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Editorial

There is an old quote famously attributed to Aristotle.

> *"Give me a child until he is seven and I will show you the adult."*

Now whether he actually said this is impossible to determine. I suspect the ancient Greeks have suffered the same fate as Buffett. Every vaguely profound observation eventually gets attributed to them. Nevertheless, the idea has endured for more than 2,000 years.

The premise is really quite simple. Long before we develop our own beliefs, habits or ambitions, we're absorbing the values of the people and institutions around us. Spend enough time with someone's family and eventually certain mysteries begin solving themselves. The answers are always upstream.

Aristotle may have been making a point about parenting, but I've increasingly come to think the idea applies to institutions too. Historians often discuss institutions as though they're living organisms. Universities, churches and governments all possess peculiar habits that survive the people inside them.

The Catholic Church has weathered divisions, reformations and revolutions while mostly retaining the customs that have defined it for centuries. The faces may change but the institution persists.

Institutions, much like families, have a habit of reproducing themselves. Which brings me to funds.

Investors spend a considerable amount of time examining the child. We pore over fees, performance tables and portfolio holdings. We watch interviews of portfolio managers with a reverence usually reserved for star athletes. We debate whether a strategy will outperform, underperform or justify its existence altogether. Yet we can neglect a far more important question. Who raised the fund?

As a young person who spends an unhealthy amount of time online, I'm exposed to no shortage of fund marketing. Every turn of the market seems to arrive with a fresh basket of products offering exposure to whatever narrative currently dominates financial conversations.

Some fund providers remind me of ambitious parents who enrol their children in every extracurricular activity imaginable, desperately hoping to discover a hidden talent.

The child doesn't merely play piano, they also speak Mandarin, compete in robotics and are captain of the debate team.

The funds management industry has its own version of this behaviour.

We all know markets have become increasingly narrative driven. Whatever investors happen to be talking about today can usually be packaged into a product by tomorrow. But then (and with considerably less fanfare) many of these products disappear.

And indeed, I can acknowledge that funds management is not a charity. Asset managers are businesses and businesses are supposed to make money. There is nothing inherently wrong with launching products that investors want.

But at the risk of sounding overly puritan, I've come to appreciate the frustratingly dull parents. They are not the ones making grand declarations about the future and their shelves are not littered with the remnants of last year's excitement.

As a child absorbs the values of a household, a fund will inevitably absorb the incentives of the organisation behind it. Over time, those incentives reveal themselves in things like product design, stewardship and most importantly, investor outcomes.

We spend a great deal of time asking which fund we should own. The better question may be who owns the fund. As Aristotle might have observed, the child rarely escapes the influence of its parent.

Simonelle Mody

Also in this week's edition...

- Conventional wisdom encourages retirees to preserve superannuation but **David Knox** believes spending more can improve lifetime income.
- **Dr Ruchith Dissanayake** and **Dr Ama Samarasinghe** explain why the SMSF borrowing ban targets the wrong group.
- **Shani Jayamanne** looks at a principle borrowed from game theory that will explain the next market crash.
- **David Tuckwell** discusses why gold is back in the headlines but investors may be asking the wrong question.
- A bond market reckoning may be beginning and **Michael Collins** thinks the consequences could reach into everyday life.
- **Steve Bennett** and **Sasanka Liyanage** explore a little-known corner of the property market that is quietly benefiting from powerful trends.
- **Joanne Earl** is back to share insights from her six months in retirement.

Curated by Simonelle Mody and Leisa Bell

Why spending more in early retirement can improve lifetime income

David Knox

The Retirement Income Covenant requires superannuation trustees to help retirees maximise income, manage risks and maintain flexible access to capital.

Among the most significant challenges are longevity, investment and inflation risks, which can all affect the sustainability and stability of retirement income.

While much of the debate focuses on investment returns and longevity risk, one important component of Australia's retirement income system is often overlooked: the Age Pension.

One example is the role that the Age Pension can play in reducing longevity, investment and inflation risks for many retirees. It provides a government-backed lifetime income that is indexed and not directly exposed to market fluctuations. While future policy settings can never be guaranteed, the Age Pension remains stable and sustainable, with Australia expected to have the lowest cost for public pensions of any OECD economy by 2030[1].

