Firstlinks
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Editorial

Earlier this week Morningstar analysts took the unusual step of downgrading the Morningstar Moat Rating on seven US listed and four Australian listed software shares. The moat rating signifies the ability of a company to hold competitors at bay through a sustainable competitive advantage. The reason for the downgrades – the threat of AI.

Technological advancements are the great unknown and throughout history they've upended long established competitive environments. The rapid pace of AI advancement has made the future for software companies less clear and this opacity has led our analysts to reassess their view on the continued dominance of long-established industry leaders.

A murky future and the resulting uncertainty has investors on edge and the impact is likely to persist far after the current concerns about the war against Iran are resolved.

AI's impact will be bigger than the personal computer

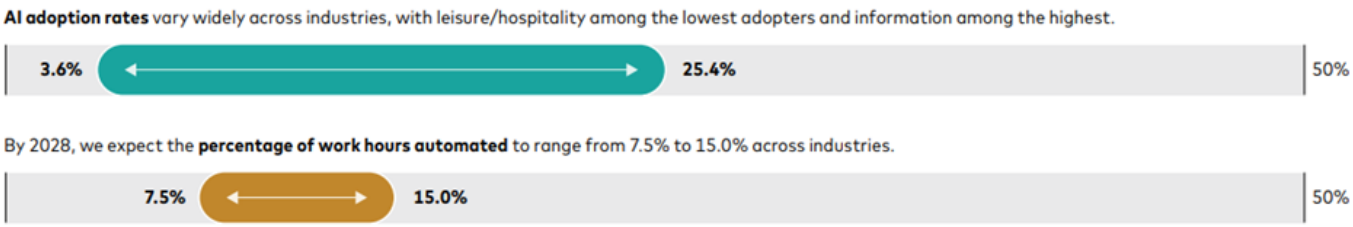
I graduated from university in 2001 and the computer and the internet have always been part of my work experience. It is hard for me to imagine work or a world without a computer and the internet.

Yet according to Joseph Davis, the global chief economist at Vanguard, the impact of AI will be far more profound than the personal computer and the internet. Davis acknowledges that isn't the consensus view but believes most economists are being too conservate about the impact of AI.

"Our findings suggest that the continuation of the status quo, the basic expectation of most economists, is actually the least likely outcome," Davis says. "We project that AI will have an even greater effect on productivity than the personal computer did. And we project that a scenario where AI transforms the economy is far more likely than one where AI disappoints."

For all the attention that has been paid to AI since ChatGPT emerged in late 2022 Davis and the team and Vanguard believe AI is still early in the adoption and investment lifecycle. Vanguard believes that many industries are still ignoring AI and the percentage of work hours available for automation will double by 2028.

Sporadic AI adoption today is likely to grow more uniform



Notes: This chart is based on a comparison across nine broad industry categories. The top bar shows the percentage of firms within industry categories that are using AI. From least to greatest rate of AI adoption, these industries are transportation/warehousing, leisure/hospitality, manufacturing/construction, other services, wholesale/retail trade, health care/social assistance, educational services, professional/financial services, and information. For the bottom bar, automatable working hours are defined as the time spent on tasks that current AI systems could perform at satisfactory proficiency with moderate human supervision. Adjustments are made for tasks that involve face-to-face customer interaction, people leadership, and health care decisions.
Sources: Vanguard calculations, based on data from O*NET Database, Macrobond, the U.S. Census Bureau, and the Bureau of Labor Statistics, as of August 31, 2025.

The increased adoption will be driven by continued investment. While the headline spend on the AI buildout is shocking, Vanguard provides historical context. Davis' team compared the current share of total investment with other eras in the United States and found that there is more room to run for AI infrastructure spend.

Tech dominates the current cycle but has a smaller share of total investment compared with the leading industries in earlier eras

Top 5 industries by share of total investment at peak of investment concentration

1949	1982	2000	Current
Farming 12%	Oil and gas 11%	Telecommunications 11%	Information and data processing 7%
Electric power 7%	Telecommunications 8%	Real estate 7%	Electric power 6%
Railroads 6%	Real estate 6%	Computers and electronics 6%	Chemical products 5%
Telecommunications 6%	Electric power 5%	Banking 6%	Real estate 5%
Oil and gas 5%	Banking 4%	Electric power 4%	Miscellaneous 5%

Sources: Vanguard calculations, based on data from the Bureau of Economic Analysis, as of October 31, 2025.

What does this mean for investors?

For all the self-congratulatory chatter about changing the world, much of the innovation coming out of Silicon Valley lately didn't meaningfully contribute to overall economic productivity. Social media, Uber and Netflix may have made our lives easier and made a lot of money for shareholders but that doesn't mean the technology was economically transformative.

AI could be a very different story. Vanguard has deemed it a general-purpose technology. General purpose technologies like electricity or the railroads transform the entire economy – often with a significant amount of disruption to existing businesses and workforces. The disruption has gotten a good deal of press with proclamations of a 'white-collar job apocalypse.'

What hasn't gotten a lot of attention is the potential for widespread productivity improvements as AI adoption increases. The tech giants need this to happen to justify their spending and there will be continued debate about the extent of AI monetisation.

But if this general-purpose technology improves productivity maybe the real winners will be the boring companies who use AI to drive down costs. The beneficiary from the heavy spending on building out railroad networks was not the railroads themselves – it was the shippers. Same with electricity and fibre optic networks.

If the rate of adoption continues to expand, Vanguard believes many of the winners will be in more value-oriented sectors where efficiency gains will lead to higher earnings. These sectors include industrials, financials and select consumer segments.

Final thoughts

Once an emerging trend becomes universally accepted investors typically stick to linear thinking. It takes little intellectual horsepower, and it works as investors salivate at the prospects of limitless growth. Many of these investors – especially the ones that get in late – get burned.

Some investors will be able to pick out the winners in tech. By luck or skill, they will identify which of the mega-tech firms' AI investments will pay off. They will pluck through the carnage of the software shares and find the companies who will withstand the competitive turbulence and continue to thrive. More power to them.

Given my situation I'm content to keep owning companies unlikely to be disrupted, but sure to benefit, from widespread AI adoption. I'm willing to trade lower upside for more safety. You may make a different decision. That is the crux of investing – a series of trade-offs that each of us has to make given our goals and circumstances.

For those interested in the full Vanguard report you can find it here.

Mark LaMonica

In this week's edition...

John Abernethy takes a sobering look at where Australia went wrong and what to do about it.

Noel Whittaker knows retirement planning is about far more than dollars and cents. He explains why the key to happiness in retirement is figuring out where you live.

Dark premonitions of mass white collar job losses fill the media. **Nick Maggiulli** has some suggestions to stand-out in the age of commoditized knowledge.

In honour of International Women's Day, **Annika Bradley** has a simple solution to a set of challenges disproportionately facing women but also prevalent in the population as a whole – more financial advice.

Tony Dillon is back with a topic slightly less fun than the AFL. As inflation continues to creep higher and more economists forecast rate increases, Tony takes a look at the role energy policy plays on productivity and inflation.

