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Editorial

When the Catholic church put a candidate up for sainthood the promoter of the faith was employed as a cannon lawyer to argue against the candidate. The post became known as the devil's advocate and by taking a skeptical view he acted as a counterpoint to God's advocate who made the case for canonization.

Today I will be playing the role of devil's advocate. The Firstlinks' community has largely taken a negative view on the budget proposals released last week. I share many of these concerns. But here are two things I think are positive in the budget.

Negative gearing

When I first moved to Australia 11 years ago I struggled to understand the purpose of negative gearing. I still can't figure it out.

Nobody has been able to explain how negative gearing currently helps anyone other than the person getting the negative gearing. It may once have encouraged investment in residential housing but the need for encouragement are long in the past.

Given the grandfathering of properties that are currently negatively geared – which I think is a good idea – it may take some time to return some sanity to the housing market. But the benefits shouldn't be discounted.

I don't think it is beneficial for the country to have so much wealth locked up in unproductive residential housing. I also think that many people who are reaching for homes may be wealthy on paper but can't enjoy that wealth because of mortgage obligations.

This isn't a magic bullet that is going to fix housing affordability. Ultimately it is a supply and demand issue and not enough housing is being built for a variety of reasons. I do think this is a step in the right direction.

NDIS reform

This week I attended a talk by Luci Ellis who is the head economist at Westpac. She made some great points about the significance of the NDIS reform proposals. As Luci pointed out execution is key but this is still a meaningful step in putting the country on better financial footing for the future. This shouldn't be ignored.

I've gone a bit budget heavy in this edition of Firstlinks. Noel Whittaker is not a fan. [You can read his opinion here](#). Matt Nolan from the e61 institute thinks the capital gains tax changes are sensible. [Read his thoughts here](#).

Rachael Rofe weighs in on the [impact of the budget on estate planning](#). Australia may not levy formal death duties, but a growing web of tax measures is quietly shaping what wealth is passed between generations. Tony Dillon [adds his two cents on the budget](#) with unappreciated implications of the government proposals.

I would also encourage everyone to read my colleague Sim's article on the budget. A lot of people my age are telling young people what they should or shouldn't want. [It is great to hear someone's thoughts from Gen Z](#). I've also written an article about [steps investors should consider in response to the budget](#).

Mark LaMonica

Also in this week's edition...

Michael Collins [argues the Iran war carries the hallmarks of a historic policy misstep](#). From oil shocks to fractured alliances, the war could tip an already fragile global economy into crisis.

Copper has had a rough few weeks. David Tuckwell [says investors shouldn't ignore the potential for future price increases as supply increasingly falls behind demand](#).

Larry Swedroe looks at [some unappreciated reasons why shares fall](#).

This week's white paper is [Yarra's analysis](#) of the 2026-27 budget and it's likely impacts.

Curated by Mark LaMonica and Leisa Bell

Back to the future - Why indexing CGT is a good idea

Matt Nolan

Australia's capital gains tax has been in the economic and political spotlight for much of the year, with a number of substantial proposals put forward for reform. Ironically, it turns out that the simplest and fairest path forward is the one where we wind the clock back to pre-1999 and directly remove inflationary gains through indexation.

The main proposals to reform the tax treatment of capital gains include a [reduction in the discount](#), [taxing assets at different rates](#), and [removing the discount to replace it with cost-base indexation](#).

As previous [e61 research](#) argues, an indexation-based system would improve the current treatment of capital gains. By taking into account the unique circumstances of the investor, indexation is a fairer and less distortionary way of taxing capital gains.

This would be a significant reform, and even more so if it becomes the first step toward taxing capital income consistently with other income over time.

A coherent goal for an income tax is to tax increases in economic capacity – or real income – as a measure of someone’s ability to pay. Once this is recognised, the problem with the current capital gains system becomes clearer. **The existing CGT discount, and many of the reform options proposed, do not consistently tax real capital income. Indexation does.**

Consistency is not as simple as taxing every dollar received in the same way. The tax system recognises that income is the money that remains after subtracting the costs incurred to generate it. Businesses deduct operating costs. Individuals deduct work-related expenses. These adjustments are not concessions but are necessary to measure true income.

Inflation is a cost for holding savings. The capital gains discount recognises this and attempts to approximate this cost in a way that is simple to comply with and administer.

However, it just isn’t a good approximation. The correct discount depends on the rate of return on the asset – where assets with high rates of return are less exposed to inflation and require a lower discount.

As [recent e61 research has shown](#), there is a large spread in capital gains returns. For example, among housing investors between 2008 and 2025 those with low returns (the bottom quartile) made at least a 1.6% real loss while those with high returns (the top quartile) made over a 5% real gain. Such a spread implies individuals would need very different discounts to account for inflation costs, something that the current 50% discount and many of the proposed reform options fail to account for.

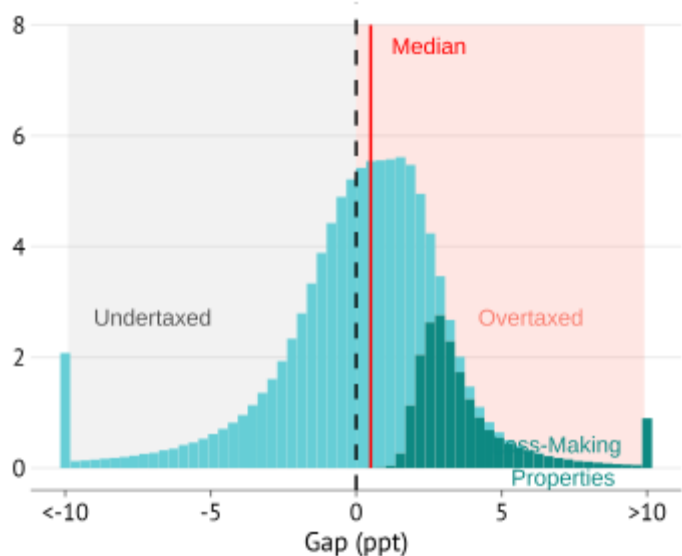
For this reason, **cost-base indexation** – increasing the cost base by a measure of inflation – would more accurately capture the real capital gain than a flat-rate discount. Such an approach allows for variation in inflation exposure across assets and holding periods – thereby ensuring that individuals are taxed on their full real capital gain, no more, no less.

How to tax capital income like wages

An equivalent way of understanding indexation is that it is an attempt to tax a form of capital

Distribution: Gap Between Taxable and Real Returns

Repeat Property Sales 2008-2025
Share of investments (%)



* Assuming losses are deductible
Sources: e61; Protrack

income like wages. As shown in our [e61 tax calculator release](#), indexation is necessary to ensure the real income from labour and capital are taxed the same way.

However, as our [Submission to the Senate Select Committee on the operation of the capital gains discount](#) highlighted – in the absence of inflation – there were two other reasons why the treatment of capital gains needs to be adjusted.

- **Ensuring symmetry:** if only real returns are taxed due to indexation, then only real financing costs should be deductible. The failure to do so encourages excessive borrowing as outlined in our [note on housing leverage](#).
- **Smoothing taxation over time:** capital gains are lumpy, which means that they end up taxed at higher rates than if they were smoothed over time. This either encourages strategic avoidance/timing or is simply inequitable. Allowing some form of income-averaging/accrual treatment would mitigate this.