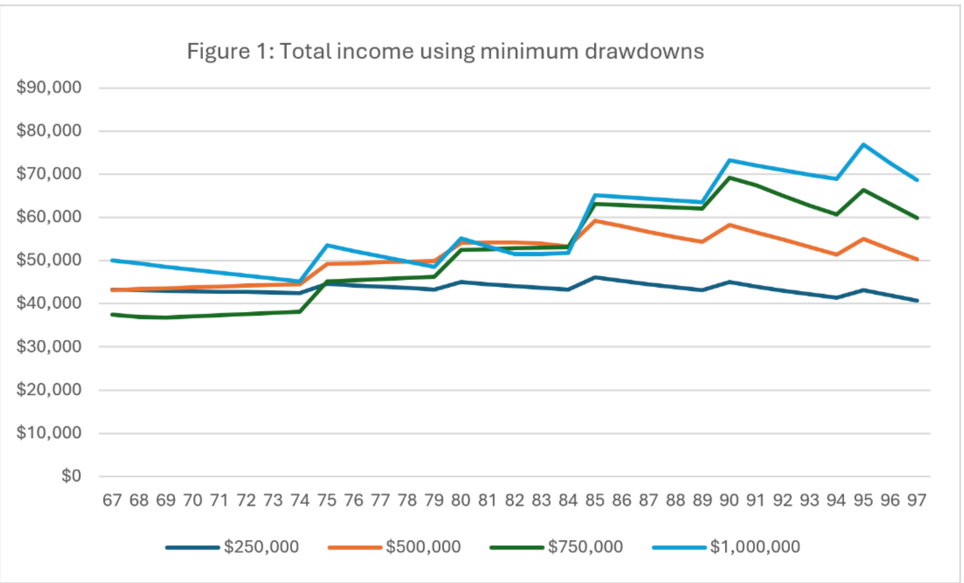
Of course, the Age Pension is means-tested with both income and asset tests. This means that retirees who preserve a large portion of their superannuation, may not qualify for a part or full Age Pension later in their retirement. This raises an important question for retirees who are likely to receive at least a part of the Age Pension later in life.

Could a modestly faster drawdown of superannuation improve both the stability and lifetime of income?

A popular approach

As an example, let's take a 67-year-old single homeowner retiree who has a remaining superannuation balance between $250,000 and $1 million, after paying off any debts and incurring some immediate expenditure following their retirement. Let's also assume that this retiree invests this benefit into an account-based pension (ABP) which earns a tax-exempt return of 6.7% pa[2].

Figure 1 shows the total income in today's dollars[3] received by the retiree from their ABP and the Age Pension (where applicable) for 30 years of retirement for four different superannuation balances, assuming the minimum drawdown rates apply.



Several interesting features are evident, including:

- For most retirees, the annual income jumps every five years due to the increase in the minimum drawdown rates. The exception is for the retiree with $250,000 where most of the income is from the Age Pension, which is assumed to be indexed to inflation.

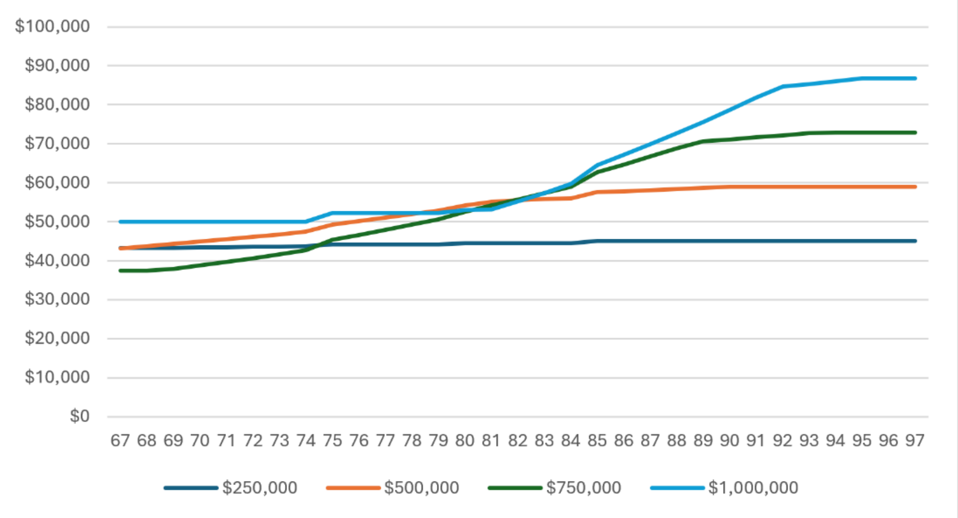
- For retirees with the higher balances, the total income is not stable throughout their retirement. In fact, there is a general increase in the level of real income, which may be a less desirable outcome, as spending needs are often higher in the earlier years.
- Because of the means tests on the Age Pension, the retiree with $750,000 begins with a lower income than those with a superannuation balance of $250,000 or $500,000. However, it then increases in real terms as the importance of the Age Pension rises.