The story has been the same for markets for years – US outperformance. Before Iran, a rotation was already underway as tech pulled back and other opportunities emerged. **Franciso de Juan** makes a compelling case for European small-caps.

One positive development for investors is the widespread acknowledgement that behavioural drivers impact decision making. **Joe Wiggins** explores at how individual behavioural drivers interact to create powerful feedback loops.

This week's white paper comes from Capital Group on China shifting its attention towards humanoid robotics as the next frontier for technological leadership.

Curated by Mark Lamonica and Leisa Bell

Has Australia wasted the last 30 years?

John Abernethy

Former Treasurer Peter Costello recently published an opinion piece titled *"We've wasted 20 years. It's time to rebuild our great nation."* The timeframe he references coincides with the period since he left the Treasurer role following the 2007 election.

Notably, the article proposed little in the way of strategic fiscal reform beyond a call to reduce government expenditure as a share of GDP, reflecting the fiscal approach of the Howard Government (1996–2007).

It is true that by the end of that period the Howard Government had repaid the majority of the approximately $100 billion of debt inherited from the Keating Government. This outcome was achieved through a combination of reducing the relative size of the budget, selling public assets, and restraining public investment. By the conclusion of the Howard era, Commonwealth bonds on issue represented less than 10% of GDP, while remaining public assets exceeded debt.

This raises an important question considering Costello's commentary: Did Australia begin losing economic momentum well before 2007 due to an excessive policy focus on balanced budgets and debt reduction?

How did Australia become "debt free"?

The Howard Government came to power in March 1996 and remained in office until December 2007. The fiscal trajectory over that period provides useful context.

Table E.1: Australian Government general government sector receipts, payments, net Future Fund earnings and underlying cash balance[a]

	Receipts(b)		Payments(c)			Net Future Fund earnings	Underlying cash balance(d)	
	$m	Per cent of GDP	$m	Per cent real growth(f)	Per cent of GDP	$m	$m	Per cent of GDP
1970-71	8,290	20.5	7,389	na	18.3	-	901	2.2
1971-72	9,135	20.5	8,249	4.1	18.5	-	886	2.0
1972-73	9,735	19.5	9,388	7.7	18.8	-	348	0.7
1973-74	12,228	20.3	11,078	4.2	18.4	-	1,150	1.9
1974-75	15,643	22.0	15,463	19.9	21.7	-	181	0.3
1975-76	18,727	22.5	20,225	15.7	24.3	-	-1,499	-1.8
1976-77	21,890	22.8	23,157	0.6	24.1	-	-1,266	-1.3
1977-78	24,019	22.9	26,057	2.7	24.8	-	-2,037	-1.9
1978-79	26,129	22.0	28,272	0.3	23.8	-	-2,142	-1.8
1979-80	30,321	22.5	31,642	1.5	23.5	-	-1,322	-1.0
1980-81	35,993	23.6	36,176	4.6	23.7	-	-184	-0.1
1981-82	41,499	23.6	41,151	2.9	23.4	-	348	0.2
1982-83	45,463	24.0	48,810	6.3	25.8	-	-3,348	-1.8
1983-84	49,981	23.4	56,990	9.4	26.7	-	-7,008	-3.3
1984-85	58,817	25.0	64,853	9.1	27.5	-	-6,037	-2.6
1985-86	66,206	25.4	71,328	1.5	27.3	-	-5,122	-2.0
1986-87	74,724	26.1	77,158	-1.1	26.9	-	-2,434	-0.8
1987-88	83,491	25.7	82,039	-0.9	25.3	-	1,452	0.4
1988-89	90,748	24.6	85,326	-3.1	23.2	-	5,421	1.5
1989-90	98,625	24.4	92,684	0.6	22.9	-	5,942	1.5
1990-91	100,227	24.1	100,665	3.1	24.2	-	-438	-0.1
1991-92	95,840	22.6	108,472	5.7	25.6	-	-12,631	-3.0
1992-93	97,633	22.0	115,751	5.6	26.1	-	-18,118	-4.1
1993-94	103,824	22.3	122,009	3.5	26.1	-	-18,185	-3.9
1994-95	113,458	22.9	127,619	1.4	25.7	-	-14,160	-2.9
1995-96	124,429	23.5	135,538	1.9	25.6	-	-11,109	-2.1
1996-97	133,592	24.0	139,689	1.7	25.1	-	-6,099	-1.1
1997-98	140,736	23.9	140,587	0.6	23.9	-	149	0.0
1998-99	152,063	24.5	148,175	4.1	23.8	-	3,889	0.6
1999-00	166,199	25.1	153,192	1.0	23.1	-	13,007	2.0
2000-01	182,996	25.9	177,123	9.1	25.0	-	5,872	0.8
2001-02	187,588	24.8	188,655	3.5	24.9	-	-1,067	-0.1
2002-03	204,613	25.5	197,243	1.4	24.6	-	7,370	0.9
2003-04	217,775	25.2	209,785	3.9	24.3	-	7,990	0.9
2004-05	235,984	25.5	222,407	3.5	24.0	-	13,577	1.5
2005-06	255,943	25.6	240,136	4.6	24.0	51	15,757	1.6
2006-07	272,637	25.0	253,321	2.5	23.3	2,127	17,190	1.6
2007-08	294,917	25.0	271,843	3.8	23.0	3,319	19,754	1.7
2008-09	292,600	23.2	316,046	12.7	25.1	3,566	-27,013	-2.1
2009-10	284,662	21.8	336,900	4.2	25.8	2,256	-54,494	-4.2

Source: budget.gov.au - Mid-Year Economic and Fiscal Outlook 2024–25, Appendix E: Historical Australian Government Data.

The first Costello budget was delivered in August 1996 (FY1997), following a Labor deficit under Treasurer Kim Beazley of $11.1 billion, or approximately 2.1% of GDP in FY1996.

At the time, Australia's GDP was around $529 billion, and Commonwealth debt stood near $100 billion—less than 20% of GDP. By international standards this was not an elevated level of public debt. For comparison, US government debt in 1996 was approximately 64% of GDP.

Australia moved from a deficit of 2.1% of GDP in FY1996 to a surplus of roughly 2% by FY2000 as the economy recovered from the early-1990s recession. Productivity gains were supported by the adoption

of computer and internet technologies that were spreading from the United States. Unemployment at that time remained around 6%.

Between FY1997 and FY2007, Costello delivered nine budget surpluses from eleven budgets, generating cumulative fiscal surpluses of approximately $77 billion.

During the same period:

1. Australia's GDP grew to approximately $1.1 trillion, representing nominal compound growth of around 6.5% per annum.
2. Commonwealth asset sales totalled approximately $72 billion.
3. The Future Fund was established with an initial seeding of $60 billion, including $9 billion of Telstra shares.

In effect, fiscal surpluses were largely used to repay Commonwealth debt, while asset sales provided the capital used to establish the Future Fund. The Fund was designed to meet defined-benefit public sector pension liabilities that were estimated at the time to be around $140 billion and now exceed $300 billion.

Is being debt free good public policy?

While a debt-free balance sheet is politically attractive, it is not necessarily sound economic policy if it prevents the use of public borrowing to finance productive investment for future generations.

