Firstlinks
a Morningstar company

Edition 675, 14 August 2026

Contents

Editorial

I feel obliged to share a rather amusing discovery I recently made.

It was a picture of hedge fund legend Ray Dalio celebrating his 77th birthday in Ibiza, dancing until 4am in one of the island's many superclubs. Dalio later posted on X that he had "a blast", a level of enthusiasm usually absent from his discussions of debt cycles.

It is comforting to know that while I was debating whether 8pm was too late to begin a new TV series, Dalio was out there navigating smoke cannons, strobe lights and what one nightclub website describes as a 'psychedelic adventure of epic proportions'.

Besides the peculiar imagery this elicits, I must admit there is something faintly wonderful about all of this. Not because we should all aspire to spend our late seventies in a nightclub. Rather, the appeal lies in the complete indifference to the elaborate rules we've constructed around ageing.

Every generation inherits its own version of these rules. Teenagers are encouraged to chase novelty. Your 30s are for becoming a respectable member of society. And those beyond 60 are expected to develop an intimate knowledge of cruise ship itineraries and Bunnings' opening hours. I can personally attest to this as someone whose parents are currently plotting a transatlantic expedition aboard the Queen Mary.

Naturally these scripts vary across cultures, but the underlying assumption is that there is a *correct* way to occupy every stage of life. Lately, I've been thinking about these rules myself.

Unlike Dalio, I just returned from a holiday where I spent considerably more time appreciating the high-quality bedding than investigating the local nightlife. This would have horrified my younger self, but the prospect of 10 uninterrupted hours of sleep has recently earnt a new glamour.

To acknowledge the obvious, I am in no position to offer wisdom on growing old. I can, however, borrow liberally from those who are. Having spent several paragraphs questioning the wisdom of age-based rules, it may seem odd to arrive at a book titled *More Rules for Aging*. Author Roger Rosenblatt is also in on the joke. His latest work is a new iteration of his original 2001 bestseller and much less prescriptive than the title suggests.

Below are a few of my favourite 'rules'.

Look only at the rim

"When I was playing intramural basketball in college, I was 5-foot-11, a mite in the land of giants, and my all-around game was so-so at best. Yet most of the time I managed to score in the double digits by paying no attention to the defense. I simply pretended it wasn't there. I looked only at the rim of the basket. And sure enough, most of the time the defense didn't touch me.

Other games in life offer similar opportunities, at any age. Disregard the impediments to your well-being - a noisy neighbor, a treacherous colleague - and concentrate instead on where you are headed. You'll be pleasantly surprised how easily you get there. Nothing but net."

I am a proud member of the 'Morningstar Mambas'. This is a team in a loosely organised lunchtime basketball league, where corporate workers temporarily abandon their desks in favour of missed jump shots and minor injuries.

Rosenblatt's observation resonated strongly with me. Much of my time on the court is spent observing the opposition, usually identifying the player most likely to embarrass me and then adjusting my game plan accordingly. Unsurprisingly, this approach has delivered very few points and an excessive amount of sweat for a workday.

Most investing content concerns itself with obstacles. Inflation, tariff wars, recessions. Whilst these are important topics, investors often discover that the greatest impediment to reaching a goal is spending too much time staring at the defence.

Grab the chicken leg

"So there we were, in our 20s, Ginny and I and a bunch of friends, having a picnic by the Charles River in Cambridge, when I picked up a chicken leg with the intention of eating it and held it aloft. A little boy walked by and took it from my hand and kept walking. My friends and I laughed - the boy was so casual.

Ginny said, 'He must think that life is a chicken leg, waiting to be snatched.' In fact it is, even when you're no longer a spring chicken."

I think there is something distinctly American about Rosenblatt's optimism. The chicken leg exists to be taken. Somewhere between childhood and old age, many of us replace this instinct with hesitation. Of course, at times caution is appropriate, but we shouldn't consider it a proxy for wisdom.

Observe the moth

"In her essay 'The Death of the Moth,' Virginia Woolf notices a moth in its death throes, batting about a small windowpane. The author watches the animal's plight with pity and admiration - awe, really.

Its struggles are beautiful. She imagines the moth saying death was too strong, even for it.

Observe the moth in its monumental fight for life, and do likewise. We gain life's powers by knowing that eventually they will be taken away. There is beauty in this struggle. Murmurations of starlings occur only in the evening."

Woolf's essay feels strikingly at odds with modern conversations about maximising longevity. Admittedly, I occasionally fall victim to the odd 'anti-ageing' supplement from the chemist. Perhaps Woolf and Rosenblatt would argue that mortality is not life's great affliction, but one of the things that give it meaning.

Screw it up royally

"You've spent a long life telling yourself that mistakes are to be avoided, but that isn't necessarily so. Playing jazz piano, whenever you make a mistake, which is inevitable, you make another mistake deliberately to make something right out of something wrong. Then you do it again. Theoretically, you could play an entire tune of mistakes, and it would sound just fine.

You may think it would be better not to make the mistake in the first place. But a creative mistake may be truer to life, as you've no doubt discovered. You took a job you didn't want, soon to discover it's the ideal job for you. You were born to do that job. When you think of it, life is an assembly of creative mistakes."

I believe what Rosenblatt is really arguing against is the illusion of control. Investors understand this instinctively. Entire industries exist to predict the future, yet the greatest fortunes are often built on developments few saw coming. Life appears to operate on a similar principle.

Do not seek immortality

"It won't come to you anyway, certainly not through your works and achievements. But the good feeling you have for others, and they for you, that goes on forever. I'm fond of quoting the poet Philip Larkin: What will survive of us is love. That should do it."

It is a curious human instinct to seek some form of permanence from a fundamentally impermanent existence.

Modern culture is preoccupied with the idea of strong personal branding and leaving a legacy. But one can be both highly visible and quickly forgotten. Most people can recall a kindness received years ago, yet struggle to remember who won last year's industry awards.

Concluding thoughts

Many of Rosenblatt's 'rules' are less concerned with ageing than with liberation.

And perhaps the great irony is that ageing may be the only stage of life where we finally become free of the rules we've spent decades trying to follow.

Which brings me back to Dalio in Ibiza. Whether your version of freedom is dancing until 4am or going to bed before 9pm, the privilege of age may just be learning the difference between what you're supposed to enjoy and what you actually want to do.

Simonelle Mody

Also in this week's edition...

Harry Chemay walks through the all-too-familiar question plaguing many retirees - will you run out of money?

Tax rules have changed, but many investors are still using yesterday's strategies. **Noel Whittaker** discusses the investment that sidesteps the new tax traps.

Kera Van Valen from TD Epoch argues that reliable dividend payers have also historically delivered consistent returns and weathered challenging market conditions.

Dr Joanne Earl is back with her retirement insights - 5 months in.

How effective has the RBA been at maintaining their 2-3% inflation target? **Ashley Owen** runs the updated numbers.

AI may prove as transformative as the internet, but markets are behaving as if success is guaranteed. **Michael Turner** asks whether investors can ride the bubble without overpaying.

Are markets still expensive? **Amy Arnott** walks through the seven key indicators every investor needs to know.

Will you run out of money in retirement?

Harry Chemay

You know a financial issue has become mainstream when it develops its own acronym as a descriptor; as FORO, the fear of running out (of retirement savings), has in recent years.

It's not hard to see why. Australia's four-plus million current retirees didn't have the benefit of high rates of super guarantee (SG) over the entirety of their working lives. Many were already mid-career at the commencement of SG in mid-1992. Hence the concern surfaced in a 2019 National Seniors survey, that saw more than half of respondents answering 'frequently' or 'occasionally' to the question: *'Do you worry that you might outlive your savings and investments?'*

Longer life expectancies may also be adding to the FORO angst, with the current Australian Life Tables (2020-22) projecting the cohort life expectancy for a 65-year-old male to be 86.4 years and that of an equivalently aged female to be 89.1 years in 2026. As these are median estimates, half this cohort would be expected to survive beyond these ages.