The conclusion from these examples is that for many retirees the use of the minimum drawdown rates does not provide them with stable income throughout retirement, contrary to one of the objectives of the Retirement Income Covenant. Of course, minimum drawdown rates were designed as regulatory minimums rather than as optimal spending strategies. Accordingly, there is also no reason to expect them to generate the most stable pattern of income, even though they are often used.

An alternative approach

Instead of using the minimum drawdown rates, let's commence with the minimum 5% drawdown from the ABP in the first year but then index the drawdowns to inflation each year and only apply the minimum rates, when needed. Figure 2 shows the total income for the four superannuation balances.

Figure 2: Indexed drawdowns



While there are some similarities with Figure 1, there are some important differences. These include:

- There are very few spikes in income due to the annual indexation of the drawdowns from the ABP.
- The impact of indexing the drawdown every year, means that the total income has increased from Figure 1. The increase in the average retirement income varies from 2.0% for the lowest balance to 9.0% for the highest balance.

These increases in the level of total income arise from two causes:

i. a higher level of drawdowns from the ABP; and
ii. increased Age Pension payments for those with the higher balances.

Of course, the higher drawdowns from the ABP means that the value of the ABP at age 97 has decreased from 25.3% to 12.5% of its original balance, when expressed in real terms. There is no 'correct' answer for the balance between the level of drawdowns during retirement and the need to maintain access to some capital. Whether this remaining balance is appropriate will depend on individual circumstances.

Some retirees will prioritise higher spending during retirement, while others may place greater value on maintaining reserves for aged care, unexpected expenses or gifting. Nevertheless, a remaining balance equal to one-eighth of the original capital after 30 years is consistent with the objective of superannuation.

A composite approach

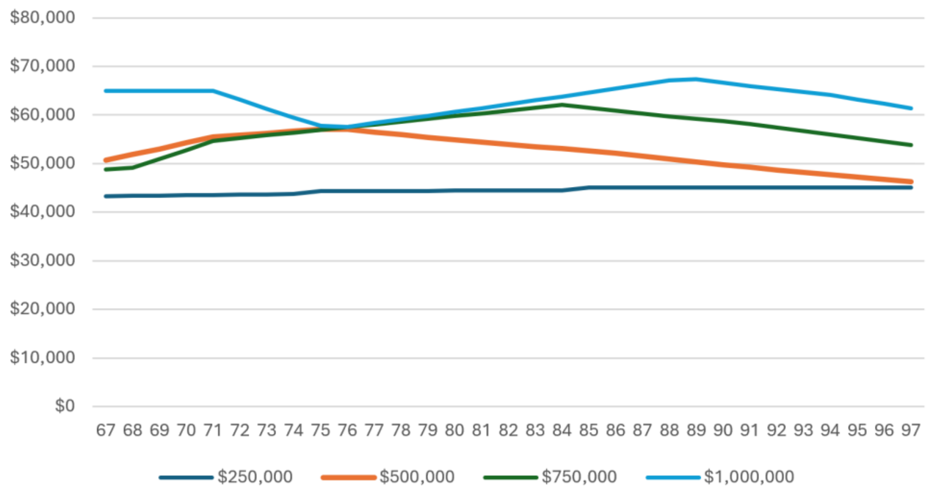
Although the previous approach removed the spikes, the increase in real income continues through retirement, particularly for those with higher superannuation balances. One possible response is to increase drawdowns in the earlier years of retirement. This provides additional income when spending needs are often highest, while gradually increasing eligibility for Age Pension payments as the retiree's ABP balance reduces.