A sustained reluctance to use government balance sheets for infrastructure investment can lead to delayed projects and higher long-term costs. Infrastructure built decades later is invariably more expensive due to compounding inflation and higher construction costs.

In several areas, Australia's strategic infrastructure capacity has deteriorated.

For example:

- Domestic oil refining capacity has declined to roughly 10% of national liquid fuel needs and with the Iran War this has exposed our nation to a potential oil shock; and
- Energy generation and distribution has evolved into a fragmented public-private system with significant pricing and reliability challenges.

This raises the broader question: was eliminating public debt without a clear national investment strategy the optimal policy outcome?

Government debt as a structural feature

Historically, Commonwealth debt has been a normal feature of Australian economic management since the Great Depression. Every government over the past century has inherited some level of debt.

At the same time, Australia developed one of the largest pension savings systems in the world through compulsory superannuation.

However, the Commonwealth never created a meaningful infrastructure bond market to connect this growing domestic savings pool with national infrastructure investment. Instead, governments increasingly relied on asset sales—often attracting foreign pension capital—to reduce debt and fund infrastructure upgrades.

The consequence is that Australians now pay usage charges for assets that were once publicly owned, including airports, toll roads and electricity networks.

This outcome is particularly notable given the scale of domestic savings now available through superannuation. The table below compares the value of total superannuation assets with Australian Government gross debt as a percentage of GDP.

Year	Super Assets (% of GDP)	Gross Debt (% of GDP)	Context
1990	~35%	11.9%	Super was largely voluntary or award-based.
1995	~60%	18.5%	Mandatory Super Guarantee (SG) introduced in 1992.
2007	~105%	9.7%	**Peak Divergence**: Debt at record lows; super hits $1 trillion.
2019	~150%	46.7%	Super assets hit $2.9 trillion.
2024	~158%	49.3%	Super reaches $3.9 trillion.
2026 (f)	~162%	**50.7%**	Super hits **$4.5 trillion**.

Source: AI, ChatGPT

The missed opportunity of superannuation capital

Australia's superannuation system has grown into a multi-trillion-dollar pool of long-term capital. Yet much of that capital is invested offshore rather than deployed into domestic productivity-enhancing infrastructure.

Period	Offshore Allocation (% of Total Assets)	Key Driver
Early 1990s	~15% – 20%	System was infant; heavily focused on Australian shares and property.
2014	~35%	Beginning of a decade-long surge in international diversification.
2019	41.0%	Growing "mega-funds" began established global offices (London, New York).
2023	47.8%	International shares became the single largest asset class at ~32%.
2025	50.9%	**Milestone**: Over half of all super assets are now held offshore.
2026 (f)	~52% – 55%	Forecasted increase as 70% of *new* cash inflows are directed overseas.

Source: AI, ChatGPT

This represents a structural mismatch:

- Australia has abundant domestic savings.
- Australia also faces substantial infrastructure requirements.
- Yet policy settings have not effectively connected the two.

The result is that Australian retirement savings increasingly finance growth in foreign economies while domestic infrastructure investment remains constrained.

A simple example illustrates the opportunity cost. If Australia had financed major projects using domestic infrastructure bonds in the late 1990s—such as a dedicated rail link between Melbourne Airport and the CBD—the project cost would likely have been substantially lower than undertaking the same project three decades later.

The structural shift of the 1990s

The early 1990s recession was a defining period for Australia's economic structure. Major banks and insurers faced technical insolvency and many highly leveraged property and industrial groups collapsed.

This environment created opportunities for international investment banks that entered Australia following financial deregulation in the 1980s and the emergence of large superannuation savings pools.

During this period:

- Mutual organisations and cooperatives were demutualised and privatised.
- Major Australian companies were taken private through leveraged buyouts.
- Stable companies were advised to restructure 'lazy balance sheets'.
- Essential property assets were sold and leased back.

These activities were highly profitable for advisory firms but often transferred long-term value away from domestic balance sheets.

At the same time, government policy increasingly favoured asset privatisation. Major sales included:

- Commonwealth Bank (second tranche)
- Telstra
- Major airports
- Rail and freight assets
- Transmission spectrum
- Gold reserves

The result

Over time, these policy settings produced a structural outcome that is now increasingly visible.

Australia accumulated large private savings while simultaneously under-investing in national infrastructure and productive capacity.

The social consequences are also becoming evident.

Australia's birth rate has been declining since the early 1990s—with only a brief interruption following the Costello 'baby bonus' in 2007. The long-term trend has continued downward.

Era	Year	Total Fertility Rate (TFR)	Context
Early 90s	1990	**1.90**	Steady decline from previous decades.
	1995	**1.82**	Post-recession decline continues.
Howard Era	2001	**1.73**	Then-record low.
	2008	**2.02**	**Modern Peak** following the "Baby Bonus".
Pre-Pandemic	2019	**1.66**	Gradual downward trend resumes.
Pandemic	2020	**1.59**	Dip during COVID-19 lockdowns.
	2021	**1.70**	Brief "rebound" following the pandemic.
Record Lows	2023	**1.50**	Sharpest annual fall in 50 years.
	2024	**1.48**	Confirmed record low by the ABS.
Current/Forecast	2025 (f)	**1.45**	Projected decline as cost-of-living impacts intentions.

Source: AI, ChatGPT

At the same time:

- Real wage growth has stagnated.
- Productivity growth has slowed.
- Younger generations face rising housing costs and declining economic security.

Policy responses have increasingly relied on higher immigration rather than addressing underlying productivity challenges.

Conclusion

The central issue raised by Costello's commentary is not simply whether Australia has 'wasted' the past 20 years. The more substantive question is whether the policy framework established during the Howard–Costello era created structural weaknesses that are only now becoming visible.

The pursuit of minimal public debt became a dominant policy objective. Yet that objective was achieved through a combination of asset privatisation, reduced public investment and the failure to mobilise Australia's growing superannuation capital toward national development.

The result was a paradoxical outcome: one of the world's largest pools of long-term savings alongside persistent underinvestment in domestic infrastructure and productive capacity.

Rather than deploying debt strategically to fund national development, governments prioritised balance-sheet optics. The Future Fund itself illustrates this tension. While it was created to meet pension liabilities, its capital was not directed toward the type of infrastructure investment that could have expanded the productive base of the economy. It is not a true Sovereign Wealth Fund.

In retrospect, the question is not whether Australia eliminated debt, but whether the focus on doing so came at the expense of a broader national vision.

A strategy that combined moderate public borrowing, domestic superannuation capital and large-scale infrastructure investment may have produced a different outcome: higher productivity, stronger wage growth, and greater economic resilience.

The legacy of the past 30 years suggests that fiscal prudence alone is not sufficient. Without a coherent national investment strategy, a nation can maintain strong balance sheets while gradually eroding the foundations of long-term prosperity.

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

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Navigating the next stage of life in retirement

Noel Whittaker

Whenever I make a speech to retirees, I always begin with one of the most basic questions people need to think about. It's almost inevitable that at some point you – or your partner, if you're in a couple – will need care. Is your home one where that care can be provided? That became very real for me two years ago when I broke my ankle and discovered it was impossible to live in our present home without making some modifications.