The logic of inflation adjustment, symmetric treatment, and smoothing doesn't just apply to capital gains, it also applies to all types of capital income. When inflation erodes the real value of an asset, part of any nominal return simply compensates for that loss. Taxing this component is equivalent to taxing a cost. It results in an effective tax rate on real returns that can be far higher than intended, and in some cases can lead to positive tax liabilities even when real returns are negative.

If we genuinely want to tax wages and capital income consistently, we need to start by measuring both on a comparable basis. For wages, the tax base is already close to a real measure of income, as it reflects payments for current labour rather than the revaluation of past savings. For capital income, achieving the same requires explicitly adjusting for inflation.

An inflation, leverage and timing neutral system

These three principles are reflected in our [proposal for an ILT-neutral \(inflation, leverage and timing neutral\) system for taxing capital income, including capital gains](#). This proposal only taxes the real component of capital income, only allows real financing costs to be deducted, and smooths volatile sources of income for assessing tax liabilities.

There are also arguments for going further. A large literature highlights that the 'normal' rate of return to capital should not be taxed. When a saver chooses to invest rather than spend, they require a minimum 'normal' return simply to make that deferral in consumption worthwhile. Taxing this component is, in effect, a tax on the decision to save rather than any gain from it. Under this approach, only returns above this normal rate would be taxed.

This can be implemented through an allowance for a normal rate of return, applied uniformly across assets. Conceptually, this would simply extend the inflation adjustment: instead of excluding just inflation, the tax system would exclude both inflation and the risk-free real return, taxing only excess returns.

The key point is that reform of capital gains taxation is just a first step in a broader evaluation of the taxation of capital income. Once we recognise that the objective is to tax real income, it becomes clear that the broader system for taxing capital income requires a more coherent and consistent framework.

Recent engagement on tax policy – through the Senate inquiry, Allegra Spender’s tax white paper, and the McKinnon tax summit – reflects a growing community appetite for meaningful tax reform, and a willingness to move past the narrow winners-and-losers framing of past debates. A shift to indexation would meet part of that demand.

Governments are often critiqued for a lack of engagement on tax policy. However, this time has been different. Its willingness to listen and encourage public debate has led to a richer understanding and evaluation of capital gains taxation alternatives.

Greater engagement by the public, a government willing to hear varying positions, and a broader civil society willing to make good faith arguments about tax policy are all positive signs for future tax reform. In this context, any reform announced in the upcoming budget should be seen not as the end of the conversation, but as the start of a longer program of repair.

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Australia has no death duties. Technically.

Rachael Rofe

Australia has no death duties. We say this often, sometimes with pride, sometimes as a point of distinction from the United States or United Kingdom. But the Australian tax system has been doing some of the same work for years, just under different names and across different provisions. The 2026 federal budget proposed an additional layer.

None of these measures is a single tax levied at death. Each is defensible in isolation. Together, they reduce what passes between generations.

The original paper cut: death benefits tax

Most Australians assume superannuation passes to their family free of tax. To spouses and young children, it largely does. For anyone else, including adult children who are financially independent, it does not.

When a superannuation member dies and their benefit passes to an adult child who is not financially dependent on them, death benefit tax applies. The taxable component of the superannuation balance is taxed at 15% plus the Medicare levy, so up to 17% in total. It is not called a death duty, but in practical terms it can operate like one.

Life insurance held inside superannuation is caught by the same rules, with one important difference. Because premiums are paid from pre-tax contributions, the taxable component can be taxed at 30% plus the Medicare levy when paid to a non-dependant. A policy taken out to protect the family can become a significant taxable event when it pays out.

The tax is withheld before the benefit is paid. Most families never see it itemised. It simply reduces what arrives. Many discover it for the first time when they are administering an estate.

This has been the law for years. It is not a budget measure. It is simply the original paper cut.

Testamentary trusts

Responsible estate planning for families with assets of even modest substance will usually include a testamentary trust. The primary reason is asset protection. The second is income splitting.

A testamentary trust holds inherited assets in a structure that may protect them from family law claims, creditors, and the consequences of financial immaturity. An inheritance received personally is exposed. A beneficiary going through a relationship breakdown, running a business, or not yet ready to manage significant wealth is in a far better position if the inheritance sits in a trust than if it sits in their hands.

Rather than income generated from investing inherited assets being taxed at the beneficiary's marginal rate, a testamentary trust allows the trustee to distribute that income each year across a range of beneficiaries according to their circumstances. A family with a mix of high- and low-income earners can direct income to those on lower rates. This makes most sense where a beneficiary cannot generate their own income: a minor, a child still in education, a beneficiary with a disability or vulnerability. These are not contrived low-income recipients. They are the people a deceased parent would have been providing for anyway.

A testamentary trust also does something a family trust established during a person's lifetime cannot. Income distributed to a minor beneficiary from a testamentary trust is taxed at ordinary adult marginal rates, with around \$22,000 per child per year effectively available tax-free. The same distribution from a family trust attracts penalty tax rates of up to 47%.

The policy logic behind treating these two structures differently is sound. A trust created during a person's lifetime exists, in most cases, because of the tax advantage. If you are alive, you can assess your family's circumstances and provide for them directly. If you are dead, you cannot. You need a trustee to exercise that judgment in your place.

The discretion is not a tax play. It is a substitute for the judgment of a parent, grandparent, or spouse who is no longer alive.

That is why testamentary discretionary trusts have always been treated differently. The budget proposal does not draw that distinction. That is where the problem lies.

Who the 30% minimum actually affects

The measure is framed as targeting income splitting. In practice, it functions as a tax on low-income earners.

The beneficiaries adversely affected are not the wealthy. A beneficiary already on a marginal rate above 30% is largely unaffected. The change bites only where a beneficiary's tax rate is lower than 30%: a grandchild at university, a child who is not yet working, a beneficiary with a modest income, a spouse who works part-time. These are the people the current rules are designed to help. They are also the people the proposed rules will hurt most.

A high-income earner receiving a distribution from a testamentary trust pays more than 30% anyway. The minimum has no effect on them. The beneficiary who loses the most under this proposal is the one with the least income.

What we know and what we don't

There are carve-outs. Trusts already in existence where the will maker has died are expected to retain protected status under the current rules. The indications are that the existing concession for minor beneficiaries will not be preserved in full. The proposed exemption is expected to be limited to vulnerable minor beneficiaries. One might reasonably ask what a non-vulnerable minor looks like. Every child under eighteen is, by definition, a minor precisely because the law has determined they are not yet equipped to manage their own affairs. The ordinary minor beneficiary, a grandchild at university, a child who is not yet working, will be caught by the 30% minimum. The picture has changed considerably.

What we do know is that the changes are not yet law, the start date is 1 July 2028, and there is legislative distance still to travel. This is not the first time a measure of this kind has been proposed. A similar reform was announced under the Ralph Review around 20 years ago and was ultimately abandoned.

What is and is not caught

Not every trust structure is affected equally. A discretionary trust is one where the trustee decides each year who receives income and in what proportions. That flexibility is precisely what the 30% minimum targets.

The government has carved fixed trusts out of the proposed minimum. The implication is that a fixed trust offers a workable alternative. It does not.

A fixed entitlement is visible and quantifiable. In a family law dispute, a spouse's family lawyer can identify and pursue it. A creditor can reach it. The trustee cannot redirect income to wherever it is most needed in a given year, because the entitlements are predetermined.

A fixed trust asks you to predict, at the time you draft your will, what your beneficiaries will need and in what proportions. The discretion in a testamentary trust exists precisely because you cannot predict the future. A trustee can see what is in front of them. A fixed entitlement cannot. If a beneficiary develops a serious problem, with debt, with substances, with a relationship that is extracting money from them, a discretionary trustee can respond. They can hold back. They can redirect. They can protect the inheritance from the very circumstances the testator would have wanted to protect it from, had they known.