There is no single answer to deliver the 'best' outcome for every retiree, but to illustrate a composite approach, let us assume that the ABP drawdown in the first year is 6.5% of the balance and is then indexed to inflation for five years. Thereafter, it remains fixed in nominal terms as the relative importance of the Age Pension increases.

Figure 3 shows the result for retirees with balances between $500,000, $750,000 and $1,000,000. This composite approach is not applied to the $250,000 balance as the income for this retiree is predominantly from the Age Pension and is therefore relatively level in real terms.

The findings from this composite approach are:

Figure 3: A composite approach for higher balances



- The variation in annual income is reduced, particularly for those with higher balances.
- Income in the earlier years is higher, which is often when retirees are more active and spend more.
- The average income for the two higher balances has increased due to the greater role of the Age Pension arising from the higher drawdowns in the earlier years.
- The value of the ABP balance at age 97 is 14.9% of the original balance in real terms, which is slightly higher than in Figure 2.

Conclusion

The Age Pension can play a very significant role in providing stable income for many Australian retirees. For some retirees, particularly those who are likely to qualify for a part Age Pension later in life, spending superannuation a little faster in the early years of retirement may increase average lifetime income while also producing a smoother income profile.

This finding runs counter to much advice from overseas pension experts. The reason is simple. Australia has one of the highest levels of 'targeted' pensions, expressed as a percentage of the average wage, amongst OECD economies[4]. Our system is different with no basic or universal pension.

The Age Pension and superannuation are two fundamental sources of retirement income for most Australians. The 'best' balance between the two will depend on personal circumstances such as home ownership and the presence of a partner, as well as changing circumstances during retirement.

The purpose of superannuation is to support consumption during retirement, not simply to maintain account balances during retirement. While many retirees understandably wish to preserve capital for flexibility, some may be sacrificing current living standards unnecessarily. The challenge is finding the right balance between spending today and preserving financial security for tomorrow. In that sense, the Age Pension represents an integral component of a sustainable retirement income strategy for many Australians.

David Knox is a global pension expert, actuary, and advisor to a range of leading superannuation funds. He co-authored, with Nick Callil, 'It's time: here's how to turn superannuation into a retirement income system' published by the Actuaries Institute April 2026.

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[1] OECD, *Pensions at a Glance 2025*, Table 8.4. Projections of public expenditure on pensions, 2023-60, percentage of GDP

[2] This represents the assumed earning rate for the pension phase in ASIC's Moneysmart Superannuation Calculator.

[3] A long-term inflation rate of 3% pa has been assumed.

[4] OECD, *Pensions at a Glance 2025*, Table 3.2, Current level and recipients of first-tier benefits.

Who really loses from the SMSF borrowing ban?

Dr Ruchith Dissanayake, Dr Ama Samarasinghe

The wealthy were never the borrowers

Investors with substantial wealth generally have alternatives to borrowing inside super to acquire property. They can often buy outright or use borrowing arrangements outside super that offer greater flexibility and liquidity. Limited recourse borrowing matters to a different group: people with enough super to be credible borrowers, but not enough to write a cheque for a property outright.

The ATO's own statistics bear this out. About 58% of SMSF members report taxable income below $100,000, and 74% below $150,000. Only 3.2% report income above $500,000. The balance data says the same thing. In the most recent annual breakdown, limited recourse borrowing is most concentrated in funds holding between $500,000 and $1 million, and that band alone accounts for roughly a third of all LRBA exposure. That is the group for whom borrowing is likely to be most relevant: large enough to contemplate property, nowhere near large enough to buy it outright.

The data therefore raises the question of whether the measure primarily affects the investors it was designed to target. It closes a pathway that many middle and upper-middle balance funds used to obtain an asset, while large funds continue to access the same asset class through scale.

A rule that tracks structure rather than risk

It is worth being precise about what has changed, because the shorthand has been loose. LRBAs are not banned. From 10 August 2026, real property acquired under a new LRBA has to be business real property. Residential dwellings fail that test, as does some mixed-use property that falls short of the technical definition. Arrangements entered into before commencement are grandfathered, along with the refinancing of them.

Meanwhile, the large APRA-regulated funds most Australians belong to still hold residential property and will continue holding it. They simply do not do it by buying individual dwellings.