That line of thinking leads straight to the next big question. Do you expect to live in your current home for the rest of your life, perhaps with some changes along the way, or do you plan to move? And if you do move, where to?

Moving to an exotic location may sound like paradise, but I recommend renting first in the area of your choice, ideally for 12 months, but at least for six months. It gives you time to experience the environment and, just as importantly, to see what sort of social network you are realistically likely to build. It's a simple step that can save you from making a very expensive mistake.

If you move, will your next home be an apartment, a smaller house or townhouse, or some form of retirement village accommodation? For most people, I think the most appropriate option is a retirement village. There's a wealth of research showing that a happy and healthy retirement depends on a good diet, regular exercise, a sense of purpose, and a strong social network. A good retirement village can provide all of those.

I always tell audiences about Harry and Margaret, who retired to the Sunshine Coast. Harry kept himself busy doing casual work as a handyman, while Margaret played golf. Life was very good. But after a few

years it all became a bit too much, so they moved into a retirement village in the Sunshine Coast hinterland.

Harry loved it – especially the daily happy hour, where he would sit with Margaret and five widows from the village, enjoying good conversation and a few glasses of wine. They called it Harry's harem.

Time passed, and then life took an unexpected turn. Harry died, fairly suddenly.

But here's the important part. If they'd been living in an apartment where they knew hardly anyone, Margaret's world would have shrunk overnight. Instead, her life in the village carried on. The same people were there, the same routines, the same support – exactly when she needed it most.

That's the real value of a social network, and it's something many people underestimate the value of when they're planning for retirement. There's plenty more to say about retirement villages – the good, the bad and the expensive – but that's a conversation for another column.

The next big issue for anyone planning retirement and the home for this phase of life is how to fund it. Ideally, you want to retire mortgage-free. If you're still working, you should be using every option available to boost your super, so there's at least enough money there to deal with any mortgage debt when you retire.

I'm often asked whether people should focus on paying off the mortgage or boosting their super.

Making tax-deductible contributions is usually a no-brainer, because they come from pre-tax dollars, whereas mortgage repayments are made from after-tax income. On top of that, a good super fund should be earning a higher return than the interest you're paying on your mortgage. And remember, if you have sufficient super, you don't necessarily need to eliminate the debt as soon as you retire – you can draw enough from super to pay the interest while the remaining super balance continues to compound.

The other critical factor is time. If you're 60, earning $100,000 a year and have $500,000 in super, that's all you'll have when you retire – and you'll still be seven years short of qualifying for the age pension. Working for five more years could lift your super balance to around $800,000. There are also strategies such as transition-to-retirement pensions, which allow you to access part of your super once you turn 60 while continuing to work, often on reduced hours.

The key point is this: the more you get into your super, and the longer you can delay drawing on it, the more you'll have when you eventually need it.

Where you live and how you pay for it are two of the biggest issues facing any retiree. Do yourself a favour and think about the things that you, like almost everybody else, are likely to face.

Noel Whittaker is the author of Making Money Made Simple and numerous other books on personal finance. His advice is general in nature and readers should seek their own professional advice before making any financial decisions. Email: noel@noelwhittaker.com.au.

Showcasing your value in the age of AI shortcuts

Nick Maggiulli

For the past few decades, being in shape was the ultimate 'proof of work'. You couldn't buy it. You had to earn it. Unless you had top 5% genetics, you had to build your physique through diet and exercise.

But then something incredible happened. GLP-1 agonists (like Ozempic) hit the market and, overnight, a better body was only a weekly injection away. As a result, the old signal (being fit) became less valuable as it could now be acquired *without* the physical exertion.

The same thing is happening with writing. Writing used to be a craft where someone toiled for hours thinking through a set of ideas before putting them out into the world. Today, that's no longer necessary. You can have an LLM generate seemingly infinite text at will.

This explains why I saw more books published in 2025 than I can remember in recent years, especially by people who *don't* write regularly. Funny, huh?

Of course, if you rely too heavily on AI, your 'writing' won't be all that good. Either way, the written word is far less useful as a signal of thought or effort than it used to be.

I call this **signal collapse** and it's happening again and again across different domains. For example, writing code used to be a reliable signal of skill and dedication. But with OpenAI's Codex and Anthropic's ClaudeCode, today that seems less true.

AI doomer articles over the past few weeks haven't helped the situation either. On February 9, Matt Schumer released *Something Big is Happening*, and on February 22, Citrini released *The 2028 Global Intelligence Crisis*, which both went viral.

There's a lot I don't agree with in both articles, yet both seem *directionally* accurate. We are moving toward a future more reliant on LLM-intelligence, not less. And in that future, many signals that used to demonstrate value will be easier to fake.

So, how do we display value going forward? What's the new proof of work?

The new proof of work

In a world increasingly dominated by low-effort, here are a few ways to signal the opposite:

- **Leverage your history**: If you had a particular skill *before* it became commoditized, demonstrate that. Lean into it. By showing people that you did something before it was easy, it proves that you are willing to put in the work to master something. More importantly, it showcases that you have an actual interest in the field. If I had to pick between hiring a programmer who's been doing it for 20 years or one who started with AI a few years ago, I'd take the veteran every time. Though knowledge is becoming commoditized via LLMs, experience, taste, and judgement are still at a premium. This explains why top lawyer fees have skyrocketed even as AI usage explodes.
- Unfortunately, leveraging your history won't be helpful for those just starting out, but it showcases how you can go about building your career.

- **Do deep work**: Focus is a superpower and, increasingly, a signal. In an age of distraction, those who can spend weeks, months, or years on a single project will separate themselves from the pack. Cal Newport calls this idea *Deep Work*. You can demonstrate deep work by completing things that require sustained attention—like complex projects, novel content, or differentiated research. Most people can't work for an hour straight without checking their phone or logging into social media. But, if you can, then you'll have a huge edge over others in everything you do. In a world where our attention is being pulled in 100 different directions, the ability to focus on one at a time is an unfair advantage.

- **Command attention**: Speaking of attention, if you want to stand out, command the attention of others. Because our world is so easily distracted, having people's attention is proof that you have created something valuable. That attention doesn't have to come from social media either. Having the attention of a local community or a niche group can be just as powerful as having it within a popular online space. You don't need to be a content creator, but if you can keep attention and build a community, you will undoubtedly be rewarded for it. I believe this will be especially true for *in-person* communities in 2026 and beyond.

- **Embrace the machine**: If you can't beat 'em, join 'em. Instead of looking at AI as a foe to be avoided, treat it as a partner to help you level up. As I'm sure you've heard before, "AI isn't going to take your job—someone using AI is going to take your job." There's no better way to counteract this than to become the person who knows how to use AI. I'm not saying you need to become an AI expert, but you should know enough to expand your capabilities and keep up with the latest tools. Not only will this demonstrate that you take this seriously, but it also highlights that you can be adaptable.

