² Source: Neuberger, "Tariffs Are Here: What Does That Mean for Private Equity?", February 2025.

³ Source: Pitchbook, as of October 31, 2025.

Anthony Tutrone is Global Head of NB Alternatives, and Chris Bokosky is a Private Markets Strategist at [Neuberger Berman](#), a sponsor of Firstlinks. This material is provided for general informational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. You should consult your accountant, tax adviser and/or attorney for advice concerning your own circumstances.

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Corporations are winning the stock market. Here's a new plan for everyone else

Larry Swedroe

Retail investing has undergone a seismic shift in recent years, with individual investors now accounting for a [growing share](#) of market activity. R. David McLean, Jeffrey Pontiff, and Christopher Reilly, authors of the study "[Taking Sides on Return Predictability](#)," published in the November 2025 issue of *The Journal of Financial Economics*, examined how different types of investors actually perform. Their findings provide insights into who makes smart trades and who doesn't.

What the researchers examined

This study represents the most comprehensive analysis of market participation to date. The authors examined the trading patterns of nine different types of market participants:

- Six types of institutional investors: mutual funds, banks, insurance companies, wealth managers, hedge funds, and other institutions
- Short sellers: primarily hedge funds betting against stocks
- Firms themselves: through share buybacks and issuances
- Retail investors: individual investors

The researchers analyzed these groups' trading patterns across 130 different stock return anomalies—characteristics that academic research has shown predict future stock performance. They calculated changes in ownership over the one- and three-year periods preceding the month that the anomaly variables were constructed. This measurement informed how each market participant changed their ownership in the years leading up to portfolio formation. Their data sample covered the period from October 2006 through December 2017.

The key findings: Winners and losers

The smart money: Firms and short sellers

Firms emerged as the most informed traders. When companies issue or buy back their own shares, they tend to get it right. Companies with the lowest expected returns issued the most shares, while those with higher expected returns were more likely to buy back stock. The 130 predictive variables explained 32% of the variation in share issuance over three years. Even after accounting for all publicly available information reflected in the anomaly variables, firm trading still predicted returns. Corporate insiders know something the rest of us don't.

Short sellers were the second-most informed group. They systematically targeted stocks with low expected returns, and their trades predicted lower future returns. However, once the researchers controlled for the 130 anomaly variables, short sellers' predictive power largely disappeared. That finding led the authors to conclude that, unlike firms, short sellers don't appear to have much private information—their success comes from effectively using publicly available data.

The struggling money: Retail investors

The news for individual investors is bad. Retail investors made the worst trading decisions across the board:

- They bought stocks with *low* expected returns and sold stocks with *high* expected returns.
- Their accumulated trades over one and three years predicted returns *opposite* to their intended direction.
- The 130 anomaly variables explained 18% of their three-year trading patterns.

However, there's a curious paradox: While retail investors' long-term accumulated trades predicted poor returns, their short-term trading surges (measured weekly) actually predicted positive returns. This finding is consistent with prior research. This led the authors to conclude: "These results show that temporary spikes in retail trading (that is, weekly trade imbalances) predict returns in the intended direction, whereas retail trading aggregated over long horizons (our variable) predicts returns in the unintended direction."

The neutral money: Institutional investors

Perhaps most surprisingly, none of the six institutional investor types showed robust return-prediction ability:

- All institutional groups held more stocks with low expected returns than high expected returns—
institutions contribute to anomalies!
- The anomaly variables explained only 5% or less of institutional trading over three years.
- Institutional trading appears largely random with respect to future returns.

The findings on hedge funds were particularly striking. While hedge funds excel at short selling (which is highly informed), their long equity positions were poorly positioned relative to anomalies, failing to predict positive returns.

Takeaways for investors

1. Be humble about your stock-picking ability. If professional institutional investors with vast resources can't consistently pick winning stocks, individual investors should be realistic about their chances. The data demonstrates that retail trading decisions tend to underperform.

2. Consider following corporate insiders. Pay attention to corporate buyback and issuance activity. When companies aggressively buy back shares, it's often a positive signal. Conversely, heavy share issuance may indicate management believes the stock is overvalued.

3. Short interest contains information. High short interest isn't just market noise—it reflects informed analysis (even if it's based on publicly available information). Stocks with increasing short interest tend to underperform.