A fixed trust removes all of that. The entitlements pay out regardless. The flexibility that makes a testamentary trust worth having is precisely what a fixed structure removes. The government's carve-out is not a concession. It is an offer to trade the protections that matter most for a tax outcome that may be marginal.

So what should you do?

The proposed changes do not make testamentary trusts redundant. They make the tax analysis more complicated, and they reduce some of the benefit that has historically made these structures attractive. But they do not touch the reason most families use them.

An inheritance received personally is exposed. Exposed to a beneficiary's relationship breakdown, to their creditors, to the consequences of financial immaturity, to the complexity of what happens if they die before you do. A properly drafted testamentary trust addresses all of these things. It can protect an inheritance from a family law claim in a way a personally held asset cannot. It can hold assets out of reach of a creditor while the beneficiary is in a high-risk occupation or running a business. It can give a trustee the authority to manage an inheritance for a young beneficiary until they are genuinely ready, rather than placing a significant sum in the hands of an eighteen-year-old with no conditions attached. And if a child predeceases you, it can continue to provide for your grandchildren in a way a basic will cannot.

None of these protections depend on a tax concession. None of them change on 1 July 2028. They are the reason many families will establish testamentary trusts regardless of how the tax treatment evolves.

And those benefits do not flow to high income earners. They flow to beneficiaries on low incomes: the minor, the student, the vulnerable adult, the spouse who stepped back from work to raise a family. People the testator would have been supporting anyway. People who, without that support, may need to rely on the state instead.

That is precisely why the exemption for minor beneficiaries should apply to all minor beneficiaries, not only those who meet a vulnerability threshold. The beneficiaries caught by the proposed 30% minimum are not the high-income earners this measure is designed to target. They are the people on the lowest incomes. The case for a broader exemption is straightforward. The people who would benefit from it are the people this policy was never meant to hurt.

A testamentary trust that is not in your will cannot be established after you die. Include the option now and let your executor and beneficiaries assess the landscape at the time. The optionality is worth the investment.

Division 296

Division 296 imposes an additional 15% tax on superannuation earnings attributable to balances above \$3 million, with a further 10% applying above \$10 million.

Many people direct their superannuation to beneficiaries via a death benefit nomination. This means the superannuation passes directly to whoever is named in that nomination, outside the will and outside the estate entirely. The will deals with everything else. These two documents can point to different people. The superannuation goes to one set of beneficiaries. The estate goes to another.

Where Division 296 liabilities have accumulated during the member's lifetime, those liabilities can fall on the estate rather than on the superannuation. So the people who inherit the estate, and none of the super, can find themselves with a tax bill generated by a superannuation balance they never received. They are paying the price of someone else's inheritance.

This is not a theoretical risk. It is a function of how the law is currently drafted, and it catches families whose estate planning was done before Division 296 existed. If your superannuation nominations and your will have not been reviewed together, in light of this measure, they should be.

The CGT discount and what it means for your estate plan

From 1 July 2027, the 50% CGT discount that has been part of the Australian tax system since 1999 will be replaced by cost base indexation, with a 30% minimum tax on the net gain. This applies to individuals, trusts and partnerships. Gains accrued before 1 July 2027 retain the discount. Only gains arising after that date fall under the new regime.

This catches pre-CGT assets too. Families holding assets acquired before September 1985, some of which were never expected to attract CGT at all, need to factor this in.

The practical consequence is that some people may start selling now, while the 50% discount is still available. And that is where the estate planning risk enters.

The change in the CGT landscape may prompt some parents to bring forward inheritance. Selling an asset now, while the discount applies, and giving the proceeds to a child who needs help into the property market may be a perfectly sensible strategy. The child buys a home and starts accumulating wealth in it CGT-free. But if the will does not reflect that gift as an advance on that child's inheritance, the estate will be distributed as if it never happened.

A well-drafted will can include an equalisation provision that captures gifts made during your lifetime, and can be drafted to remain evergreen so it does not need updating every time you make one. Any change to your underlying asset base is a prompt to review your estate plan. Where that change involves gifts to children, equalisation is not optional.

What this means in practice

The pace of reform has accelerated. The non-dependant death benefits tax was the first paper cut. Division 296 is another. The proposed changes to testamentary trust distributions and the CGT discount are another still.

Waiting for certainty is not a strategy. The legislative detail will settle when it settles. In the meantime, superannuation nominations made before Division 296 existed may be pointing in the wrong direction. Gifts being made now to take advantage of the CGT discount may not be reflected in a will drafted years ago. A testamentary trust not included in your will today cannot be added after you die.

Each of these measures rewards those who act before the consequences arrive and catches those who wait. An estate plan reviewed now, with all of these moving parts on the table, is worth considerably more than one reviewed after the damage is done.

Taken together, these measures do the same work families associate with death duties: they reduce what passes between generations. They do it incrementally, through the tax system, in ways that are easy to miss until they are not. The time to have the conversation is now.

[Rachael Rofe](#) is an estate planning lawyer and philanthropic giving expert, and the founder of Rofe + Counsel. She helps families and their advisers structure wealth transfer across life, death and legacy.

The folly of the Iran war

Michael Collins

The March of Folly by Barbara Tuchman that was published in 1984 chronicled 30 centuries of governments taking actions against their self-interest, starting with how Trojan rulers dragged inside their walls an odd-looking wooden horse despite warnings of Greek tricks.

If the book was written today, it would surely include the decision by US President Donald Trump to attack Iran because he was warned Tehran would weaponise the Strait of Hormuz and retaliate against its neighbours. No matter. With Israel, Trump attacked. Adding to the economic damage is Trump blockading the Strait to open a waterway that was open before the war began.

Trump's problem is Tehran recognises the Strait is a ransom tool, by virtue that on any given day the waterway hosts 20% of the world's exports of oil and natural gas, plus fertilisers needed for farming, plastics for household use, helium and more to make microchips, bitumen for roads, and materials such as aluminium for cars and sulphur for copper production.

The interruption to the shipping of these essentials is the war's overarching assault on the world economy. The shortage-driven surge in the prices of these staples, which might only be starting, is boosting inflation – Australia's has already surged to 4.6% while it's reached 3.8% in the US – and interest rates, especially bond yields. Growth is threatened as people curb oil-driven consumption and struggle with higher rates. The combination warns of the re-emergence of the 1970s torment of stagflation, which is shorthand for high inflation during recessions.

A second harm from the war is damaged Gulf economies (including Iran's smashed one). Iranian attacks on energy assets and the region's hubs have jeopardised Gulf plans to create stable business, energy, cultural and tourist oases. Arab leaders are worried enough to have requested US emergency facilities (dollar swap lines) to protect against blocked energy exports and missing travellers.

The damage to the Arab world will limit the investment the West enjoys from Gulf sovereign wealth funds, which, holding about US\$6 trillion in assets, are among the world's biggest investors. Gulf authorities may even sell foreign assets, which could shake the West's asset markets.

A third blow is how the war batters developing countries. Poorer countries must pay more for oil and fertilisers. Those that can't face energy and food shortages, possibly famines. Their factories are short of inputs. Many countries are missing out on the estimated US\$100 billion their expatriates remit each year from the Gulf. They confront higher interest repayments on their foreign debt. The danger is US rates climb enough to trigger a debt crisis.