Taken together, it is therefore unsurprising that FORO is a real, present and salient concern for many. So how worried should you be? Well, that depends.

On the one hand, Treasury's 2020 Retirement Income Review (RIR) cited studies which found that retirees were passing away with around 90% of the assessable assets they had at the point of retirement. On the other, a 2021 study by the Association of Superannuation Funds of Australia (ASFA) found that over 90% of those aged 80-plus had no super remaining in the four-year period before death.

Something doesn't add up. Or does it? Well, that depends.

Super as two sub-systems

The apparent contradiction resolves itself in two ways. First, RIR and ASFA are pointing to different outcomes; the former considers all assessable assets while the latter looks only at superannuation. And it is not uncommon for some amount withdrawn from super in pension phase to be recycled into other non-super savings.

The second is to recognise that superannuation isn't one homogenous system but two sub-systems instead: APRA-regulated funds and Self-Managed Superannuation Funds (SMSF).

The table below provides some key statistics for each.

	APRA-Regulated	Self-Managed Superannuation Funds
Number of Members	~16m (23m# active accounts)	~1.1 million#
Latest Sub-system Balance	$3.38 trillion^ (Mar 2026)	$1.06 trillion (Mar 2026)
Median Age	N/A	62.4*
Member Balance (60 – 64)	$236,126## (male median) $174,655## (female median)	$602,033* (median male/female)
Min Account-Based Pension (5%)	$20,539 (median couple combined)	$60,203 (median couple combined)
% in Partial or Full Pension Mode	<10%#	44.7%*

Source: # APRA (2023-24) ^ includes exempt public sector & life statutory office assets ## ATO (2023-24); * ATO Annual SMSF Overview (2023-24)

Australia's $4.44 trillion in superannuation was, at the end of March 2026, split essentially 76%-24% between APRA-regulated funds and SMSFs by balance, and 94%-6% by members. The median* SMSF near-retiree (60 to 64 years-old) has between 2.5 and 3.5 times the super balance of an equivalent APRA-regulated member.

That, as it turns out, matters a **lot** in answering the FORO question. To do so I'll focus just on superannuation wealth per ASFA, and not total household financial resources per RIR.

Here are the four factors which, in my opinion, have the strongest predictive power as to whether you will run out of super before you run out of life.

Factor 1: Super balance at retirement

It isn't controversial to suggest that the larger a super balance is at retirement, the longer (all else equal) it should last. ASFA concedes as much in its 2021 paper, noting that of those aged 80-plus with super remaining on death, the average balance was $375,096 (with the median at $117,000), thus *"reflecting the small number of retirees with high superannuation balances"*.

Evidence of this 'portfolio size effect' has been further strengthened by a recent paper^ from the Monash Centre for Financial Studies (MCFS), which modelled retirement portfolio depletion in account-based pensions over 10-year periods, with differing asset allocations from 100% bonds to 100% equities. Outcomes were benchmarked against the ASFA modest and comfortable retirement standards.

For a 'balanced' 60/40 portfolio, the probability of drawing the ASFA comfortable income and ending the first decade with more than 90% of the account balance eroded was 100% for a starting balance of $100,000, 38% for the median APRA-regulated female starting balance, less than 3% for the median male equivalent, and effectively zero for balances above $500,000.

The average remaining account balance for the 60/40 portfolio after a decade was $0 for a starting balance of $100,000, around $380,000 for a starting balance of $600,000 and some $680,000 for a starting balance of $1 million.

Factor 2: Housing situation and lump sum withdrawals

In an ideal world, you'd build your super over three-plus decades of contributions and earnings growth, then use the entire balance to support your lifestyle in retirement via one or more income stream products, living in the house you comfortably paid off before retirement.

That scenario is, unfortunately, applying to fewer Australians, due to increasing household debt levels, led by housing (mortgage) debt which has increased from around 30% of household disposable income in 1990 to sit around 135% by 2020, according to the RIR.

The effect of this debt expansion has seen the proportion of homeowners aged 65-plus with outstanding housing debt rise from around 7% in 1990 to nudge 14% in 2020.

That, in turn, is driving many near or recent retirees to make withdrawals from super to reduce or eliminate housing and other debt, as I have previously written about. HILDA data produced by The Melbourne Institute suggests that of males who retired between 2015 and 2019 and who withdrew some of their super, 43% ($108,428) of the average balance was withdrawn, while for females the figure was 47% ($78,092).

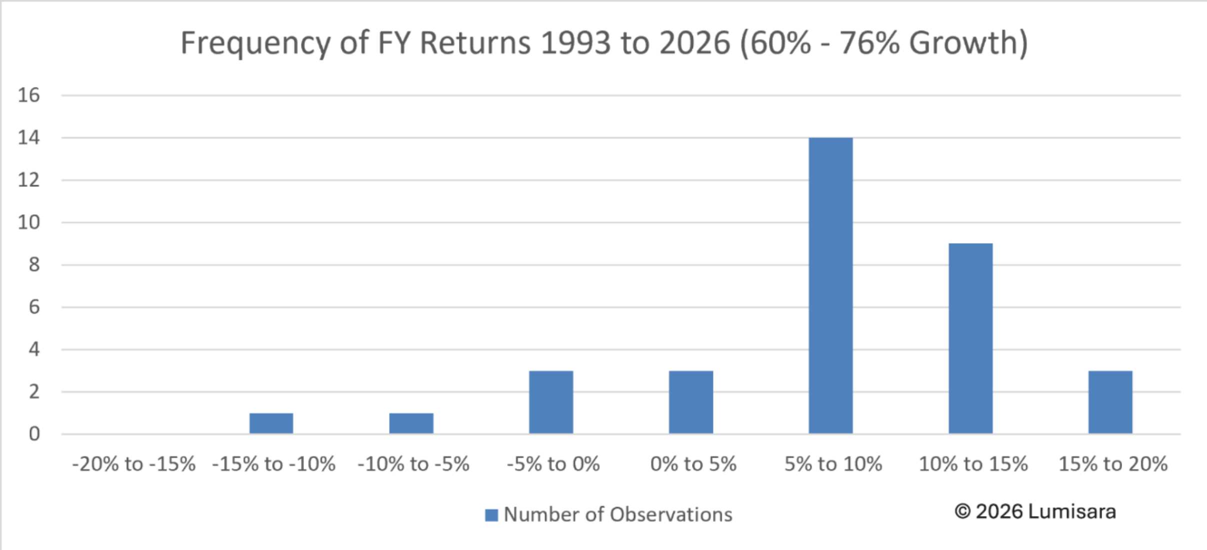
Any such reduction in super would amplify the portfolio size effect, especially for APRA-regulated super fund members with more modest balances.

Factor 3: Investment and sequencing risk

Assuming you've cleared your debts and now have what we at Lumisara term a *Net Pension-Generating Super* (NPGS) balance ready to start a pension, investment and sequencing risk enter the FORO fray.

These are two of several financial risks that retirees face, but they are not the same and can impact retirement portfolios in different ways.

Investment risk is illustrated via the chart below, which shows the frequency of financial year returns for the median 'growth' option APRA-regulated pension fund since the start of super guarantee.



While the 34-year return was a little over 7% p.a., the range of returns varied from a high of almost 18% in 2020-21 to a low of almost -13% in 2008-09. Sequencing risk, however, occurs when a series of poor or negative returns cluster together, as occurred between 2001 and 2003, and between mid-2007 and early 2009.

When those clusters interact with pension payments made from an account-based pension, it can accelerate the time to account depletion, as demonstrated here using the volatility earlier this year.