4. Don't overtrade. The finding that retail investors' short-term trade surges predict positive returns, while their longer-term accumulated positions predict negative returns, suggests that frequent trading and constant repositioning may be harmful to performance.

5. Institutions aren't magic. Don't assume that just because mutual funds or other institutions are buying a stock, it must be a good investment. The data shows institutional positioning relative to predictable return patterns is poor.

6. Consider passive strategies. Given that even sophisticated institutional investors struggle to position themselves advantageously, passive index/systematic quant investing becomes even more attractive.

The bottom line

This research paints a sobering picture for active investors. The most informed participants—firms trading their own stock and short sellers—have clear informational or analytical advantages. Meanwhile, retail investors and institutions alike struggle to position themselves on the right side of predictable return patterns.

For most individual investors, the message is clear: Humility and systematic, passive strategies beat overconfidence and active trading. Unless you have genuine informational advantages (which you almost certainly don't possess), a low-cost, diversified, buy-and-hold approach remains your best bet for long-term wealth building.

[Larry Swedroe](#) is a freelance writer and author. The views expressed here are the author's. For informational and educational purposes only and should not be construed as specific investment, accounting, legal, or tax advice. The author does not own shares in any of the securities mentioned in this article.

The bull case for Melbourne

Manning Clifford

Last month, Treasury's Population Statement predicted that Melbourne will overtake Sydney as Australia's largest city in little more than a decade. That optimistic outlook cuts against today's prevailing narrative: that Melbourne is the capital of a failing state defined by its strained public finances, COVID hangover and an opposition obsessed with undermining its own credibility.

Yet despite these acute challenges, there's a compelling (and underappreciated) case that Melbourne can reclaim its position as the nation's undisputed pre-eminent city, as it was in the late 19th century. Then, it was one of the richest cities in the world, underpinned by an economy kick-started by the gold rush, world-class infrastructure and a cultural backbone anchored by inclusive public institutions.

These foundations have become so ingrained in the city that many of Melbourne's residents take them for granted and fail to realise their potential. Melbourne must focus on doubling down on these natural advantages, and get over the political malaise that's held it back for too long.

A genuinely sophisticated economy

Victoria's Gold Rush spurred Melbourne's initial growth, with nearly a third of the world's mined gold at the time originating from Australia. With that gold came a flourishing financial sector: Australia's first stock exchange was founded on Collins Street in 1859. That provided capital for Melbourne to become Australia's workshop, supporting still flourishing businesses today like Carlton United Brewing. It also supported innovative export-based businesses, like the Melbourne Meat Preserving Company, which was a world pioneer of then advanced canning processes.

Melbourne remains home to Australia's largest export-oriented companies. The modern descendants of our gold rush, BHP and Rio Tinto, have their headquarters within walking distance on Collins Street. These firms are ably supported by nearly \$1t of retirement savings (via the Future Fund, AusSuper and IFM investors), alongside large banks like ANZ and NAB. And Melbourne continues to innovate, with CSL anchoring Parkville's world-leading biomedical precinct (which is the home of 10,000 researchers and 20% of Australia's patents).

Such export-oriented businesses are what drive long-term prosperity. Facing a global green transition demanding natural resources, and aging populations requiring new biomedical and investment products, Melbourne's economy should be well-placed to deliver for the future.

But this can only continue if businesses are able to thrive, freed from today's outlandish business impediments (which the BCA called the worst in the country). Beyond this, the state's tax to gross state product ratio is far above the rest of the country: this is especially worrying given most state taxes are particularly inefficient.

Future-proof infrastructure and housing

Melbourne in 1840, a city of 4000 residents, was planned to be far bigger. The Hoddle Grid was designed with 99 ft wide roads in anticipation of a city of far greater scale. Robert Hoddle gives valuable insight into that decision:

"I staked the main streets ninety-nine feet wide, and after having done so, I was ordered by the Governor to make them sixty-six feet wide; but upon my urging the Governor, and convincing him that wide streets were advantageous on the score of health, and convenience to the future city of Victoria, he consented to let me have my will."

Hoddle's optimism was quickly vindicated: within 15 years, Melbourne's population had increased twenty-fold; today, Collins Street and its surroundings comfortably hold the traffic of a city of 5 million.