Australian Retirement Trust has flagged its largest annual investment in Australian property, committing $3 billion over twelve months to developing housing supply, new offices and industrial land, on top of the roughly $19 billion it already holds in real estate equity. Aware Super's property portfolio runs to about $12 billion, roughly 70% of it in Australian real estate, including build-to-rent apartments and its Essential Worker Housing program.

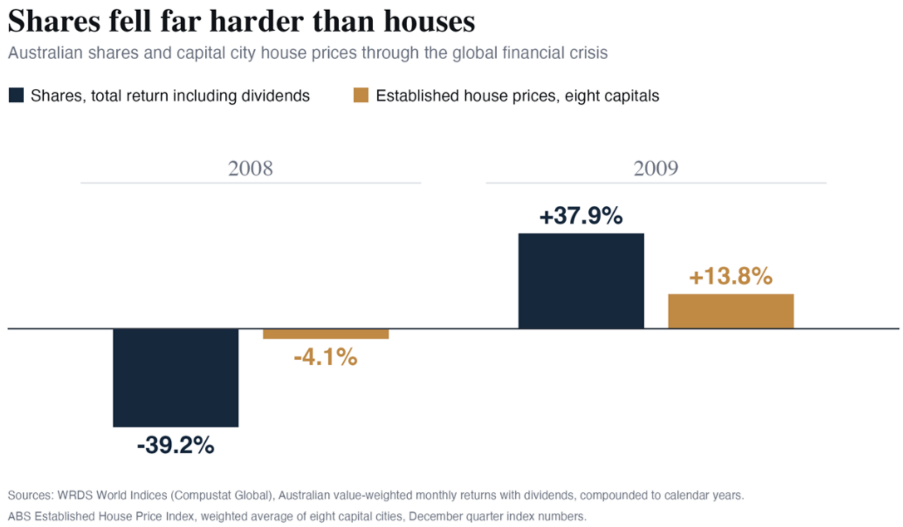
That is exposure built through scale, property platforms and partnerships with developers and fund managers. A fund with a few hundred thousand dollars cannot assemble anything like it. What the new rule removes is one of the practical ways a smaller, self-directed investor could obtain direct residential property exposure within super.

Two investors can seek exposure to the same underlying asset class yet face very different regulatory treatment depending on the structure through which they invest.

Why hold any property in the first place

Few would sensibly argue for putting an entire retirement portfolio into housing. The argument is for holding a portion of it. Shares and residential property do not move in lockstep, and that is part of what makes a portfolio resilient. In calendar 2008, Australian shares lost 39.2% including dividends, while capital city established house prices fell 4.1%. Both recovered the following year, shares by 37.9% and house prices by 13.8%. A fund holding both came through that period better than a fund holding shares alone.

Restricting a smaller investor's ability to own residential property directly within super may reduce one source of risk, but it can also leave their retirement savings more exposed to whatever the share market happens to do that year.



The risks are real. They are not universal.

None of this means the concerns behind the change were invented. Borrowing to buy property inside super can create genuine problems: excessive gearing, over-concentration in a single asset, liquidity pressure when rents fall or rates rise, and the high-fee property spruiking that has shadowed this corner of the industry for years.

But those risks are not present in every arrangement. A conservatively geared purchase supported by a liquidity buffer and proper advice presents a different risk profile from a heavily geared bet on a mediocre property.

The aggregate numbers also raise questions about the scale of systemic risk involved. As at the March 2026 quarter, self-managed funds held just under $30 billion in borrowings against more than $1 trillion in assets. Across the geared arrangements themselves, borrowings run to about 36% of the value of the assets sitting under them. That is real leverage. But it is happening in a small corner of the system now served by only around 20 lenders, the major banks having withdrawn years ago. The market remains relatively small and specialist compared with mainstream mortgage lending.

What a proportionate approach would have looked like

Where the risks are genuine they can be dealt with directly. Cap the gearing. Limit how much of a fund can sit in one asset. Require a liquidity buffer. Large funds already manage exactly these risks inside a prudential framework overseen by APRA. Self-managed funds sit largely outside that framework, and one response to that gap would be to extend proportionate safeguards to them, not to remove an asset class from one group of investors while leaving everyone else untouched.