The MCFS paper likewise found sequencing risk has a pernicious effect on account-based pensions, with the modelling showing an early downturn could reduce ending balances by up to 25%, with the effect most severe for smaller starting balances.

Factor 4: Longevity hedging and luck of the retirement draw

We've thus far discussed FORO in the context of account-based pensions, by far the most popular retirement income stream choice amongst Australian retirees.

Retirees are, however, free to hedge their personal longevity risk via a product provider who will exchange the purchase price of a lifetime annuity for an income stream that will continue for as long as they do.

These products were in reasonable demand back in the mid-to-late 1990s when they were fully exempt from the age pension assets test *and* their rates nudged into the low-to-mid teens. But the stepped removal of the exemption by late 2007, together with falling long bond yields, saw demand shrink.

The recent reintroduction of a partial asset test exemption (for certain innovative lifetime products), together with a regulatory push for APRA-regulated funds to help members manage longevity risk, has seen a recent uptick in their use.

Which leads to the role of luck. Those who retired in the late 1990s and acquired lifetime annuities in part or full (thus hedging longevity risk at sharp rates while enjoying an age pension uplift) experienced, with the benefit of hindsight, an extremely fortuitous confluence of events. They may very well be Australia's luckiest retirees, devoid of FORO.

Those who retired just a few years later, in mid-2007, when lifetime annuities offered no yield or age pension advantage, were battered by the sequencing risk effect of the global financial crisis. Many had to return to the workforce to mitigate their FORO. Fortune was not on their side.

FORO is about risk management

It is perfectly rational to wonder if your super is going to last as long as you do. It's the reason the *'How much super is enough?'* question is one of the most asked. FORO causes a lot of angst, of that there is no doubt.

It's anxiety-provoking because the future is both unknown and unknowable. We just can't know how long we'll live, how our income needs might change during retirement, how future laws impacting our wealth and finances will evolve, and how our portfolios are going to perform from year-to-year and over the longer term. These are risks that every retiree faces.

What we can, however, get a sense of is the predictive factors that help superannuation balances go the distance. Those include one's net pension-generating super (NPGS) balance at the start of retirement, and thereafter the prudent management of investment and sequencing risk, or alternatively shifting some of that FORO risk to a lifetime income stream provider.

Harry Chemay is a co-founder of Lumisara, a consultancy that assists clients across wealth management, FinTech and the APRA-regulated superannuation sector, with a particular focus on the late accumulation to early decumulation phase of the retirement journey.

* The ATO annual SMSF data release provides average SMSF balances by age cohort and gender, but not median balances. For 2023-24, male 60–64-year-old SMSF members had an average balance of $1,049,826 while equivalent females had an average balance of $911,758.

^ Le, T and Ruthbah, U (2025), 'Comfort or Collapse: Why Balance Size and Design, Not Just Returns, Decide Retirement', *Monash Centre for Financial Studies*, October 2025

Disclaimer: *This article is for information purposes only and does not purport to be general or personal financial product advice. As such you should not rely on it in making financial decisions. Should you wish to have your personal financial needs and circumstances taken into account, you should consider engaging the services of a suitably qualified financial adviser.*

The investment that sidesteps the new tax traps

Noel Whittaker

The investment landscape changed dramatically on Budget night. The Government's objective was simple: to impose a minimum 30% tax rate on investment gains, regardless of a person's income. The result is the extraordinary situation where a self-funded retiree on a modest income who does not receive the Age Pension could pay a flat 30% tax on capital gains while losing the benefit of both the tax-free threshold and the 16% tax bracket that normally applies to taxable income between $18,201 and $45,000.

Furthermore, as far as listed shares are concerned, the CGT indexation provisions and the treatment of capital losses have created a minefield. Already, this is causing a swing away from direct share investment towards ETFs and managed funds. Fortunately, there is one investment that sidesteps many of these problems – **insurance bonds** (also referred to as investment bonds). They've been around for a long time but have become relatively unknown because many of today's young advisers have never heard of them, while many people who once knew them no longer understand how they work.

Why does this matter? Because for many investors the new rules mean tax efficiency has become more important than ever. Investment decisions can no longer be based solely on expected returns. The way those returns are taxed may now make the difference between a good investment and a great one, particularly for retirees and families planning across generations.

A good way to understand insurance bonds is to compare them with superannuation. In both cases, your money is invested in a range of assets that you choose, and the fund pays tax on your behalf. Consequently there is no need to include annual earnings in your tax return. Contributions to super can come from either pre-tax or after-tax dollars – contributions to insurance bonds can only come from after-tax dollars.

The key differences are that superannuation funds generally pay tax at 15%, while insurance bond funds pay 30%. Super contributions are limited and your money is generally locked away until you reach your preservation age, currently at least 60. The large super funds are also notorious for the time they can take to pay death benefits. In addition, there may be tax of up to 17% if the taxable component of your superannuation is left to a non-dependent child, and if your super balance exceeds $3 million you may also be subject to Division 296 tax.

Insurance bonds avoid these issues. There are no contribution limits, your money always remains accessible and can be withdrawn quickly, and there is no death tax payable.

This flexibility is a major attraction. If you hold the bond for 10 years it can be redeemed tax-free. However, you can withdraw all or part of your investment whenever you wish. If you cash it in before 10 years, the profits are taxed as normal income, but you receive a 30% tax rebate to recognise the tax already paid by the fund, making the investment highly tax-effective for many investors.

Suppose an investor earns $65,000 a year and cashes in a bond for $50,000 that originally cost $40,000. The tax on the $10,000 profit will be $3,250, but the rebate will be $3,000, leaving just $250 tax to pay. They also offer significant capital gains tax advantages.

Case study 1

Sarah is in her early 40s, is single and has a family trust set up with her as the sole beneficiary which she plans on using once she establishes a family. Sarah holds down a well-paid job and is currently on the highest marginal tax rate of 47% (including the Medicare levy). Sarah has accumulated in her family trust $100,000 of assets, currently held in a short-term deposit account earning an assumed return of 5% p.a. Sarah is looking to manage her trust's investments in a more tax-effective manner and has considered an insurance bond as an alternative. She has run the numbers to compare the after-tax outcome of her trust investing in cash directly, versus using an insurance bond that earns the same amount on a pre-tax basis. Based on the analysis, over a 10-year period, Sarah would be almost $25,000 better off on an after-tax basis.

Sarah is also quite keen on taking on more risk while still being highly tax-effective, so she looks at other investment classes and decides that she'd like to consider Generation Life's Tax Effective Australian Share Fund option to provide her that exposure. Her analysis shows that based on her $100,000 initial investment, if she'd invested in the Generation Life insurance bond earning an assumed 9% p.a. on a pre-tax basis, she would be almost $59,000 better off on an after-tax basis over a 10-year period, compared to investing directly in an equivalent index fund strategy.

In both cases, Sarah's after-tax returns would improve. In addition, because the earnings were held within the insurance bond structure, her personal assessable income would also reduce, meaning that her marginal tax rate would have fallen from the 47% to 39% (including Medicare levy).

Insurance bonds are also exceptionally effective estate-planning tools because they sit outside the will and generally bypass probate.

Case study 2

Rachel is 60 and wants to provide for her family. She has two children, Sam and Louise, who have one and three children respectively. To reflect the different family sizes, she wants Sam's family to receive $100,000 and Louise's $300,000. She invests $400,000 in an insurance bond, naming Sam to receive 25% of the proceeds and Louise 75%. Because the bond passes directly to the nominated beneficiaries, it bypasses her estate and probate.

If she later changes her mind, she can simply alter the nominations without rewriting her will. Even divorce or remarriage does not affect the nominations unless she chooses to make changes. If Rachel lives another 20 years, the $400,000 could easily grow to more than $1.3 million, helping her legacy keep pace with inflation. If the grandchildren need help with university fees or a house deposit before then, she can withdraw part or all of the investment.