Don't just take it from me though. In *Deep Work*, Cal Newport highlighted the people that he thought would have an advantage in an increasingly digital economy (and this was from 2016!):

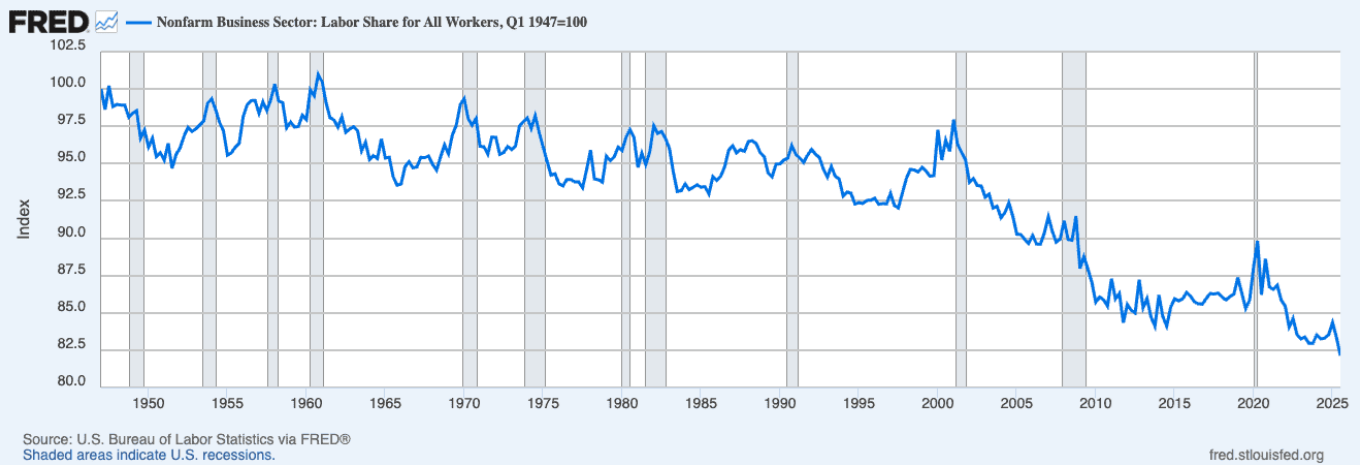
"In this new economy, three groups will have a particular advantage: those who can work well and creatively with intelligent machines, those who are the best at what they do, and those with access to capital."

Newport's categories map well onto the ones above:

- Those who work well with intelligent machines = Embrace the Machine
- Those who are the best at what they do = Leverage Your History + Do Deep Work
- Those with access to capital = Command Attention
  I swapped capital with attention because, in many ways, attention is the new capital.

Whatever you decide to do, there's a structural shift happening in the economy that's going to take some time to play out. Some believe that this transformation will make labor obsolete. I'm skeptical, but some of the signs are there.

For example, the labor share of the non-farm business sector in the U.S. has declined about 15% since the turn of the century. As you can see in the chart below, labor's share (of the non-farm business sector) was basically flat from 1947 to 2001. But it's been on a gradual decline ever since:



We are also seeing economic trends that rarely occur. Kelly Evans recently wrote about how there's a jobless boom - where the economy surges even as the labor market remains weak. This isn't normal. Historically, growth and hiring typically moved together. But today, that doesn't seem to be the case.

For the past few weeks I've written a bit more about AI than you might expect from a personal finance/investing blogger. But there's a reason for it. Though I'd love to 'stay on message' and write more posts validating *Just Keep Buying*, this would be doing you a disservice.

Because, the truth is, your finances will be impacted more by your career than what the market does.

Of course, the market matters, but your income matters more. How AI transforms your industry matters more. How you rise above signal collapse matters more.

If I want to continue to be helpful, I must periodically address these issues. Though the signals of the future will continue to evolve, if we continue to evolve with them, we'll do just fine.

Nick Maggiulli is the creator of personal finance blog Of Dollars And Data and the Chief Operating Officer at Ritholtz Wealth Management. For disclosure information please see here. If you liked this article, consider signing up for Nick's newsletter.

Financial advice as the pathway to economic security

Annika Bradley

The theme of International Women's Day was "give to gain". If you are still thinking about giving a donation or volunteering I have a suggestion. Consider giving yourself, your daughters or your mother financial advice to gain economic security. Because you probably know these stats: women tend to score lower on financial literacy tests, end up with lower superannuation balances and find themselves in a more precarious financial situation in retirement than men. So, can advice help? Let's take a look.

Advised members report higher levels of financial knowledge

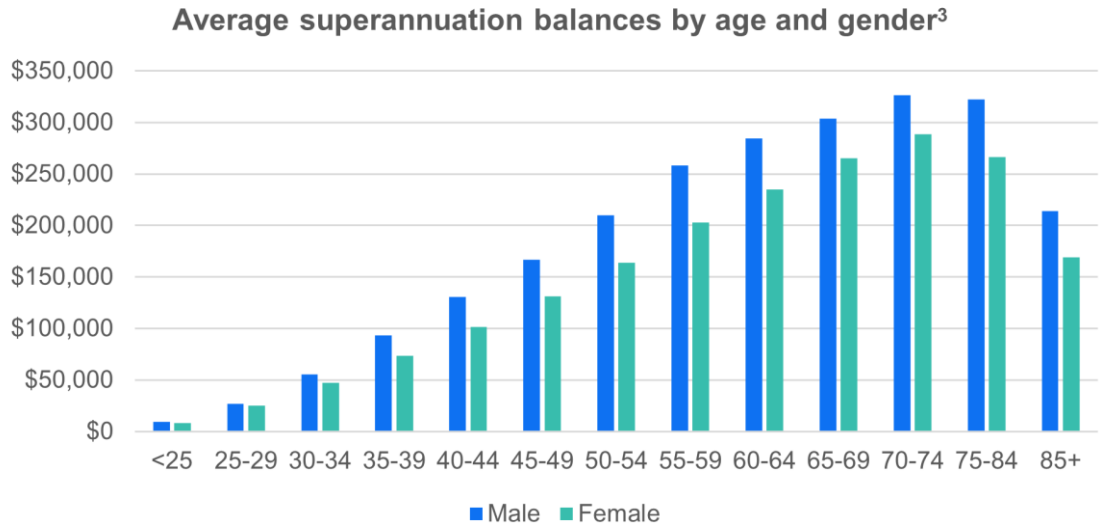
The gender gap in financial literacy levels is stark. Only 48% of Australian women are considered financially literate compared to 63% of men[1]. Our education system has got work to do, particularly

when you consider financial literacy levels are lowest amongst our younger people – those aged 15 to 24. Advice can help.

In a recent UniSuper study[2], we found our advised members reported higher levels of financial knowledge compared to our unadvised members. But remember that advice isn't just a meeting with an adviser, it can be self-served too. Many super funds provide online education, including webinars on different topics. Some funds also offer free digital advice, or one-on-one advice on topics such as the investment option you've selected in super and whether it's right for you. International Women's Day is your moment – whether it's reading a quick article or meeting with an adviser. It can make a big difference to both your financial knowledge, but more importantly your super balance. Involve your daughters – the power of compounding means good decisions made early will have a big impact on their super balance for retirement.