A blanket prohibition cannot tell a reckless arrangement from a prudent one, so it ends both.

That distinction will matter well beyond this particular measure. The provision arrived late, by amendment, without consultation or an explanatory memorandum, and industry submissions have already pressed for a carve-out for newly built housing. If the policy is revisited, the key question worth asking is not whether borrowing inside super carries risk. It plainly can. The question is whether the regulatory response is directed at the risk itself or primarily the investment structure through which the risk arises. Retirement policy should be slow to narrow what an ordinary saver is allowed to hold while the large and the wealthy carry on exactly as before.

Figures in this article are drawn from the ATO's Self-managed super fund quarterly statistical report, March 2026.

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The investing rule that explains the next market crash

Shani Jayamanne

Many investors think of the share market as a multiple-choice test with just two answers. An investment is either good or bad. Find the good investments and you get rewarded.

In reality investing is a multiplayer game. The people you are playing against matter in the outcome you achieve.

A company's future earnings matter, but how they compare with everyone else's expectations matters. A wonderful business can produce disappointing investment returns if priced for perfection. Conversely, a mediocre company can generate excellent returns if expectations were excessively pessimistic.

I try to explain this to friends of mine who have received company shares as part of their remuneration package. They tell me about their companies' strong earnings and growth but can't figure out why the share price is stagnant.

Investing isn't a mathematical formula. Expectations and the decisions and opinions of other investors matter. Fundamentals matter but so does the study of how the decisions of others influence outcomes. This is called game theory.

The prisoner's dilemma of investing

One of the best-known examples in game theory is the prisoner's dilemma. For those who are unfamiliar, a quick explainer. This is a famous thought experiment where two criminals are arrested. Both prisoners are placed into solitary confinement with no means of communicating with each other.

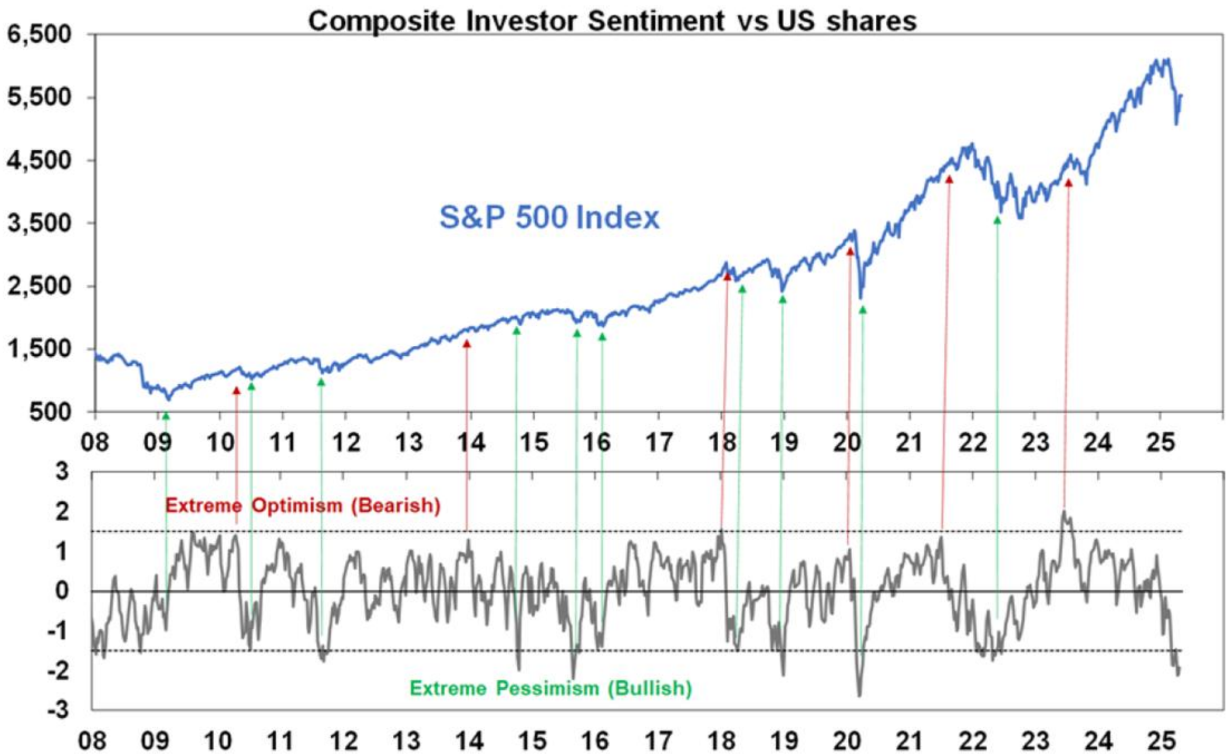
Police do not have enough evidence to convict either criminal on a severe charge but enough to convict both on a lesser charge carrying a sentence of one year. The police offer both criminals the opportunity to testify against their partner. If they take the deal they will be let off and the other criminal will get the main charge and penalty of three years.