Case study 3

Think about Harry, aged 80, remarried after a nasty divorce, who wants to leave bequests to children of both marriages. He knows there is acrimony within the family and wants to ensure his assets are distributed exactly as he intends, without costly legal disputes.

He invests $250,000 in each of five separate insurance bonds, naming a different child as the beneficiary of each. Because an insurance bond is a life policy, the proceeds are generally outside the estate and cannot normally be challenged, allowing Harry to distribute his wealth exactly as he intends.

Insurance bonds are also an excellent way for grandparents to help their grandchildren.

Most financial institutions will not accept investments in the name of a minor. If the money is held by a parent or grandparent as trustee, the income may be subject to children's penalty tax rates of up to 66%. Investing in a parent's name can reduce family tax benefits, push them into a higher tax bracket or affect eligibility for the superannuation co-contribution. Investing in a grandparent's name may also reduce their Age Pension as the investment grows.

Insurance bonds provide an elegant solution. After 10 years the proceeds can generally be withdrawn tax-free, but there is no obligation to do so. The investment can remain in the bond for as long as you wish. Nor are they just for wealthy investors. Most providers allow you to start with a modest investment and add to it over time.

Consider a simple example. Grandparents want to establish an investment for a grandchild with an initial contribution of $10,000. They hope to add more over time but don't want to commit themselves to doing so. Their adviser recommends an insurance bond owned by the mother, with the grandchild nominated as the future owner on a specified date.

When taking out this type of policy you can nominate a date at which the policy will automatically transfer to the child.

Now comes the best part. Until the policy is transferred to the child, the parent retains complete control over the investment, including the ability to change the date of transfer. There is also no capital gains tax on the transfer.

Can you think of a better intergenerational investment? The parent retains complete control, there is no annual personal taxable income and it’s invested tax effectively. The money is available whenever it is needed. The bonds tick every box. There is no death tax, no widow's tax, no lack of access, and they can sit outside of your estate providing certainty around asset distribution. One final advantage is that the proceeds from redeeming a bond are generally paid into your bank account within 10 working days.

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 role of shareholder yield in a portfolio

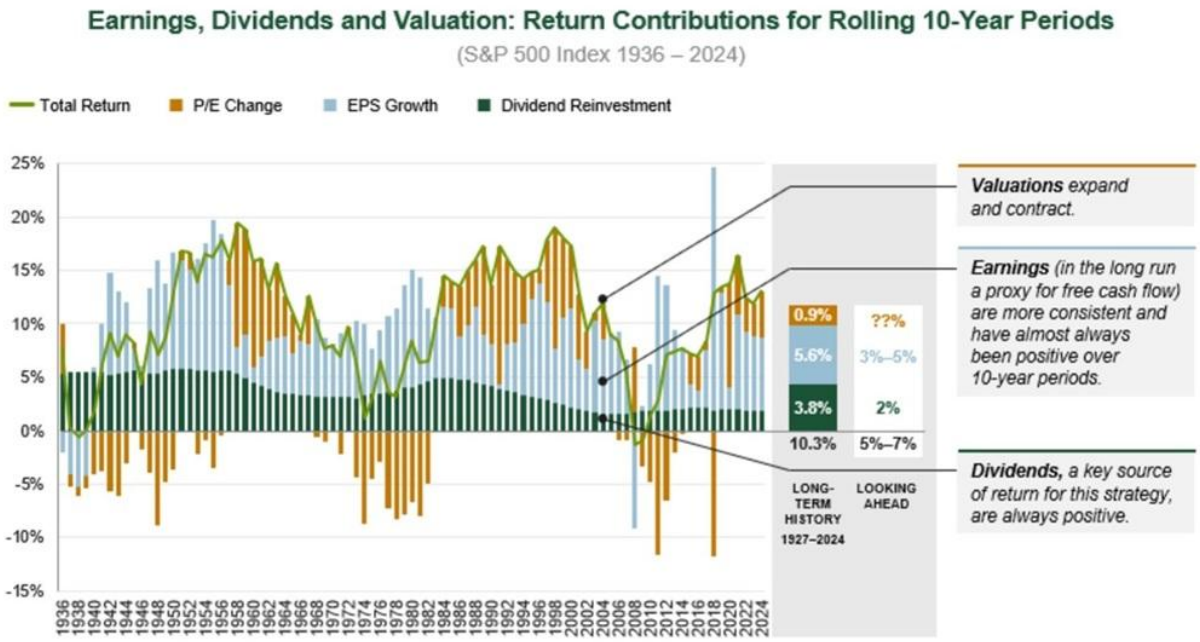
Kera Van Valen

Companies that are reliable dividend payers are not just good income providers for investors, they have historically been better at delivering consistent returns and weathering challenging and uncertain market conditions.

As such, a dividend-focused global investing strategy may help investors maintain equity exposure while also managing risk, something which is increasingly important in current market conditions given geopolitical uncertainty and growing concerns about an AI bubble.

The main drivers of equity market returns are dividends, earnings and price-to-earnings (PE) ratios. The below chart shows that PE ratios have historically expanded and contracted over periods of time and do not actually contribute much to total return. Instead, the bulk of returns come from earnings per share (EPS) growth, with dividends also a significant source. While the impact of dividends has declined somewhat since the early 1990s, it has remained positive (unlike valuations).

The reason the contribution from dividends appears to have decreased in recent decades is also due to major regulator changes in the US that made share buybacks a tax-efficient alternative to cash dividends. But share buybacks are still a mechanism for returning cash to shareholders and driving EPS growth.



Source: TD Epoch, Standard & Poor's as of 31 December 2025. US historical data is used as a proxy for global markets because similarly detailed data is not available for non-US markets.

Finding good payers

The question for investors then becomes how to find such reliable income payers. Firstly, investors need to focus on a company's free cash flow. To do so it can be helpful to try and think like a CFO would think. For example, consider questions such as how the company is generating cash flow, is it from reliable sources or one-off injections that are unlikely to repeat. Also, how is the company allocating that cash back to shareholders. These macro questions can be more important than focusing on accounting-based metrics such as price-to-earnings or price-to-book, as those metrics can be manipulated.

In terms of what a company can do with free cash flow, they can of course reinvest it in the business or make acquisitions, and if a company is earning above its cost of capital, it should be pursuing such strategies to grow its value. However, there is not always an unlimited supply of opportunities to do so.

When it cannot find attractive investment opportunities, a company should be returning that cash flow to investors, something it can do via dividends, share buybacks, or debt reductions.

Volatility screen

A positive consequence of building a portfolio focused on shareholder yield can be lower volatility. As the chart above highlights, dividends have consistently been a positive contributor to equity market returns.

To find a company that pays consistent dividends you need to find one that can generate sustainable free cash flow. A good start in identifying such an organisation is finding a company that pays attractive current dividends today. Those dividends also need to be coming from a reoccurring source of cash, and those cash flows should also ideally be growing. There needs to be a commitment from management to consistently returning cash to shareholders through dividends or other means. You don't want to invest in a company in the habit of cancelling dividends or reducing them.

It's also important to look at how a company generates their cash flow and how that capital is allocated. A company with growing revenue has a different outlook to one where cash flow is coming from a cost-cutting story. Both trajectories may be positive for cash flow in the short term but only increasing revenue will see better cash flow in the long term.

Unsurprisingly, these are all characteristics of companies that tend to trade with lower volatility, performing in both good times and bad, which have historically contributed to lower overall volatility in a portfolio. They also make a yield-seeking strategy particularly attractive in the current environment.