A fourth repercussion of the war is the crumbling of global alliances, which, even with free-loading allies, are a cost-effective way to pay for protection. Indebted governments everywhere are spending more on arms. That is straining budgets and boosting government bond yields possibly to the point of crisis.

A fifth blow is the war re-highlights the risk of relying on global supply chains. Governments will intensify efforts to 'reshore' or 'friendshore' the production of necessities. They might subsidise renewable energy to reduce Gulf oil dependence while doubling down on relying on non-Gulf fossil fuels. This focus on security will override efficiency.

A sixth hit from the war is the breakdown of the 'petrodollar accord' of 1974 that helped propel the US dollar to reserve status when Saudi Arabia agreed to price oil in greenbacks in return for Washington's protection.

China and India are paying for Gulf oil in yuan and ships have reportedly paid Iran in yuan and crypto to pass along its southern shore. This will speed the development of payments networks in euros and yuan that US foes are building to escape Washington's financial sanctions gifted by dominance of the US dollar system. Multiple payments systems are a costlier, murkier and riskier way to operate global finance.

The war's blows to the global economy are exacerbated by other Trump actions. One is the threat to the Federal Reserve's credibility with Kevin Warsh as Fed chair. How will Trump react if Warsh fails to cut rates even though inflation has been above the Fed's target of 2% for five years and is accelerating? How will investors react if Warsh cuts rates when inflation surges to double or even triple the Fed's target?

Another covers Trump's on-off tariffs that were imposed on nearly all US trading partners last year. Trump has lowered, postponed or made temporary these import charges due to lobbying, the granting of gifts and, above all, after adverse investor reaction. His tariffs imposed under the International Emergency Economic Powers Act of 1977 were ruled illegal by the Supreme Court, but Trump is seeking to reimpose these import taxes under other statutes. However done, tariffs boost costs thus inflation, upset business plans and create global political frictions.

The uncertainty surrounding US tariff policy feeds into the norm-breaking, policy shifts, treaty smashing and other uncertainties stemming from Trump's administration that deepen political polarisation, deter business investment and labour hiring and sap at consumer spending.

These threats have burst on an indebted world economy that has feeble defences against recessions. Governments are too indebted to offer much fiscal stimulus to support economies. Faster inflation rules out monetary stimulus by central banks, highlighting how stagflation snookers policymakers. Geopolitical cleavages work against international cooperation. Other risks include that hopes for artificial intelligence have driven stock-market valuations to record highs and troubles surfacing in US private credit.

Given all this, the damage from the Iran war could prove impossible to contain and morph into another global financial crisis. This may not be evident yet. But it will be soon.

Sure, stocks at record highs argue against doom. But note that bond investors, all professional unlike stock peers, are gloomy. The United Arab Emirates's exit from OPEC will boost oil flows. But only when the war is over. The US economy is spared the worst of the war's blows. But that might harden Trump's bargaining positioning and ultimately magnify the war's damage. Record-low US consumer confidence, rising petrol prices and accelerating inflation warn of some damage already too for the US. Advanced economies overall, with their rule of law that underpins Adam Smith's invisible hand and Joseph Schumpeter's creative destruction, can survive much.

But perhaps not what the folly of launching the Iran war has foreseeably unleashed.

Michael Collins is a freelance writer and editor, economist, and investment specialist. Republished with permission from the author's Substack newsletter [@denouementwatch](#).

Noel Whittaker's take on the budget

Noel Whittaker

On May 12, Treasurer Jim Chalmers handed down one of the most unpopular budgets in Australia's history. He claimed the Budget was about fixing intergenerational inequality and making housing more affordable for first-home buyers. Tell him he's dreaming.

For starters, the term "intergenerational inequality" is a social construct dreamed up by Labor to create a whole new class of victims they can encourage to vote for them. Yes, young people have challenges, as young people always have, but so do older Australians.

As for affordable housing, it's fast becoming a pipe dream. Even the Budget papers forecast housing prices will rise by 4% over the next year. A tax cut worth roughly \$50 a week for younger workers is hardly going to help much when mortgage repayments keep climbing as interest rates rise. There also seems to be an assumption that the best way to increase housing supply is to make investing in residential property by individuals as unattractive as possible. Clearly, they've never heard the adage: "Money flows to where it's treated best."

Talk to any builder, and they'll tell you they're overworked, prices are going sky-high, and they can't get staff. Furthermore, they're held down by a web of red tape and bureaucracy. Just this week, a builder told me he had a block of apartments all set to go, but couldn't get the plan registered until the Brisbane City Council lodged their landscaping certificate. Can you believe it took the Brisbane City Council 12 weeks to lodge a simple certificate? That was 12 weeks of wasted time, which he said cost him over \$200,000 in delayed settlements.

I can't see building prices dropping in this environment.

Capital gains tax

They claim the changes have been grandfathered, but in my view they are only partly grandfathered. Suppose you own a property now worth \$800,000 that you bought 10 years ago for \$400,000. You will get the 50% CGT discount if you sell the property by 30 June 2027. But if you sell after that date, two sets of rules will apply. A case study may make this clearer.

This example is from the Budget papers, but the numbers have been rounded to make it easier to understand. Jane buys a property on 1 July 2022 for \$800,000. She sells it on 1 July 2032 for \$1.6 million. Using what the department calls "ATO tools", she discovers the asset was worth \$1,131,400 on 30 June 2027, when the transition came into effect.

The difference between that value and her original cost price is \$331,400, which reduces to \$165,700 after applying the 50% discount. She then subtracts the 30 June 2027 value of \$1,131,400 from the selling price of \$1.6 million. This gives her a gain of \$468,600 from 1 July 2027 until the property was sold on 1 July 2032. After indexation from 1 July 2027 until the sale date, the adjusted gain would be \$320,000.

The total taxable gain is then the sum of \$165,700 and \$320,000, giving a taxable capital gain of \$485,700, which would be added to her taxable income in the year of sale. The tax payable would

depend on her other income, but if we keep it simple and apply the top marginal rate of 47%, the total CGT bill would be about \$228,279.

Under the old rules, her gain would have been \$800,000, which, after the 50% discount, would have reduced to \$400,000. Tax at 47% on that amount would have been \$188,000, which is about \$40,000 less than under the proposed new rules.

I appreciate this is complex, which is why it is so important to get expert advice if you are even thinking about selling a CGT asset. They're summarized in this table to help you understand how it works.

Jane's Investment Property

Detail	Amount
Purchase date	1 July 2022
Purchase price	\$800,000
Value at 30 June 2027 (transition date)	\$1,131,400
Sale date	1 July 2032
Sale price	\$1,600,000

Under The New Rules

PERIOD 1: Pre-transition (old 50% discount)	
Gain to 30 June 2027	\$331,400
After 50% discount	\$165,700
PERIOD 2: Post-transition (new indexation)	
Gain from 1 July 2027 to sale	\$468,600
After indexation	\$320,000
TOTAL TAXABLE GAIN	\$485,700
Tax at 47%	\$228,279

Under The Old Rules

Total gain	\$800,000
After 50% discount	\$400,000
Tax at 47%	\$188,000

Extra tax under new rules:	\$40,279
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Special treatment for pensioners: The \$1 pension loophole

The Budget exempts anyone receiving even one dollar of "income support" from the new CGT rules. That includes pensioner couples with \$1.054 million in assets who get a few dollars a fortnight in pension. They keep the full 50% CGT discount. No questions asked.

These same couples can earn \$90,000 a year from work without losing a cent of pension. A single renter with no assets is treated in the harshest way imaginable.