This context makes the ultra-long-term grand vision of the Suburban Rail Loop (and its even grander price tag) seem somewhat less offensive, especially when considering the three million new residents who're forecast to populate the city over the next quarter century. Compared with Sydney and Brisbane (cities constrained by hilly terrain and haphazard infrastructure), Melbourne is uniquely capable of absorbing population growth at scale without succumbing to permanent congestion (which hamstrings the benefits of agglomeration).

And bigness begets betterness. Each new resident brings more ideas for our innovators and larger markets for our companies. And Melbourne, with a CBD population three times the size of any other Australian city, has a density of residents to deliver those benefits. Encouragingly, recent planning reforms (which the Allan Government, especially Sonya Kilkenny and Harriet Shing, deserve credit for), appear to have made progress on growing the city without ballooning land prices: indeed, that one can have access to all of Melbourne's amenities, for a fraction of the price of Sydney and Brisbane, should be seen as a success, not a failure, of the city.

But Victoria's property tax system is doing its best to keep people out, with stamp duty rates well above every other state. The challenge now is to reverse the rising costs of property taxes that come as a package-deal with Melbourne's lower-cost homes, to ensure genuine affordability for residents looking to buy a home.

Inclusive cultural institutions

Economic success alone, however, does not make a great city. What was once known as Marvelous Melbourne fostered inclusive cultural institutions which held its growing and diverse community together. In 1854, the State Library was established, as one of the first in the world free for the public (a radical idea at the time). That very same year just down the road, Chinese immigrants established what is now the oldest continuously operating Chinatown.

Today, Melbourne is arguably the nation's sporting, creative and hospitality capital, underpinned by the world's leading sporting precincts (like the MCG and Melbourne Park), the nation's only true theatre district (which, reportedly, is home to a 100-year old ghost) and the nation's best street dining (which, importantly, doesn't yet rely on Justin Hemmes). Melbourne's transport infrastructure, which makes it easier to access the CBD while living in the suburbs, has kept these amenities available for all.

Melbourne's binding rituals (like the AFL Grand Final, the Moomba Festival, Midsummer and the Australian Open) and institutions (like NGV Australia and our State Library) should be critical for building the ever-elusive 'social cohesion' that our country is searching for.

But Melbourne can only achieve that through continued investment in inclusive cultural institutions. That should mean seriously reconsidering cuts to arts organisations across Melbourne, like those at

Abbotsford Convent and Writers Victoria. Just as critically, it requires an outright rejection of the hateful groups who have tried to tear Melbourne's culture apart.

Enabling growth to return

Critics would say that Melbourne's current government—hamstrung by inefficient spending and reliant on rising taxes—are wasting the city's economic potential. And those critics do have a point: record spending hasn't delivered noticeably better services, and our tax settings are deterring new businesses from investing in what Melbourne has to offer.

While worthy ambitions, long-term projects must be delivered with far greater efficiency. There's a running joke among Victorian Government economists, which suggests that big spending proposals are best measured in one currency: how many metres of Suburban Rail Loop they buy. As a result, all too often, funding a few metres of rail line has prevented serious reform from getting up in One Treasury Place.

This matters because Victoria, by far the nation's most densely populated state, has every reason to be Australia's most efficient state government. And achieving this could be simple in theory: stop wasting money on programs that don't work, renegotiate bloated infrastructure contracts and invest in modernising service delivery.

But the task is difficult to execute in practice: Jaclyn Symes (despite inheriting most of this mess from Tim Pallas) must be brave enough to confront the parts of the community who benefit from these inefficiencies, face the fact that many of their past programs have been wasteful and take risks on new ways to deliver services.

But I'm optimistic that some of these changes will be made. The Silver Review has, finally, been made public. And for all the politics surrounding the document, it is an unusually plainspoken and direct diagnosis of Victoria's spending woes. If the government succeeds in delivering on its five priority areas, it will hopefully become more skilled at identifying and implementing savings into the future.

Melbourne has industries, infrastructure and institutions that are among the best in the world (and certainly the best in Australia). With true fiscal discipline (and associated political bravery), it can once again be the country's greatest city. The task for the Allan Government is simple in theory, if difficult in execution: let the city's advantages shine, like they once did long ago.

Manning Clifford is the editor-at-large of [Inflection Points](#), an online magazine about Australian public policy. He writes in a personal capacity at [Cliffhanger](#).

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