The example of Cisco

One company we think embodies all these factors is Cisco Systems (NASDAQ: CSCO). It is in the top 10 holdings in the Epoch Global Equity Shareholder Yield (Unhedged) Fund. It had the second highest portfolio weight of 2.4 per cent in June 2026 and is also providing a dividend yield of 1.4 per cent to the portfolio.

Cisco Systems was established by computer scientists in the early 1980s to build systems and servers that could connect and share information between disparate networks. Today it has a growing stream of recurring service revenues across networking, security and collaboration.

These new revenue streams are supporting cash flow growth and require lower capital expenditure. Returning cash to investors is also a priority. For the twelve months ending April 25, 2026, the company returned $US11.3 billion to stockholders through share buybacks and dividends, from a total $US13.0 billion cash flow from operating activities.

The end game

Equities have endured dynamic and often unpredicted market conditions recently. Companies have had to navigate a landscape defined by tariff uncertainties, volatile interest rates, and geopolitical shocks. Longer-term structural shifts, such as deglobalisation and the realignment of supply chains, have further added to the complexity of the environment.

Against such a backdrop, we believe a shareholder yield strategy can capture the productivity of a growing economy, while remaining defensively positioned for resiliency, if growth were to begin to falter.

Kera van Valen is a portfolio manager at TD Epoch, a fund manager partner of GSFM, a Firstlinks sponsor. The information included in this article is provided for informational purposes only.

For more articles and papers from GSFM and partners, click here.

Australian inflation still well above the RBA's target

Ashley Owen

This is an update on my 6 Feb 2026 article on the RBA's record on inflation.

Australian CPI inflation came in at **3.8% for the 12 months to June 2026**. This is **down from 4.6% in March**, but still well above the RBA's medium-term target range of 2-3%. The RBA's preferred measure, 'trimmed mean' CPI, is also still well above target at 3.6%.

Despite inflation remaining too high, real rates are still too low, and Federal & State governments continuing on unconstrained inflationary deficit spending sprees, the RBA is reluctant to raise rates further, fearing the government will once again neutralise the rate hikes with even more 'cost of living' handouts and productivity-free wage rises which entrench the inflation spiral.

Has this tarnished the RBA's long-term record on inflation targeting?

Since the RBA gained 'independence' in pursuing its 2%-3% target, inflation has only been in the target range just 31% of quarters, and just 36% of calendar years. It has **missed its target TWO THIRDS of the time** – so **the RBA scores just 3 out of 10 for short-term inflation outcomes.**

But it was never a short-term target. Overall inflation over the period has averaged 2.6% pa which is in the MIDDLE of its target range – so the RBA has been successful on long-term inflation targeting.

Measured by decade, inflation has been WITHIN its target range EACH decade. Inflation averaged 2.3% pa in the 1990s, 2.8% pa in the 2000s, and 2.1% pa in the 2010s. In the 2020s inflation has averaged 3.5% pa so far, but the decade is not over yet. Inflation over the past 10 years has averaged 3.1%, which is almost within target range.

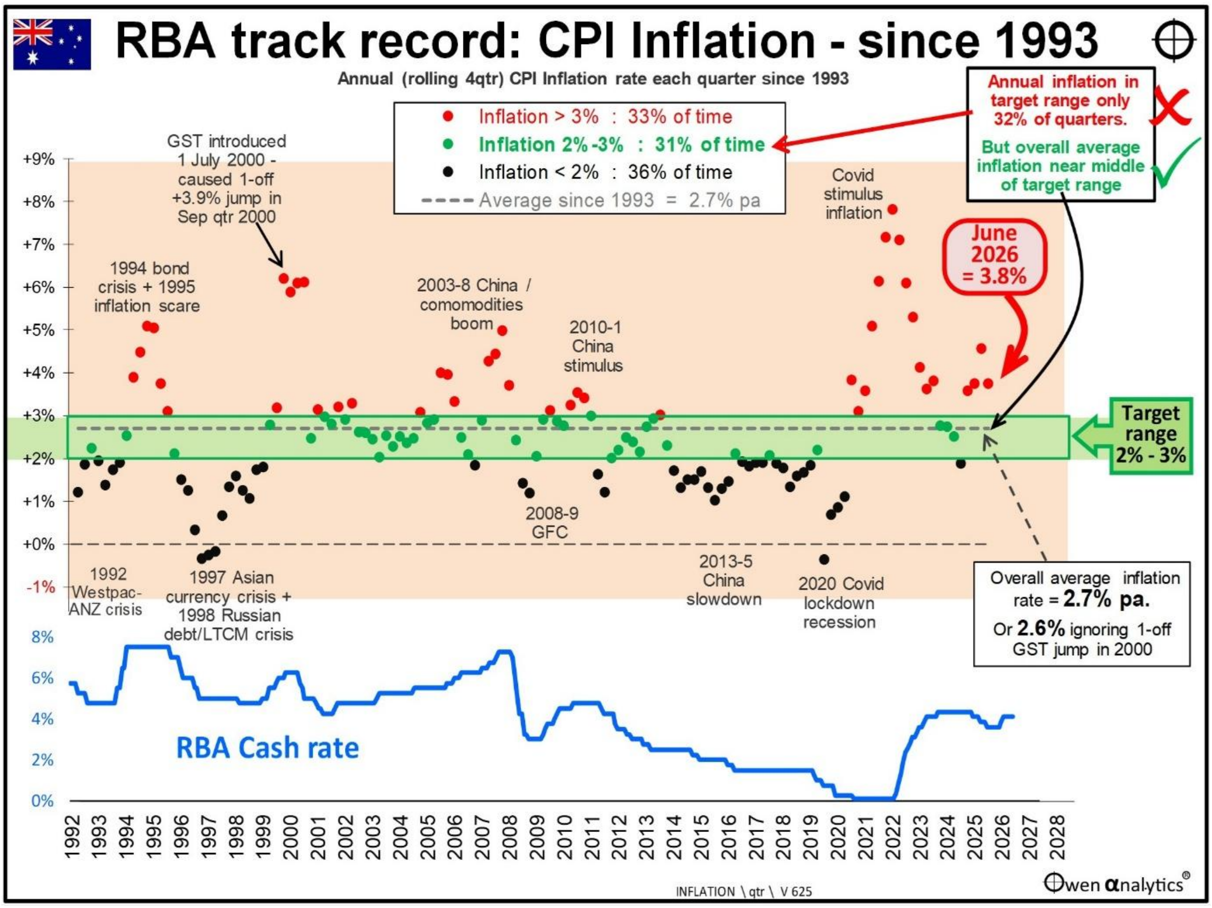
So, through a host of major global and local crises over the past 30+ years, and despite some policy mis-steps along the way, the RBA has actually **ACHIEVED** its inflation target rather successfully.

However, I have two further important policy questions:

(1) Why the RBA has the highest/loosest monetary policy target in the developed world? and

(2) Why does the RBA, and all other central banks, target positive inflation at all?

This chart shows the inflation and policy cash rate picture in Australia from 1993. The dots in the upper section represent annual (rolling four-quarter) CPI inflation each quarter (as quarterly has been the main reporting interval for inflation in Australia).



- Red dots for inflation above 3%; black dots for inflation below 2%; and green dots for inflation within target 2% to 3% range.
- Inflation has ranged widely from a high of 7.8% in December 2022 (Covid stimulus boom) to several quarters of negative inflation during the 1997 Asian currency crisis, 1998 Russian debt crisis, as well as 2020 Covid lockdown recession.
- The green 2-3% target inflation range through the middle of the spray of inflation dots scattered by a host of global and local macro shocks illustrates how tough it has been to hit a narrow target range.
- The lower section of the chart shows the RBA's policy cash rate over the period.
- **One adjustment - for GST introduction.** Just one mechanical note. The 10% Goods and Services Tax was introduced from 1 July 2000 caused a one-off +3.9% jump in the general price index in the September quarter 2000. It also affected the rolling four-quarter annual inflation rates in the subsequent three quarters. We can see these four quarterly red dots in 2000-1 on the chart. A step change in the general price index due to a one-off tax change is **not** 'inflation', so I adjust for this in measuring average inflation rates.