Meanwhile, meet Jenny. She's 67, rents for \$400 a week, and has no assets apart from a few dollars in the bank. She gets the full single age pension of \$30,654 plus rent assistance of \$5,616, giving her a total income of \$36,254 a year. She considers a job paying \$45,000. Sounds good, right?

Here's what actually happens. Once her income exceeds \$218 a fortnight, she loses 50 cents of pension for every extra dollar earned. The Work Bonus gives her some temporary relief in year one, but after that it's gone. Her \$45,000 salary costs her \$13,780 in lost pension. Add \$10,516 in tax, and the combined hit is \$24,296. She's working full-time for an extra \$20,704. That's an effective marginal tax rate of 54%. No-one else in Australia pays tax at that rate.

But a couple with over a million dollars in assets? They can earn \$90,000 with zero impact on their pension—and now they're protected from CGT changes too.

The system protects the wealthy and punishes the poor. This Budget just made it worse.

The Trust tax bombshell

From 1 July 2028, family trusts will be hit with a flat 30% tax rate. The impact is brutal.

Bob and Mary run a small business through their family trust. They net \$180,000 a year and distribute \$60,000 to each of them, plus another \$60,000 to their daughter Elizabeth. Tax on these distributions is about \$9,000 each – a total of \$27,000 a year.

Current Situation vs New Rules

Item	Current Rules	New Rules (from 1 July 2028)
Trust income	\$180,000	\$180,000
Distribution to Bob	\$60,000	\$60,000
Distribution to Mary	\$60,000	\$60,000
Distribution to Elizabeth	\$60,000	\$60,000
Tax per person (approx)	\$9,000	N/A
Total tax paid (current)	\$27,000	—
Tax paid by trust at 30%	—	\$54,000

Under the new rules: Tax doubles from \$27,000 to \$54,000

The way around this is to ensure the trust has no income itself, and the money is distributed to the beneficiaries in a different way.

The Workaround

Restructured Approach	
Bob's salary	\$60,000
Mary's salary	\$60,000
Elizabeth's wage (working in business)	\$10,000
Tax-deductible super contributions	\$50,000
Total	\$180,000
Trust income (taxed at 30%)	\$0

This is just one simple example, but it does show the importance of anyone with a family trust working closely with their accountant to optimize their taxation position before these changes take effect.

The death tax

There's been plenty of media speculation about a possible death tax. Much of it appears to relate to potential changes to testamentary trusts, but that remains a grey area and experts are still waiting for details. But there is already a form of death tax effectively locked in: Division 296, the proposed tax on super balances above \$3 million.

Take Jack and Jill. They each have \$2.5 million in super, so neither is affected because both are under the threshold. Then Jack dies and his super passes to Jill, pushing her balance to \$5 million and leaving her \$2 million above the threshold and potentially exposed to Division 296 tax.

A death tax by stealth.

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.

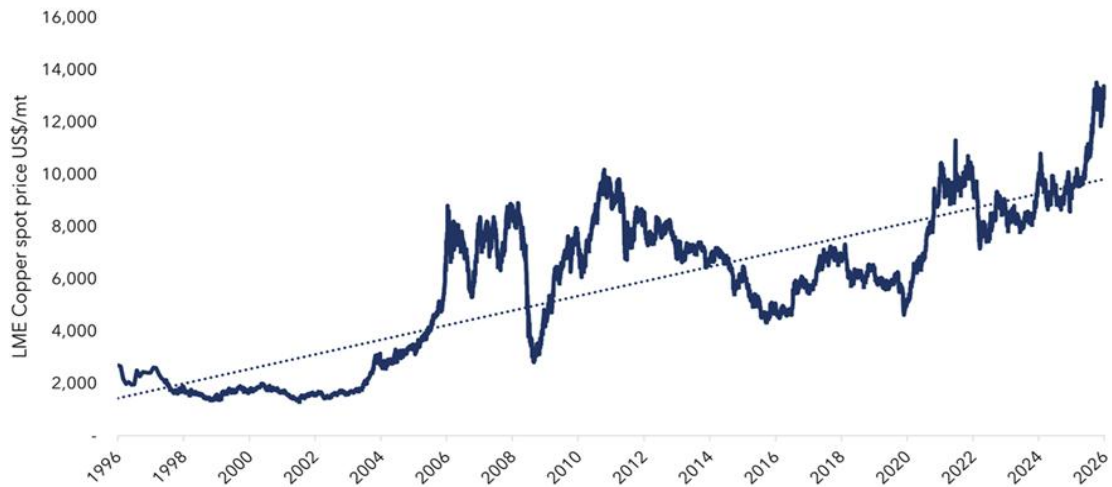
The red metal's long game

David Tuckwell

Copper has had a rough few weeks. The benchmark LME three-month price has slipped back below US\$12,000 per tonne, rattled by data out of China showing warehouse inventories remain stubbornly high. Sluggish demand, the bears say. Time to move on.

Don't.

Copper prices have been rising for decades



Source: Bloomberg. Data as at 30 April 2026.

Because if you zoom out even slightly, you realise that what's happening right now in copper warehouses is almost beside the point. Copper prices have been rising for decades, and the forces shaping copper's future operate on a timescale that makes quarterly inventory data look like noise. And those forces are, almost uniformly, pointing in one direction: up.

A metal at the centre of everything

Copper is, in a very real sense, the material substrate of modern civilisation. It's in everything around you: your phone or device, the lights in your building, the poles and wires outside.

Demand is booming as both rich and poor countries want it ever more. China and India desperately need it to industrialise. Meanwhile rich countries like Australia need it for the energy transition and for AI data centres.

The International Energy Agency projects copper demand growing from around 27 million tonnes today to 37 million tonnes by 2050: a roughly 37% increase that, compounded over decades, represents an enormous call on global supply.

The problem: global supply is struggling to answer.

The long depletion

The story of copper mining is in many respects the story of humanity itself.

For most of human history, copper was easy to find. The Bronze Age began because copper could be scooped from riverbeds and dug from shallow hillside pits and used to forge weapons. In 19th-century Michigan, prospectors stumbled upon boulders of near-pure copper – including the famous Ontonagon Boulder – that required almost no processing at all. This then helped pave the way for the electricity revolution in the US.



Source: [Wikipedia](#)

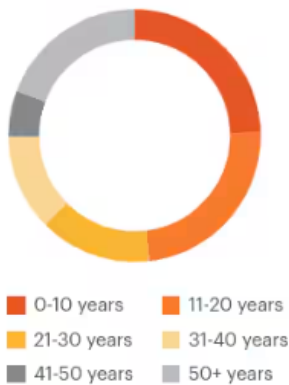
That era is finished.

Over the past 150 to 200 years, industrial mining has stripped away all the easy-to-reach copper. What remains is deeper underground, in harder rock, more remote, and more expensive to extract.

Today's major copper discoveries – to the extent there are any at all – tend to fall into one of two categories: very deep underground, like Resolution Copper in Arizona; or dense jungle and mountainous terrain, like Ivanhoe Mines' finds in Central Africa, the most significant new copper discoveries in two decades. Either way, the costs are higher and timelines longer.

Today's mines are getting older...