Advice can narrow the super balance gender gap

And that's important because we still lag men when it comes to our super balances. In fact, on average, women in their mid-50s have a super balance that's $55,000 lower than the average man at the same age.[3] It's a time when the compound lifetime effects of carer responsibilities and often lower paid work show up.



Advice can help close this gap too. Not only through the options outlined above, but through personalised strategies for women taking time out of the workforce for carer responsibilities. For example, your spouse can make an after-tax contribution to your super while you're out of the workforce, or split their before-tax contributions into your superannuation account instead of theirs. Give yourself the gift of advice to help equalise super balances!

Advice can improve living standards in retirement

Finally, women generally retire in a more precarious financial situation than men, often for a few reasons. On average, women retire 2.4 years earlier than men; are 2.5 times more likely to face primary caregiving demands between ages 45 and 65 (after having cared for children); and often as a result retire with lower super balances. We then of course typically live longer than men. Any one of these factors impact the financial situation you find yourself in retirement. Financial advice can help. Our

study showed that advised members tend to take more tangible actions towards securing their future. A few, simple decisions can make a difference to your standard of living in retirement.

What will you "give to gain" for International Women's Day?

Gaining financial security is one of the most important gifts you can give yourself and others. Improved financial literacy, a healthier super balance and a higher standard of living in retirement is important for everyone. Advice does help. Our advised members feel more financially confident and more prepared for retirement. Use this year's International Women's Day as your moment to "give yourself financial advice to gain" economic security. You're worth it.

[1] 2020 Household, Income and Labour Dynamics in Australia (HILDA) survey
[2] 2025 CoreData Research, Best Possible Retirement – UniSuper Report
[3] APRA Quarterly Superannuation Industry Publication - Sep 2025

Annika Bradley is Head of Advice Strategy, Research & Technical at UniSuper, a sponsor of Firstlinks. She brings over 20 years of experience across investments and wealth management in both the public and private sectors. In previous roles Annika worked with Morningstar and QSuper. The information in this article is of a general nature and may include general advice. It doesn't take into account your personal financial situation, needs or objectives. Before making any investment decision, you should consider your circumstances, the PDS and TMD relevant to you, and whether to consult a qualified financial adviser. Issued by UniSuper Limited ABN 54 006 027 121 the trustee of the fund UniSuper ABN 91 385 943 850.

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The overlooked driver of energy inflation

Tony Dillon

While economists increasingly identify public spending as a major driver of inflation in Australia, the impact of energy policy and the renewables transition is a significant yet under analysed source of inflation.

The cost of energy flows through to the cost structure of the whole economy. Elevated energy costs inflate unit labour costs and weigh on productivity growth. This causes supply constraints to be reached sooner with relatively modest economic growth, which lowers the economy's inflation tolerance. Government spending compounds the problem, sustaining demand close to those constraints, making disinflation more difficult and requiring interest rates to remain higher for longer.

Energy is central to the productivity-inflation equation

Reliability is core to any electricity system, and in order to maintain it when a growing share of energy generation is intermittent, there are two broad paths that can be taken.

One is 'substitution', where intermittent generation, together with dedicated firming, replaces firm generation one-for-one. The other is 'duplication'[1], where some existing firm generation must remain for reliability, with intermittent generation layered on top.

And the crux of the problem in Australia is not that we are in an energy transition phase, but that firm capacity in coal is exiting without adequate replacement. Duplication occurs to compensate.

Further planned exits are delayed, gas backup is added, transmission networks expand, storage is added through short-duration batteries, the grid requires stabilisation[2], and demand response may be required in periods of high energy demand. Clearly this is not substitution, it is stretching the system. Layers are added, much of which only runs some of the time and is therefore unproductive and costly. More capital is required to meet the same energy demands.

Electricity prices must therefore rise under a path of duplication, to reflect higher total system costs. And when energy is more expensive, business invests less in technology, and research and development, meaning fewer efficiency gains, rising unit labour costs, and slower productivity growth.

Like persistent public sector spending, duplication crowds out private sector activity by absorbing scarce capital and capability. It not only saps productivity within the energy system, but lowers productivity and inflation tolerance across the entire economy.

A 'substitution' path on the other hand, swaps out exiting firm capacity in coal, for combined renewables plus dedicated firm replacement such as nuclear, hydro, or gas. The key is that capacity is replaced and not accumulated. Replacement is orderly and well sequenced such that reliability is in place before the original generator exits. Temporary duplication will be necessary until full replacement is operational, unlike a duplication path where supplementary infrastructure comes into the system permanently, with the original firming never fully replaced.

Even under a substitution pathway, the addition of renewables requires investment in transmission and grid stabilisation, but these costs are bounded by bringing firm capacity into the system. Whereas under duplication, over-building is usually required to fill the firming void such that costs can be limitless. Substitution replaces capacity, while duplication accumulates it.

The path Australia is on is not an explicit choice. While pursuing a renewables-only agenda with backup and storage, we also seek to shut down coal as soon as possible, exclude nuclear energy, and constrain domestic gas supply. Such barriers make duplication unavoidable.

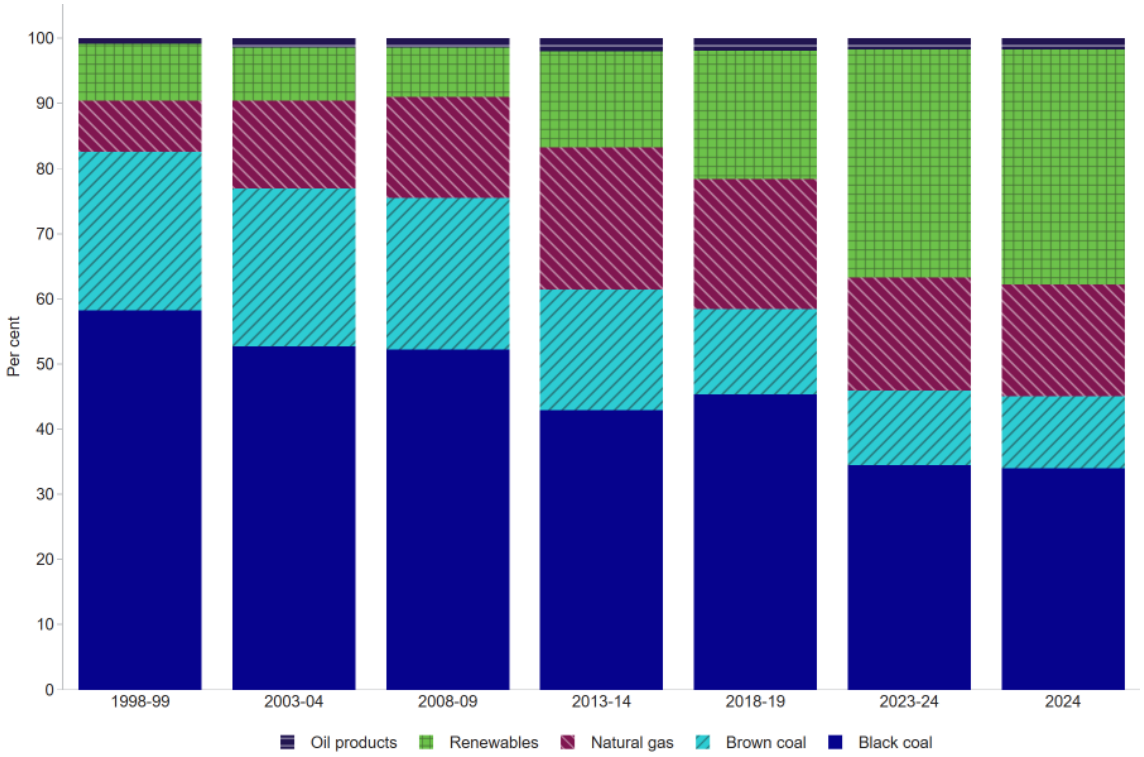
Coal is exiting primarily because it is targeted politically and ideologically. It is also ageing and virtually uninvestable under current frameworks and policies. Shutting down plants early scraps productive capital that is largely depreciated, to be replaced with new capital that must earn a full rate of return and still requires backup and firming. Meanwhile, coal-fired power is efficient and reliable, with low marginal operating costs.