How has the RBA done?

Taken from 1993 as the start of RBA targeting a 2-3% inflation range with substantive policy and operational independence (although you could use 1994 or 1995 or 1996 with the same results), and adjusting for the one-off GST impact in 2000 (as it was not 'inflation' but a one-off tax change) we get the following inflation results for the RBA:

Annual inflation outcomes per quarter and per year

Annual (ie rolling four-quarter) inflation has only been within the 2-3% target range just **31% of quarters**, and just **36% of calendar years**. So the RBA scores just 3 out of 10 for short-term inflation targeting. A quick look at the chart shows only around one third of the dots are in the target (green) range.

However, that is actually not bad given the enormity and impacts of the global macro challenges faced by central bankers over the past 30+years.

Decade averages

Quarterly and yearly inflation measures are rather harsh tests given the volatile nature of inflation components and the data lags involved - from measurement, reporting, decisions, and impacts.

Therefore if we view inflation outcomes decade by decade, inflation has been **within the target range each decade**:

- Inflation averaged **2.3%** pa in the 1990s,
- **2.8%** pa in the 2000s,
- **2.1%** pa in the 2010s.
- So far in the 2020s inflation has averaged 3.8% pa to date. This above target but we have some years left to run for this decade, so it is too early to call.
- However, for the 10 years to December 2025, inflation averaged **3.1%**, which is just inside the target range.
- Therefore the RBA gets **full marks** on decade average inflation outcomes.

Overall inflation experience

Overall inflation over the whole period has averaged **2.6%** per year (or 2.7% pa if you don't adjust for the one-off GST jump in 2000). This is in the middle of target inflation range – so the RBA scores 10 out of 10 for long-term inflation targeting.

Further thoughts

I have concluded that the RBA has done a pretty good job in achieving its mandated inflation target. Overall at least 8 out of 10. However, I do not agree with the RBA's inflation goal. (Government sets the goal, not the RBA.)

There are two serious questions I will leave for another day:

The first is why RBA has been given the highest inflation target (ie loosest monetary policy target) in the developed world?

For example, from Federation up until inflation targeting in the 1990s, Australian inflation averaged 1% higher than the US (4% pa in Australia versus 3% pa in the US), for a variety of structural reasons, including our unique system of centralised wage fixing, which was a problem pointed out by Keynes in 1936 and still a problem today (Keynes, '*General Theory of Employment, Interest and Money*', London, Macmillan, 1936. pp. 267-9 in my 1973 edition).

Now, with specific inflation targeting regimes in place, the RBA's target is still **higher** than the US target, which pretty much guarantees Australian inflation will remain **higher** than the US in future as well (ie looser monetary policy, higher interest rates, and weaker currency).

Is there a valid policy reason for this? I say No.

The second question is why the RBA and other central banks aim for positive inflation at all?

With fiat/paper currencies, inflation is government-endorsed theft of the wealth of its citizens. Inflation is the most regressive form of tax imaginable, as its hits low income earners and the poor much more savagely than high income earners and the rich. Inflation is essentially a deliberate and pernicious transfer of wealth from creditors (bank depositors, savers) to debtors (asset owners and especially geared-up asset owners, and governments).

The Reserve Bank Act (initially in 1959 and still now) mandates '**stability** of the currency' which means **stable** purchasing power of the currency – ie **stable** prices. 'Stable' prices means 'flat' prices, NOT constantly **inflating** prices, which is deliberate, constant, government-mandated, forever-compounding theft from its citizens.

Is there a valid policy reason for this? I say No, for reasons that go back to Nicholas Oresme, St Thomas Aquinas, and even Aristotle. But that is another story for another day.

Ashley Owen, CFA is Founder and Principal of OwenAnalytics. Ashley is a well-known Australian market commentator with over 40 years' experience. This article is for general information purposes only and does not consider the circumstances of any individual. You can subscribe to OwenAnalytics Newsletter here.

Retirement in reality - 5 months in

Dr Joanne Earl

For those of you who have just connected, I retired 5 months ago from being a full-time academic after researching retirement planning for nearly 20 years. Now I am focusing on implementing my findings: for myself, for individuals and for organisations. As I promised when I retired, I am providing a month-by-month account of my findings from the other side. Well, it had to happen sometime - this month was not entirely smooth sailing. An ankle injury and the culmination of regular medical tests sucked some of the fun out of the last month.

In this update, I want to talk about questions I've been regularly asked: Is it better to retire at the same time as your spouse? How did I decide it was the right time to retire? How do you keep mentally well?

Same or different time as your partner?

Whilst there are published studies pointing to married couples reporting better retirement adjustment, there are other studies that point to the quality of the relationship. When I started planning for retirement, my husband and I were on the same page about timing. But after an unexpected illness and what he felt was unfinished business he decided to delay. I think he was also waiting to see what I did –

he didn't want to retire from a job he obviously enjoyed to bump around home on his own. I don't think he thought I could honestly drag myself away from work. To some extent that is true I've recently picked up a short-term project that has occupied my time, and I will likely continue to do so from time to time.

At first, I was a little resentful because he changed his mind but at the same time I know from my research that encouraging him to go when he was not ready would likely have negative downstream consequences. So, what are the downsides and upsides?

Downsides – I dreamed of getting up every morning at 7am but that's less common than his usual 6am start. I'm also not a very adventurous solo traveller and he has limited time available for long trips; he takes an interest in my new pursuits, but these are things he is unlikely to share.

Upsides – I'm travelling on my own to places he may not enjoy so much and there is someone to stay at home to look after the house and feed the cats and dog. I'm getting the opportunity to explore independent interests that will be well established by the time he leaves work.

One thing I was conscious of was being loaded up to do extra chores with my free time, but we discussed this early on and it hasn't been an issue. Open communication is key and checking in with one another regularly is important. I imagine if the partner needed (rather than wanted) to work this might also generate additional challenges. We are planning our joint adventures for when he retires.

How did you decide it was time to go?

I read somewhere recently that "when you, know you know' – but that is not something I subscribe to. I think this might account for people making expedient decisions after a bad day, one too many long meetings or a hazardous commute. I'd never planned to be an academic for most of my career. I returned for the flexibility of hours and the interesting work when my daughter was young but I always expected to return to the corporate world or to be self-employed. I felt that opportunities were escaping me the longer I left it. I learned a lot as an academic but new surprises or opportunities to expand my thinking were shrinking and my time was largely being absorbed by administrative tasks.

There were also things I was being pulled towards such as creative pursuits and better health behaviours that I found difficult to fit in to the full extent I wanted to experience them. I was 'dabbling' but I started to feel frustrated by not being able to fully immerse myself. I recently had the chance to return to academic work for a short-term project and someone asked if I'd missed it – the truth is not really. If anything it made me more certain the timing was right.

How do I keep mentally well?

It might surprise you but even psychologists have bad days and we are not immune to getting stuck or feeling lost or disappointed. We might have well-developed coping strategies but putting them into practice may mean reaching out for help or getting some extra support. As I previously indicated, I like structure, so when something gets in the way of that (e.g. ankle strain) I need to re-group and get back into focus.

That happened this last month. I had to swap my exercise routine and some adventures I had planned with doctor's appointments, ultrasounds, x-rays etc. I really had to focus on the following week to recognise this was a short-term loss and turn my attention elsewhere. I'd like to tell you that I spent the week knocking out a novel or preparing a business plan or designing a workshop but the truth of the matter is I binge-watched "Little House on the Prairie" and quite frankly, after seeing little Laura battle rapids, losing her dog and saving her family from the ravages of scarlet fever it made my problems look pretty small.