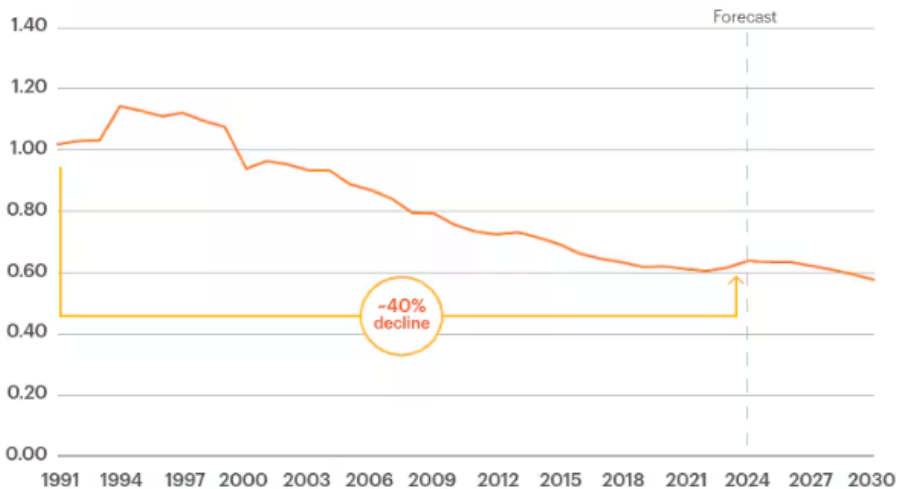
(Age of mines of operating in 2023, copper production)



Source: S&P Global Market Intelligence.
Note: Only includes mines >15 ktpa copper.

...and lower grade

(Mined head grade, % Copper)



Source: S&P Global Market Intelligence (1991-1999). Wood Mackenzie (2000-2030).

Existing mines are not helping.

Cost of producing copper, as measured by the producer price index



Source: US Bureau of Labor Statistics via FRED. Data as of December 2025.

Chile and Peru, which account for most global copper output, are home to ageing mines with declining head grades. BHP's Escondida – the world's largest copper mine – exemplifies this. As grades fall, miners

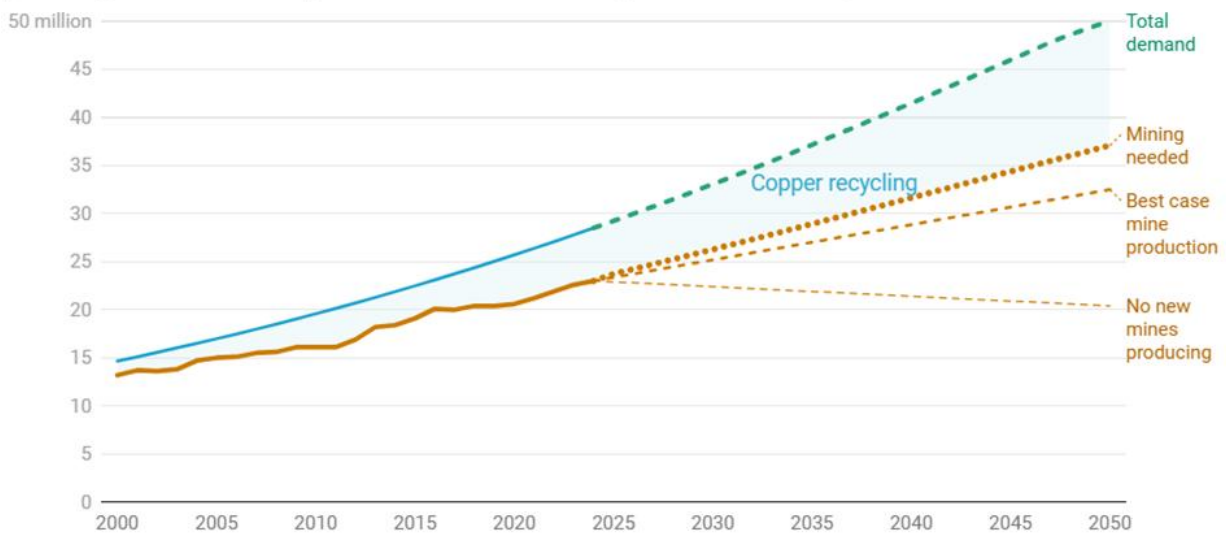
must move more rock, and grind it into finer powder, to extract the same amount of metal. This requires more energy, more water, more chemicals, more money, and creates more emissions. Average copper ore grades have fallen roughly 40% since 1991, according to industry data.

The numbers on the supply gap are stark. S&P Global’s most recent major study projects that, without significant new investment, global copper supply will fall 10 million metric tonnes short of demand by 2040: a deficit equivalent to 25% of projected demand at that point. BloombergNEF puts the shortfall even higher: potentially 19 million tonnes by 2050 if new mines and scrap recovery don’t scale fast enough.

To put those numbers in context: the world’s largest copper mine, Escondida, produces around 1.2 million tonnes a year. Closing a 10-million-tonne gap would require eight new Escondidas: projects that take an average of 17 years from discovery to first production.

Demand for copper is rising, but supply is falling behind

Even with improvements in copper recycling rates and technologies, the world’s mines aren’t on track to produce enough copper to meet global demand by 2050. Production from existing mines will fall over time, so if no new mines open, the shortfall will be as much as 17 million metric tons of copper each year. In the best-case scenario, all probable and possible global mines would open as well. That would make up some of the shortfall, but not all of it.



Numbers are in metric tons.

Chart: The Conversation, CC-BY-ND • Source: Morgan Bazilian, Adam Simon • [Get the data](#) • [Embed](#) • [Download image](#) • Created with [Datawrapper](#)

The prospect of tight copper supply has been discussed for over a decade. Yet investment in greenfield exploration has persistently lagged what is needed to meet demand growth. Even in countries like Australia that offer some of the most generous exploration tax incentives.

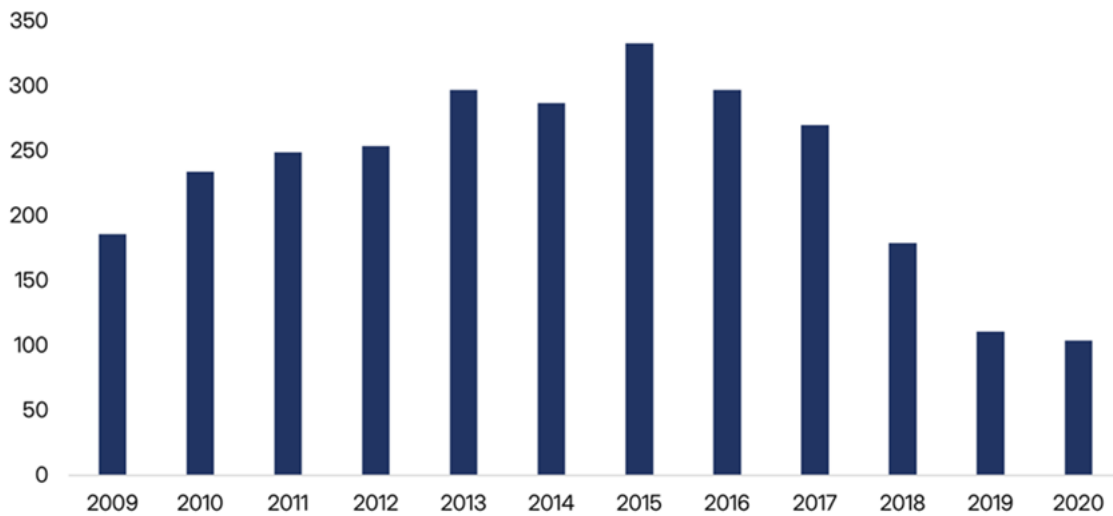
The talent problem nobody is talking about

The supply crunch has a human dimension that rarely makes headlines. Mining is struggling to attract the next generation of talent.