If both take the deal, they will be sentenced to two years of gaol. Neither criminal has any insight into what the other has decided.

Both criminals take the deal because they are worried the other will inform on them. They each get two years, but the best action would be to stay silent and get one year.

Investing has its own version of the prisoner's dilemma.

The below chart from AMP looks at April 2025 during tariff turmoil in the US. It shows investor sentiment which includes surveys of investment newsletter writers and individual investors and the ratio of puts (options to sell shares) to calls (options to buy).



Extreme pessimism often leads to large dips in the index, where investors clammer to remove themselves before others do. They do not want to be the one left holding the bag. This is an example of the concept of loss aversion – where a loss feels twice as painful as an equivalent gain

Conversely, extreme optimism leads to insertion into the market as investors look to capitalise before others.

Imagine if more investors remained patient during a market correction. Share prices would likely recover more quickly, and everyone would benefit. Instead, many investors sell because they fear others will sell and try to get out first. Those sales encourage further selling, which reinforces the original fear.

The same dynamic occurs during market bubbles. Investors buy not because they believe prices are justified, but because they believe someone else will pay even more tomorrow. Neither behaviour needs irrational people, it just requires people responding to their perception of the incentives they face.

The best path forward as an investor is to avoid collusion with this short-term prisoner's dilemma – in other words, focus on market fundamentals instead of following the herd.

Avoid portfolio decisions based on anticipating what everyone else is going to do. Make decisions based on frameworks that outline what does and doesn't belong in your portfolio irrespective of how you think others will react over the short-term.

The danger of following the crowd

Game theory explains why following the crowd isn't always the safest option. When uncertainty increases, investors naturally look to others for reassurance. If everyone seems optimistic, buying feels safer. If everyone appears fearful, selling feels sensible.

Markets have a habit of rewarding investors who can separate information from emotion. This doesn't mean always being contrarian, because often the crowd is right. What it means is recognising that popularity itself isn't evidence that an investment will pay off over the long term. By the time everyone agrees on an opportunity, much of the potential upside may already be reflected in the price.

Every generation has had their version of this danger. The dot-com bubble, lithium, crypto – the list goes on. Some of these prove to be great long-term investments, but many investors still lose money because they buy at inflated prices.

Think about incentives

One of the simplest lessons from game theory is that incentives are important. Every participant in financial markets has different objectives.

A fund manager may be judged against a benchmark every quarter, so they're expected to keep adjusting their portfolio while providing compelling justifications to clients.

A CEO may focus on short-term earnings because their remuneration depends on it. Financial commentators and 'finfluencers' are rewarded for making bold predictions rather than admitting uncertainty because it generates engagement.

ETF providers compete by launching products that attract investor attention – including those that encourage investors to follow the herd.

None of these incentives are inherently bad. They're simply different from the incentives I face as I invest for retirement over the next 30 years. I don't need to outperform a benchmark every quarter, and I don't need to have an opinion on every earnings season.

Fund managers and professionals are intelligent people, but that does not mean that every decision they make is appropriate for individual investors. Understanding this can help investors avoid reacting to decisions that make perfect sense for someone else but may not be appropriate for them. I've written about this in detail here.

Being the best investor is less about intelligence and more about discipline

One more insight for investors from game theory – success often comes from choosing the right game rather than trying to outsmart everyone else.

If you are picking individual shares, it's important to recognise if you have an 'edge'. What I would add to having an edge, is that you are able to maintain an edge and apply it consistently.