So, I took my own advice: "Permission to rest". Resting is restorative and sometimes achieving less is achieving everything.

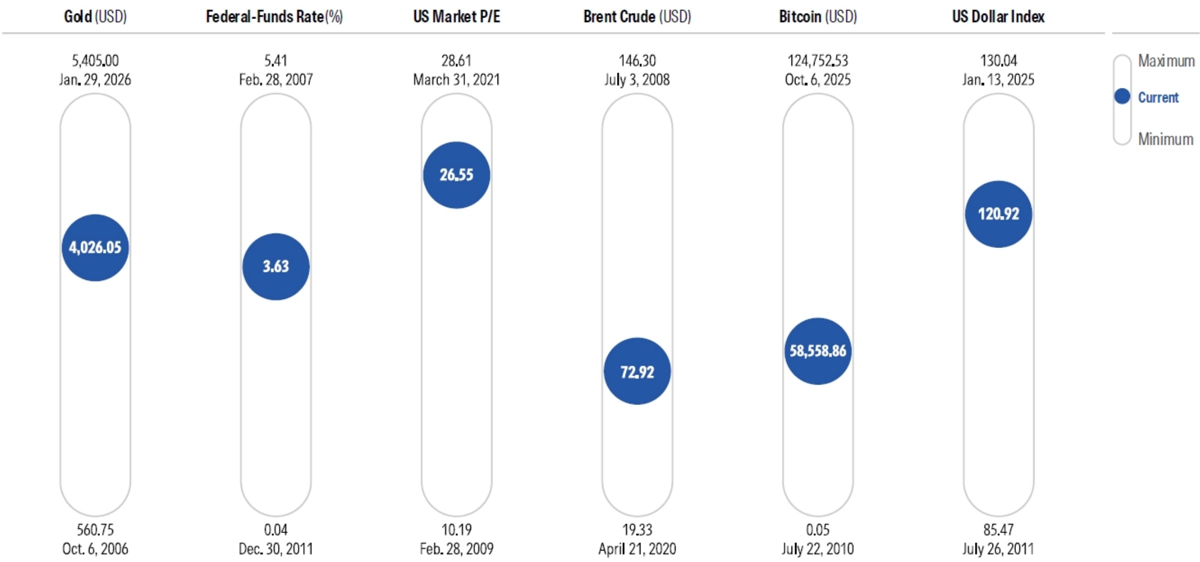
Joanne Earl is a Psychologist and Honorary Professor of Psychology and Retirement Planning. You can read more about Joanne's retirement journey via LinkedIn or visit her website: www.retirementdr.com.au.

What 6 key market indicators are telling investors right now

Amy C. Arnott

One of my favorite pieces of research is the Morningstar Markets Observer, which offers a wealth of information from a big-picture perspective. Particularly interesting is the report's "Market Thermometer" chart, which shows seven key metrics and where each one stands relative to its range over the past 20 years.

I like this chart because it packs in so much information; even without reading all the details, you can get a quick picture of where major asset class prices stand. Overall, the picture looks less alarming than it did six months ago, but five of the seven assets we measured are still trading above average compared with their historical ranges over the past two decades.



Gold

Current level: Above average.
What it means: Gold has fallen below peak levels, but the price remains relatively high.

Gold has had a strong run in recent years. After a 25% runup in 2024, it surged by nearly 70% in 2025. By the end of January 2026, it reached a peak of more than $5,400 per ounce. This performance was partly driven by central banks around the world buying up gold as they "de-dollarize" their reserve assets, as well as other investors seeking a safe haven amid macroeconomic turmoil and geopolitical uncertainty.

Since then, though, gold prices have fallen sharply, partly reflecting market expectations for higher yields on bonds and a stronger US dollar. By the end of June, gold was priced at about $4,026 per ounce—nearly 25% below its earlier peak.

Despite this decline, gold is still trading at an elevated level, suggesting caution may still be warranted. As academic researchers Campbell Harvey and Claude Erb have found, there's some evidence that gold prices tend to revert to the mean over longer periods. When gold is trading at elevated prices in inflation-adjusted terms, prices have often declined in subsequent periods. That happened in 1980, when steep prices were followed by a long period of sluggish returns during most of the following decade. The same pattern showed up when the real price of gold reached a peak in August 2011, which was followed by a sharp downturn from 2013 through 2015.

In short, while gold is more attractively priced than it was six months ago, it still carries a fair amount of downside risk.

Federal-Funds rate

Current level: Above average.
What it means: Even after a rate cut in December 2025, yields on cash are still higher than inflation, making fixed-income securities relatively attractive.

The midpoint of the target range for the federal-funds rate stood at about 3.64% as of June 30 (the date for all of the data above), down from a high of 5.33% in 2024. However, the fed-funds rate remains significantly higher than its low of 0.04% as of late 2011, when the Federal Reserve's zero interest rate policy reached its nadir. In the wake of the global financial crisis, the Fed aggressively dropped short-term rates to near zero to stabilize the economy. It also purchased US Treasuries and agency mortgages as another way to keep bond yields low. ZIRP and successive rounds of quantitative easing led to a nearly 15-year period of low borrowing costs.

Fast forward to March 2022, and ZIRP became a distant memory as the Fed embarked on a series of aggressive interest rate hikes to tamp down inflation. But even now that rates have once again been moving lower, yields on cash and short-term securities remain relatively attractive. For example, the three-month Treasury bill yield of 3.86% as of July 29, 2026, remains slightly higher than the most recent annual inflation rate of 3.5%. As a result, investors saving for short-term goals don't need to worry about the value of their savings eroding over time, at least for the moment.

More broadly, yields on high-quality fixed-income securities remain significantly higher than they were a few years ago. When rates were extremely low, there was nowhere for yields to go but higher and nowhere for bond prices to go but lower. Now we're clearly in a different environment, making bonds more attractive than they were a decade ago.

US market P/E

Current level: High.
What it means: US stocks have been the best-performing major asset class over the past 20 years. Aside from a couple of brief downturns, US equities have continued to power ahead, with price gains driven

by growth in corporate earnings as well as multiple expansion. As a result, the overall price/earnings ratio for the Morningstar US Market Index has more than doubled from its low of 10.19 in the wake of the global financial crisis. The benchmark's P/E as of June 30, 2026, was down slightly from a peak of 28.61 but still on the high end of the range over the past 20 years.

Equity valuations could remain elevated if corporate earnings continue to deliver, but high prices also mean stocks have more room to fall if growth falls short of expectations. And now that valuations have already climbed higher, there's not as much room for future multiple expansion as a driver of equity market returns.

While the US market as a whole isn't in the bargain bin, there are still some pockets of value available for price-conscious investors. Valuations for non-US stocks, in particular, remain lower than those of their domestic counterparts, despite the strong gains in non-US stocks in both 2025 and 2026.

Brent Crude

Current level: Relatively low.
What it means: Consider adding a small position in a broad-based commodities fund that includes energy exposure for inflation protection.

The price of oil has been subject to dramatic highs and lows over the past 20 years. At the beginning of the period, prices surged, driven by growing demand from China and other emerging markets, combined with limited supply. As a result, prices reached a peak of about $146 per barrel in July 2008. That was followed by a precipitous drop during the global financial crisis, when the price dropped by more than 50%. Prices partially recovered over the next few years, only to suffer sharp losses in 2014 and 2015 as the OPEC group of major oil-exporting countries kept production levels high, leading to a glut in supply. Fast forward to the pandemic, and oil prices reached a low of $19.33 per barrel in April 2020.