In Australia – one of the world’s great mining nations – mining engineering graduate numbers have fallen by 75% since 2015, according to data from the Australian Institute of Mining and Metallurgy and the Australian Geoscience Council. Some insiders blame the cyclical nature of commodity prices. But the deeper issue is cultural. For many young Australians, mining carries associations with coal, environmental destruction, and fly-in fly-out work in the desert. Meanwhile, engineering graduates are

increasingly drawn to software and computing careers that offer better pay, better hours, and – frankly – better optics.

Number of Graduates (Mining Engineering, Australia)



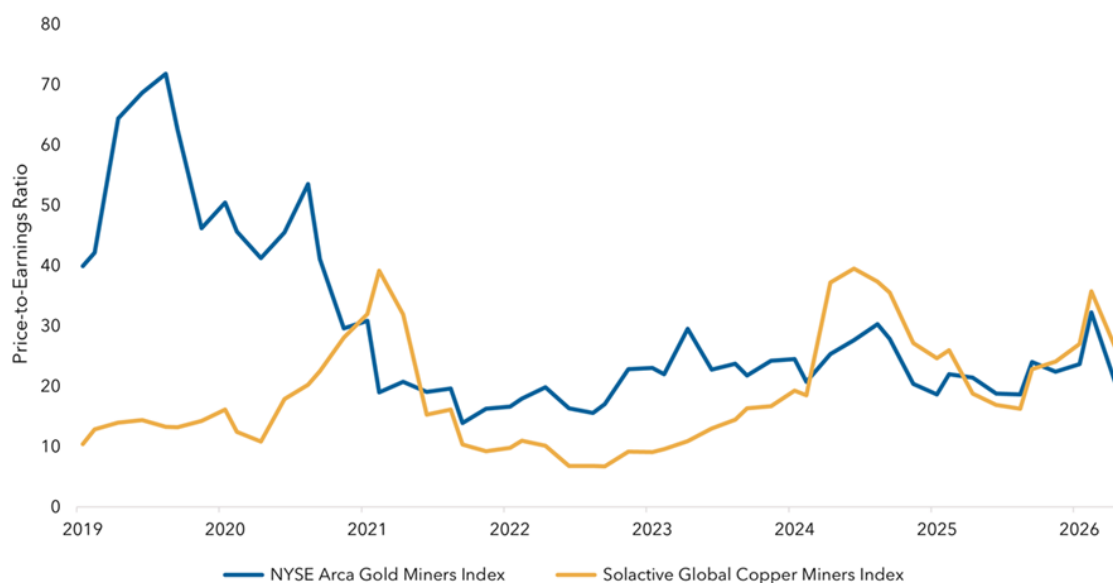
Source: Minerals Council of Australia

This is not a problem that resolves itself quickly. Training a mining engineer takes years. Building a pipeline of geologists, metallurgists, and project developers takes longer still. The talent shortage will act as a quiet but persistent drag on the industry's ability to respond to rising demand.

What this means for investors

The major brokers have not missed this story. UBS, JP Morgan, and Goldman Sachs are all forecasting higher copper prices through 2026 and 2027. Copper miners, once the ugly ducklings of the resources sector, have seen their valuations surge. Their price-to-earnings ratios have overtaken both gold miners and diversified majors, making them the envy of the industry. Junior explorers are seeing similar re-ratings.

The valuations of copper miners have now overtaken those of gold miners



The two majors, BHP and Rio Tinto, have both made conspicuous pivots toward copper as their legacy iron ore franchises mature. This is not a subtle signal.

For investors interested in local exposure, the ASX offers a range of options, from small explorers like Hot Chili, Cyprium, Sandstone, and Aeris through to the majors themselves.

But a word of caution is warranted. Punting on individual mining stocks is genuinely treacherous territory, and the history of mining investment is littered with cautionary tales. Individual mines flood, shafts collapse, costs overrun, and management teams make expensive mistakes. Projects that look great in an Excel spreadsheet or on a resource estimate can take decades to reach production. The potential rewards are high, but so is the variance.

The more measured approach, we believe, is diversification. By owning a broad basket of copper miners rather than betting on any single stock. You may be less likely to score a ten-bagger. You are also considerably less likely to lose everything.

Conclusion

Copper's short-term price weakness is real. So is China's inventory overhang. But what matters in investing is the long game.

The world needs more copper: there's no skirting this simple fact. And, if anything, the situation is getting worse.

The red metal's wobble is a distraction. And as Warren Buffett reminded us: "The stock market is a device for transferring money from the impatient to the patient."

ETF Shares provides the ETFS Global Pure Play Copper Miners ETF (ASX: CPPR) which began trading on the ASX in April 2026. For more information [click here](#).

David Tuckwell is the Chief Investment Officer at [ETF Shares](#), a sponsor of Firstlinks. He is also a journalist and researcher specialising in finance and international politics. The information provided in this article is general in nature. Before acting on any information in this article, you should consider the appropriateness of the of the information having regards to your objectives, financial situation or needs and consider seeking independent financial, legal, tax and other relevant advice. Past performance is no guarantee of future performance.

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The lesser-known effects of changed property taxes

Tony Dillon

Much has been written about the tax changes in last week’s budget. But there are some aspects of the property tax changes that have received little attention and are worth expanding on.

1. These reforms have fragmented the property market, essentially creating two tiers of residential property.

We will now have ‘full tax status’ tier 1 property, consisting of new builds purchased directly from developers, and grandfathered existing properties purchased prior to the budget changes. These tax-sheltered properties will see new stock sought after by investors, and a ‘lock-in effect’ on the existing stock as owners are less inclined to sell.

Then there will be ‘restricted tax status’ tier 2 property, consisting of established housing purchased after budget night, including new builds sold by the first owner. These properties should face a drop in investor demand and value in the secondary market.

Specifically, the tax restrictions on tier 2 properties are:

- the 50% capital gains tax discount is removed and replaced by indexation of the cost base for inflation, such that the real gain is taxed. A minimum 30% tax rate is applied to gains, effectively overriding the 0% and 16% tax scale rates.
- the amount by which expenses exceed rental income in a financial year is quarantined and cannot be used to offset wage income. It effectively sits in a ‘loss basket’ able to be possibly used against future property income or realised gains.

2. The minimum 30% tax rate on capital gains is punitive.

In effect, the 30% minimum CGT rate turbocharges bracket creep. Bypassing the two lower brackets (0% and 16%) causes an immediate spike in tax the moment an asset is sold, with the very first dollar of gains taxed at 30%.

For illustrative purposes, assume gains were the only income in a tax year. Tax payable on gains without and with the 30% tax rate minimum would be:

Gain	Tax payable (without 30% min)	Tax payable (with 30% min)	Uplift multiple
\$20,000	\$270	\$6,000	22.22
\$50,000	\$5,520	\$15,000	2.72
\$100,000	\$20,520	\$30,000	1.46
\$150,000	\$36,570	\$46,050	1.26
\$200,000	\$55,870	\$65,350	1.17

Note: table assumes 2026-27 tax rates and excludes the Medicare levy.

While investors would often have income from other sources, these numbers illustrate how a 30% minimum disproportionately affects low-income gains, weakening a progressive tax system. And making it more difficult to accumulate wealth prior to retirement.

The 30% minimum also amplifies the 'bunching effect' of the capital gain, an effect caused by gains accumulated over possibly many years being treated as a lump sum in the year of realisation. This potentially pushes investors into higher tax brackets than would otherwise be the case had the gains been smoothed over multiple years. The 30% floor then accelerates the push through the progressive tax schedule.