Excluding nuclear energy from the mix matters significantly because it substitutes coal directly. It is 'firm', meaning it is guaranteed to be available to the grid 24/7, and it has a high-capacity factor of up around 90% (ratio of actual energy output to maximum potential output). It would greatly reduce system duplication. Australia's objection to nuclear removes a long-term substitution option and effectively locks in long-term system layering.

Finally, gas could be the saviour. It is able to be built quickly (comparatively), is highly scalable (can be expanded with less constraints), can complement renewables effectively by being able to be ramped up or down rapidly, and would lower capital duplication. But restricting it domestically means we end up exporting gas cheaply and importing it expensively, which raises costs and electricity prices. And that's very unproductive.

These barriers explain why duplication is not shrinking in Australia, but instead, is becoming permanent. It is a system laden with defensive investment to underpin weather-dependent energy, instead of productive investment that lowers the cost of delivering firm energy.

Figure 1: Australian electricity generation fuel mix



Source: Department of Climate Change, Energy, the Environment and Water (DCCEEW) (2025) Australian Energy Statistics, Table O

In the end, consumers buy firm, reliable, deliverable electricity, not generated electricity. They pay for the system that makes that energy useable. While renewable energy generation may be cheap, total system costs keep prices elevated. Which is why the "renewables are cheap" mantra is misleading.

If structural inflation is to be avoided in Australia, energy policy must target productivity and not just emissions reduction. Success should not be measured in terms of emissions reduced or megawatts installed. Rather, the focus should be on reliability per unit of capital, cost per unit of energy, and energy efficiency, because these are the measures that will define productivity, and ultimately inflation.

[1] In a previous article, I referred to 'energy addition' as new capacity required to meet higher energy demand, such as that arising from AI data centres, electrification, and population growth. Not to be confused with 'energy duplication', which as described here refers to the extra system layers required to maintain reliability as intermittent energy sources replace firm supply. The two go hand in hand in meeting energy demand, but where 'addition' is about the quantity of energy, 'duplication' is about the quality and reliability of energy.

[2] Stabilising the grid is a layer that is often overlooked. Our electricity system is an alternating current (AC) network operating at 50 Hz, historically stabilised naturally by coal, gas, and hydro generators. That inherent system stability is progressively lost with an increasing share of renewables generation, requiring conversion and synchronisation, which adds complexity and cost to the system.

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

A 2026 rotation story: Europe's undervalued small caps

Francisco de Juan

After a prolonged cycle of US outperformance, 2026 marks a pivotal rebalancing. Europe is entering a 'Goldilocks' scenario of cooling inflation and lower rates, turbocharged by accelerating fiscal stimulus. Yet, equity valuations have not fully priced in this recovery. This lag is most acute looking across different market capitalisation ranges, offering investors an attractive entry point before capital rotates out of crowded large caps and into high-quality, underappreciated small caps.

Our 2026 base case is one of gradual stabilisation, underpinned by sustained disinflation and a more predictable policy backdrop. In parallel, lower interest rates, easing inflation, and elevated fiscal stimulus across many European countries should support a gradual improvement in activity. A firmer geopolitical environment would add a further tailwind, helping restore confidence and improve business visibility after the exceptional trade volatility in 2025 delaying investments.

Against this gradually more supportive macro backdrop, capital flows have begun to show early signs of rotation into Europe after an extended period of subdued allocations. Even so, European small caps still trade below long-run valuation norms at around 14x forward price to earnings (P/E) ratio versus above 15x historically. The relative case is also attractive: small caps sit at roughly a 5% discount to large caps, compared with a historical premium of 10%+. Overall, small caps have lagged large caps and remain in 'catch-up' mode, which can be advantageous as the cycle progresses, given historical outperformance after periods of crisis.

This implies the risk-reward in European small caps is asymmetric. Valuations continue to price a cautious scenario, while a further easing in macro stress – consistent with historical patterns –typically supports small cap outperformance. Fundamentally, lower interest rates and cooling inflation tend to benefit small caps disproportionately given their greater sensitivity to monetary conditions, while Europe's accelerating fiscal impulse is providing incremental tailwinds. Further, though capital flows into Europe are starting to improve, allocations tend to re-enter large caps first before cascading into small caps as risk appetite broadens.

A mixed picture across regions

That said, the picture for small caps is mixed across regions. Southern Europe, led by Spain and Italy, stand out given that small cap indices there have delivered 30%+ gains in 2025, outperforming other European regions. Both markets have seen a modest re-rating, underpinned by a stronger energy backdrop, supportive macroeconomic environments and the recovery of service-focused sectors.

Meanwhile, Nordic markets are trading in line with historical levels supported by a structurally higher mix of high-quality companies and smoother macro normalisation.

On the other hand, this has coincided with a period of relative stagnation in Northern Europe's more industrial, cyclically exposed markets – also grappling with a more complex geopolitical backdrop. Valuations are particularly depressed in the UK, where persistent capital outflows have pressured valuation levels. In France, protracted political volatility has pushed risk premia higher, while in DACH (Germany, Austria, Switzerland), complex energy supply bottlenecks and export headwinds have weighed on stock valuations.

Defence boost

European defence companies have been a key beneficiary of greater defence spending in Europe. The ongoing ramp-up in NATO spending has been a powerful driver of defence equities. Newly announced multi-year budget frameworks represent a material upgrade versus prior baselines and provide enhanced demand for defence companies through to 2030, with additional support thereafter from replenishment cycles and sustainment spending.

Over the past two decades, NATO defence spending outside the US averaged around 2% of GDP, but current European proposals point to a material step change, moving towards roughly 3.5% in core defence spending. This would imply an approximate 60% real-terms increase for around half of NATO allies (vs their average annual spending over the past 20 years), equivalent to more than US$270 billion of incremental annual outlays.