Since then, oil prices have significantly increased, thanks mainly to the Iran war and supply disruptions stemming from blockades in the Strait of Hormuz. As a result, Brent crude prices were up about 45% for the year to date through June 30, 2026. Even after that increase, though, oil prices remain at only about half their peak levels in 2008.

Although oil prices are likely to remain volatile and would likely suffer in the event of an economic slowdown, a small stake in a broad-based commodities fund that includes exposure to energy could help improve portfolio diversification and hedge against inflation for investors who can tolerate risk.

Bitcoin

Current level: Below average.
What it means: Although bitcoin remains a speculative asset, the price looks more attractive compared with its peak levels in October 2025.

After the pseudonymous Satoshi Nakamoto mined the initial genesis block on the bitcoin blockchain in early 2009, initial purchases could be made for pennies on the dollar, with a low price of $0.05 per bitcoin in July 2010. After a 15-fold price surge between 2019 and late 2021, for example, it fell by nearly 70% between November 2021 and December 2022. After hitting triple-digit returns in both 2023 and 2024, it reached a peak of about $125,000 per coin in October 2025. By June 2026, it was trading at less than half of that level.

The potential passage of the Digital Asset Market Clarity Act (stalled in the Senate at the moment), would be one possible catalyst for a bitcoin recovery. A more dovish Fed, easing inflation pressures, and lower real interest rates in 2027 and 2028 could also provide greater support for bitcoin prices.

However, potential buyers should still be mindful of bitcoin's extreme price volatility. In addition, it's tough to pin down a reasonable price for bitcoin because it doesn't generate cash flows. And while the digital asset has started to gain more credibility among institutional investors, it remains a speculative asset with price swings often driven by fear of missing out.

US Dollar index

Current level: Relatively high.

What it means: The dollar could weaken further over the next several years.

For years, the US dollar seemed unstoppable. The Nominal Broad U.S. Dollar Index hit a low of 85.47 in July 2011 and mostly continued marching upward over the next 15 years or so. Turmoil in other markets was one reason behind the dollar's extended climb. As countries such as Greece, Italy, Portugal, and Spain grappled with unsustainable debt levels, investors fled euro-denominated assets and took refuge in the dollar.

Generally strong economic growth and rising corporate earnings in the US also bolstered the dollar, as did the greenback's undisputed position as the world's leading reserve currency.

That narrative has started to change. During 2025, the Nominal Broad U.S. Dollar Index dropped about 7%. However, the current index value of 120.92 remains at the high end compared with the dollar's range over the past 20 years. Central banks around the world have been "de-dollarizing" their reserves by purchasing both gold and other currencies. The rising federal debt, which is equivalent to 124% of gross domestic product, could also weaken investor confidence and further decrease demand for dollar-based assets. Morningstar US chief economist Preston Caldwell expects the US Fed to resume a series of rate cuts in 2027 and 2028, which would be another factor depressing demand for dollar-based assets.

Amy C. Arnott, CFA, is a portfolio strategist for Morningstar. This article does not consider the circumstances of any investor. Minor changes have been made to the original US version for an Australian audience.

Can you ride the AI bubble without overpaying?

Michael Turner

The trillion-dollar gamble

Every market cycle has its defining narrative. In the late 1990s it was the internet. Before the Global Financial Crisis, it was structured credit. Today, it is artificial intelligence.

The challenge for investors is that the most dangerous investment bubbles are rarely built on fiction. They are usually built on powerful truths taken to excess. The internet transformed the global economy; credit expanded growth and consumption. Artificial intelligence will almost certainly reshape productivity, business models and economic output.

The question is not whether AI matters; it clearly does. The question is whether markets have become too optimistic about the returns that will ultimately flow from the enormous capital being deployed.

There are reasons for caution.

A familiar warning signal

Historically, major market peaks have often been characterised by a shift from companies buying-back their own shares to issuing new equity. When management teams decide it is attractive to sell stock to investors rather than repurchase it, it can be a powerful signal that valuations have become stretched. We saw this during the technology boom of 1999 and 2000 and again during parts of the post-pandemic investment frenzy. There are now early signs that this pattern is beginning to re-emerge among some of the largest technology companies.

At the same time, the scale of investment flowing into AI infrastructure is extraordinary. What began as hundreds of billions of dollars of annual spending is rapidly moving towards a potential trillion-dollar run rate. Technology companies are caught in a strategic arms race. Underinvest and risk irrelevance; overinvest and risk destroying shareholder value.

No executive wants to be remembered as the leader who missed the most important technological shift of a generation. Yet investors should not assume every dollar committed to data centres, semiconductor capacity and energy infrastructure will ultimately earn acceptable returns.

This is the critical distinction often lost in today's market enthusiasm. AI can be transformative for the economy while still producing disappointing outcomes for investors who pay too much for exposure.

Beyond Silicon Valley

The AI investment cycle is also far broader than many appreciate. Most attention remains focused on software businesses and semiconductor manufacturers, but the beneficiaries extend throughout the economy. Building the next generation of AI infrastructure requires enormous quantities of steel, copper, power generation, electricity networks and construction capacity.

The winners are not confined to Silicon Valley. They include industrial companies, commodity producers, infrastructure owners and energy providers across public and private markets.

To put this in perspective, the Sydney Harbour Bridge contains approximately 52,800 tonnes of steel and a one-gigawatt data centre contains over 200,000 tonnes of steel, Anthropic alone recently announced it was interested in 1.4 gigawatts of data centre capacity in Australia.

Risks extend into the broader economy

The opportunity is significant, but so is the risk.

The interconnected nature of this investment theme means a disappointment in the AI cycle could reverberate well beyond technology stocks. If returns fail to justify the unprecedented capital expenditure currently underway, the consequences could be felt across infrastructure, private markets, industrials, energy and credit. Investors increasingly view AI as a technology story. In reality, it has become an economy-wide investment phenomenon.

Importantly, this does not mean the broader economy is approaching recession. The United States remains remarkably resilient. AI investment is supporting employment, construction activity and productivity growth. Labour markets remain strong, and inflation pressures remain persistent. In such an environment, central banks have little reason to aggressively cut interest rates. A healthy economy and a vulnerable share market are not mutually exclusive outcomes.

Indeed, one of the more plausible scenarios for investors is that economic growth remains reasonably strong while equity valuations come under pressure. Markets and economies do not always move together. The real economy may continue benefiting from AI-driven productivity gains even as investors reassess the prices they are willing to pay for future earnings.

The difficulty of diversification

Adding to the challenge is the declining effectiveness of traditional diversification. Correlations between asset classes have become less stable, making portfolio construction increasingly difficult. Government bonds have not always provided the protection investors once expected, while alternative assets face capacity constraints and accessibility challenges. The old playbook of simply allocating across shares and bonds may no longer offer the same level of resilience.

For Australian investors, the backdrop is even more complex. Domestic growth is slowing, household budgets remain under pressure and fiscal flexibility is increasingly constrained. Meanwhile, global divergence is widening. The United States continues to outperform, Europe remains sluggish and China faces deep structural challenges.

The lesson investors keep forgetting

Against this backdrop, investors should resist the temptation to choose between blind optimism and outright pessimism. The AI revolution is real. The productivity gains could be profound. But every great technological transformation attracts excessive capital at some stage of the cycle.

The lesson from history is not that innovation fails. It is that investors often overpay for it.

The winners over the next decade will not be those who ignore artificial intelligence, nor those who chase every AI-related investment. They will be those who recognise that extraordinary opportunities and extraordinary risks often emerge together. The future may be bright, but even the brightest future can become overpriced.

Michael Turner is a Director, Principal, and Investment Advisor at Hamilton Wealth Partners. This article contains general financial information only. It has been prepared without taking into account your personal objectives, financial situation or particular needs.

Disclaimer

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

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

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