With the previous 50% discount acting to some extent as a shock absorber for the lumpiness of the gain, removing it *and* applying a 30% tax rate minimum is a double whammy on the taxation of gains.

3. The treatment of inflation is asymmetric.

Net rental losses are quarantined and frozen in nominal terms, such that the real value of future tax relief is steadily eroded by inflation over time. Meanwhile, the cost base of the asset is indexed for inflation.

The new rules are therefore asymmetrical in the sense that the government ignores inflation on what it is liable for. This creates a growing disadvantage with time for investors holding loss making properties.

A fairer way would be to capitalise the losses as they occur and index them in line with the asset's cost base.

The asymmetry may be intentional by design to discourage investors from holding negatively geared properties for long periods.

4. A less favourable capital gains tax regime is likely inflationary.

When the taxation of capital growth increases relative to income, then the flow of capital would be expected to shift more towards yield. Money moves out of high-growth property development, as well as venture capital, and startups into commercial and regional type property, and high-dividend yield stocks.

And when capital investment stalls, productivity growth slows which impacts the supply side of the economy. That is, the economy cannot respond as well when demand in the economy inevitably rises due to population growth, government deficits, and wages growth. And excess demand in the economy is inflationary.

This is possibly an unintended consequence of a deliberate policy aim to "rebalance a system which is more generous to assets than it is to labour", according to Jim Chalmers.

Of course, improving the taxation of income relative to assets, if that is the aim, could also be achieved by taxing income less while maintaining the status quo on the taxation of capital. And which should be a productivity enhancing approach.

Indeed this is an option that is being put forward by the Coalition, with Angus Taylor saying that he will take to the next election policies of repealing Labor's capital gains tax and negative gearing changes, while indexing income tax brackets to inflation to eliminate bracket creep.

Battle lines on major taxation policy have finally been drawn.

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

Why stocks sometimes fall for no obvious reason

Larry Swedroe

You've probably noticed it before: The stock market drops sharply, and the financial news scrambles to explain why. No major earnings misses. No economic disaster. No obvious catalyst. Yet, your portfolio is down significantly.

A February 2026 paper by Clemens Struck—[“Private Asset Distress and Public Market Volatility”](#)—offers a compelling explanation for exactly this kind of mystery. The short version: What happens in the vast, hidden world of private assets often shows up first and most painfully in your stock portfolio.

The private world overshadows the stock market

Most investors think of ‘the market’ as stocks and bonds. But publicly traded equities are a fairly small slice of total global wealth. Private assets—real estate, private equity, private businesses, farmland, infrastructure—are roughly 10 times larger than the entire public stock market (about \$67 trillion in value versus several hundred trillion dollars).

And here's the critical detail: Most of those private assets are heavily borrowed against. Private equity buyouts routinely carry debt loads of 4 to 6 times their annual earnings. Commercial real estate is typically financed at 60% to 75% loan/value. That leverage is mostly locked in—it can't be quickly adjusted when times get tough.

Says Struck, *“The combination of illiquidity and leverage means that the household's equity stake in privately held assets—the residual claim after debt service—is highly sensitive to fluctuations in privately held sector cash flows.”*

What happens when private assets get into trouble

When cash flows from private assets start falling—maybe because property values drop, or a leveraged buyout hits headwinds—the fixed debt payments don't fall with them. That gap between shrinking income and fixed obligations is where the pain gets amplified. A 1% drop in rental income, for example, can translate into a 3% or more drop in the actual cash available to equity holders, because the debt service must be paid first.

As the stress deepens, investors who need to sell private assets find there are very few willing buyers. Secondary markets for private equity stakes or real estate funds can be thin even in good times. Under pressure, sellers have to accept steep discounts—sometimes 20% to 50% below the fund's stated value, as was seen during the 2008 financial crisis.

How this spills into your stock portfolio

The private market losses don't stay contained. They ripple through the broader economy in two distinct ways.

First, when institutions take large losses on forced private asset sales, spending across the broader economy contracts. That shifts the rate investors use to value all future cash flows—including those from publicly traded companies that had nothing to do with the original problem. Stock prices are falling

not because those companies are worth less on their own merits, but because the economic backdrop has darkened.

Second, when the private sector contracts, workers and resources shift between sectors. That reallocation takes time and creates friction, changing productivity and, therefore, the value of public companies, even indirectly. As Struck put it, public equity markets absorb the shock, acting as the “release valve” for private sector stress—even when public companies are not the source of the problem.

Why downturns hit harder than upturns help

The paper also explains something most investors sense intuitively but rarely see explained clearly: Bad markets feel worse than good markets feel good.

That asymmetry isn’t just psychological—it’s mathematical. When private market conditions deteriorate, secondary market discounts escalate rapidly and nonlinearly. They don’t just grow; they can balloon. Consider a hypothetical: A fund trading at a 10% discount in mild stress might widen to a 40% discount under severe stress, while in good times, that same discount may compress from 10% to only 7%. The downside moves are bigger than the upside moves.

When conditions improve, those same discounts compress slowly and modestly. A negative shock in private markets hits public stocks much harder than an equally sized positive shock helps them. This is the mathematical engine behind the pattern statisticians call negative skewness in stock returns—the reason crashes tend to be sharper and faster than rallies. It’s not investor irrationality. It’s structural.

Sound familiar? The 2022 denominator effect

If you were paying attention to institutional investor news in 2022 and 2023, you saw this exact dynamic play out in real time.

Public stocks and bonds fell quickly. Private asset valuations, which are marked infrequently, stayed relatively higher. The result was that pension (or superannuation) funds and endowments found themselves technically ‘overweight’ private assets—not because privates had done well, but because public holdings had fallen faster.

To rebalance back to their targets, many institutions had to sell their liquid public holdings. That selling pressure hit markets that were already under stress, amplifying the downturn. The private market tail was wagging the public market dog.

His findings led Struck to conclude: *“Equity market volatility arises from the interaction of private market size, the leverage structure of private investment, and general equilibrium forces that link valuations across asset classes.”* He added: *“The privately held sector is the dark matter of asset pricing: invisible to standard equity-market analysis, yet gravitationally dominant.”*

Takeaways for investors

You don’t need to become an expert in private credit markets to take something useful away from this research. Three practical ideas worth considering:

- When stocks drop sharply with no clear public news, look to private markets. The cause may be private market stress that isn’t yet visible in headlines. This argues for restraint—resist reaching for a

narrative invented after the fact and think twice before making a large reactive move based on an explanation that doesn't quite fit.

- Think carefully about where your liquidity will come from in a stress scenario. If private markets seize up, capital calls can spike, and public stocks can fall simultaneously—which has happened before. What would you have to sell, and at what price? Running that scenario in advance is more useful than reacting in the moment.
- Be appropriately skeptical of smooth private market valuations. Quarterly marks in private markets, particularly private equity and real estate, that barely move don't mean the underlying risks have gone away. They often mean the pain hasn't been fully recognized yet—and that recognition, when it comes, can be sudden.

The bottom line

The stock market is the most visible part of the financial system, but it isn't always where financial stress originates. The vast, leveraged, opaque world of private assets is a powerful gravitational force—and when it gets into trouble, public equities are often the first place you feel it.

Understanding that connection won't prevent the next downturn. But it might help you make sense of it when it comes—and resist the kind of poorly timed reaction that turns a temporary decline into a permanent loss of capital.

[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.

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