In parallel, the EU's ReArm Europe plan signals more than €800 billion of defence-related capacity and procurement support, underscoring defence as a renewed budget priority amid a structurally less stable security environment following the war in Ukraine and heightened uncertainty over US foreign policy. Markets have repriced accordingly, with valuations in the European defence basket rising from a historical average of roughly 15x P/E to currently 28-30x on an average 12-month forward basis.

The strongest re-rating has accrued to businesses most directly exposed to near-term battlefield demand, including ammunition, missiles, armoured vehicles, and unmanned systems companies where orders have surged. However, the scale of planned spend should increasingly cascade through the supply chain as inventories are rebuilt and production capacity is expanded, widening the opportunity set beyond prime contractors.

We also see attractive, idiosyncratic potential in areas such as personal protective equipment, as land forces remain central to deterrence and several countries reassess military headcount after decades of decline, including active debate in Germany around measures that could extend to a form of conscription.

Looking ahead by region, a more stable post-pandemic equilibrium is emerging, with fiscal policy and capital investment becoming the main sources of regional divergence. Europe remains heterogeneous with southern European economies outperforming, while Germany is mobilising its balance sheet to offset energy constraints and China-related pressures, and France is facing tighter fiscal constraints and huge levels of government debt.

Across sectors, tariff-exposed industries such as autos, consumer goods and electronic hardware softened in Europe. By contrast, AI-driven technology has continued to outperform, while strategic

sectors enjoyed exemptions and policy support, notably semiconductors, defence and commercial aviation. After several subdued years, Europe reactivated fiscal policy, led by Germany's €1 trillion stimulus and increased joint funding tied to boost defence efforts in Ukraine's war against Russia.

Favourable support from monetary policy

Monetary conditions have also turned more supportive in Europe and the US for economic growth, with the US Federal Reserve cutting interest rates and the European Central Bank aligning policy as inflation reached its 2% target.

In terms of currencies, a scenario of gradual US dollar depreciation should be broadly manageable for European equities. While a modestly stronger Euro can be a headwind for the most export-heavy companies through transaction effects and some competitive pressure, it also helps contain imported inflation and can support easier European financial conditions over time.

This is a dynamic that can be particularly helpful for small caps with more interest-rate sensitive capital structures. In this context, European small cap exposure would benefit from a selective, concentrated approach focused on either global leaders with local footprints and strong pricing power, thereby limiting foreign exchange pressures to translation impacts rather than impeding competitiveness, or domestically oriented local champions with limited US dollar exposure.

Taken together, easing monetary pressure and a renewed fiscal impulse improve the odds of a broader European equity market reignition in 2026. The main swing factors remain familiar but concrete: energy-price volatility, renewed US-EU trade friction, or a bout of bond-market stress if fiscal plans are tested. Even so, with small caps still below long-run valuation ranges and selective sectors benefiting from policy support, we see scope for a more diversified European rally as earnings breadth improves.

Francisco de Juan is a Managing Partner and CIO of the EQMC Fund at Alantra EQMC Asset Management, a fund manager partner of GSFM, a Firstlinks sponsor. The information included in this article is provided for informational purposes only.

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What we do when things go up (a lot)

Joe Wiggins

There have been some quite significant moves in asset prices in recent times. The dramatic increase in the price of gold over the past year has probably not escaped your attention, but it is not the rise in the yellow metal that is most interesting to me, rather the behavioural implications. How does extreme positive performance from any asset class or fund make us think and act, and why?

The behavioural drivers

Availability: The availability heuristic exerts a huge influence. This is the mental shortcut where we judge something not based on the weight of evidence, but by how prominent and frequent it is. When an asset class keeps hitting new highs, we conflate the volume of 'evidence' with its strength. There

might be lots of articles, but if they are all saying the same thing, they are far from independent reasons for us to believe the performance will continue. In these situations, availability also leads us to understate risks – because we are not seeing the downside risks, we are likely to severely neglect them.

***Stories**:* Humans understand the world through stories, and when an asset class is on an unprecedented run of good performance, plenty of stories will be told. We will treat these stories not just as explanations as to why something has occurred, but as a prediction of its persistence. We are inherently uncomfortable with things happening without a clear explanation, so to escape this dissonance we look for convincing explanations so that the world makes sense.

Extrapolation: The combination of high-profile performance and persuasive stories inevitably leads to extrapolation – the trenchant belief that what has been happening will persist into the future. The stronger and more sustained the high returns of an asset class, the more we struggle to see anything to stop it.

Fear of Missing Out: We are relative creatures. Our feelings about most things are framed by how it compares to something else (often other people). Two things happen in this regard when an asset is producing strong, high-profile performance. Those of us that don't have exposure to the asset class will envy those that do, and those of us that do will wish they held more.

Feedback loops

This combination of behavioural factors creates powerful self-reinforcing feedback loops that can serve to further boost an asset's performance. It works something like this:

Stage One: High returns from an asset class receive significant attention.
Stage Two: Stories are formed to explain the performance; these stories are prominent and convincing because performance is strong.
Stage Three: The combination of high returns and compelling justifications increases the belief that the trends will persist.
Stage Four: More investors are drawn into the asset class.
Stage Five: Returns are boosted by increasing investor appetite.

And so it goes on, until it doesn't.

These feedback loops are driven by changes in investor behaviour and sentiment, and impact all asset classes over the short-run. For assets that generate cash flows, over time the phenomenon will be outweighed by the gravitational pull of valuations and fundamentals (at some point someone might say "maybe 100x earnings is a little too rich"). This doesn't occur for '[belief assets]' that are not tethered to fundamentals (such as gold or crypto), which makes the range of potential outcomes incredibly wide.

Thresholds

Another fascinating aspect of what happens when the price of an asset rises substantially is at what point do different types of investors become involved (and when might they withdraw). This is clearly a complex topic, but the best model probably comes from Sociology and the work of Mark Granovetter. He explored the subject of crowd psychology and, in particular, how people in a group will have different thresholds for engaging in [collective action].

For example, in a group of protestors, there might be some individuals who have an incredibly low threshold for engaging in disorder, whereas others have an incredibly high threshold. Those in the latter group won't start throwing bricks until almost everybody else has. Granovetter's argument is that the composition of a group and how behaviour cascades through it will be critical to how it acts.

In a financial market context, we have a huge group of potential investors all with different thresholds for participating in the ascent of an asset class. Day traders, momentum traders, macro hedge funds, all the way to long-term valuation-driven investors. The first group have a very low threshold for engagement, whereas the latter group might only invest when the pressure not to becomes too great (perhaps their job depends on it). The longer strong performance persists, the greater the chance that those high-threshold investors get drawn in.

This threshold model also matters for the reversal of extremely strong performance trends – the key question becoming the reverse: what is the threshold for investors to exit an asset class if returns start to deteriorate? This is what is typically meant when people talk of the dangers of speculative or 'tourist' money. Money with a low threshold for exit can create sharp and severe downside risks.

Although the overarching behavioural patterns of investors are similar, their motivations and strategies will be different, and that matters.

Extremely positive performance from an asset class can be caused by and encourage extreme behaviour. The more prominent the unusually high returns are, the more important it is to reflect on what might be driving our own decision making.

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

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