Most investors cannot consistently predict earnings better than the market or forecast interest rates more accurately than economists. Fortunately, long-term investors can hand off most of the work to the passage of time – an edge that institutional investors do not have.

There is no pressure for us to outperform this quarter or explain short-term underperformance to clients. We do not have to listen or respond to daily market noise.

Remaining invested in low-cost investments, diversifying appropriately for your goals and avoiding emotional decisions can be a powerful investment strategy.

Final thoughts

Game theory reminds us that investing is as much about human behaviour as it is about finance. Every day, millions of investors are responding to uncertainty, incentives, headlines and each other.

That interaction creates opportunities, but it also creates temptations to chase performance, panic during downturns or assume that popular investments are automatically good ones.

The investors who tend to succeed over long periods aren't necessarily those who know the most. They're often the ones who understand the game they're playing.

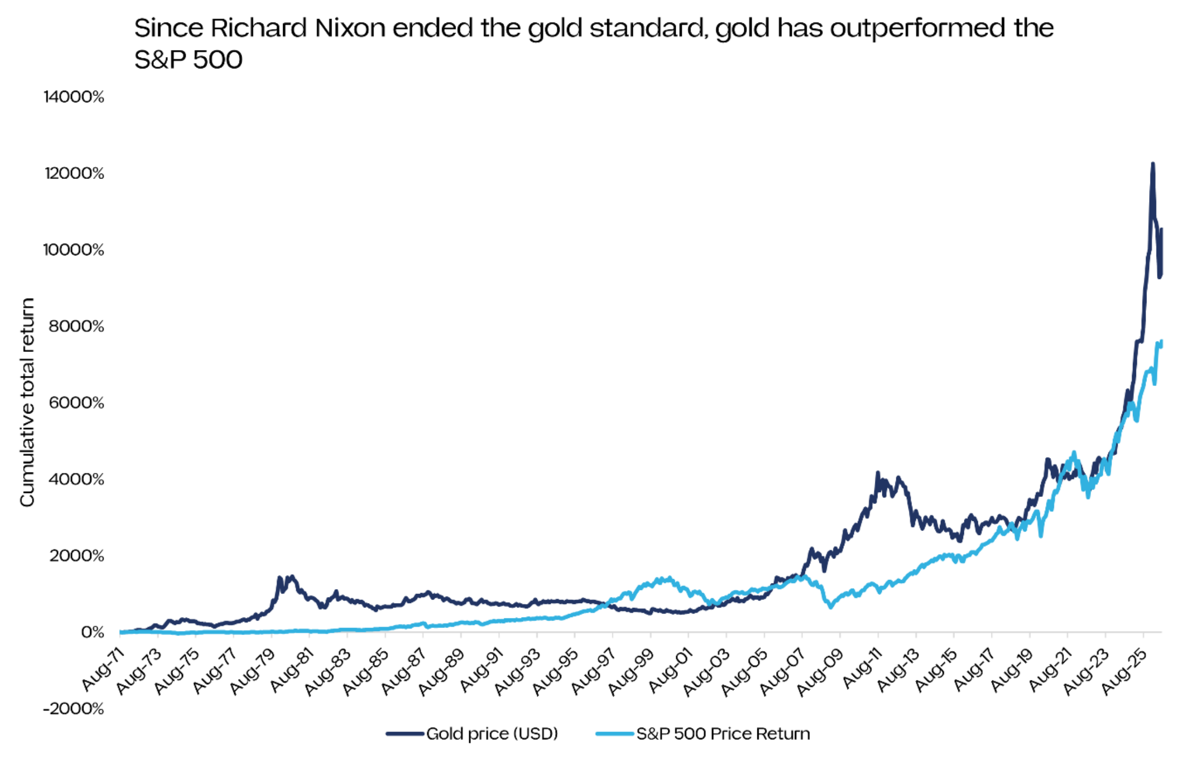
Shani Jayamanne is Director, Investment Specialist, at Morningstar Australia.

Gold: should you own the metal or the miners?

David Tuckwell

Gold has caught a second wind.

After spending much of the year falling from its January record, the precious metal has climbed back around US$4,500 an ounce. The immediate catalyst was the US Treasury's decision to increase purchases of longer-dated government bonds, which pushed yields lower and weakened the US dollar, both of which are typically supportive for gold.



Source: Bloomberg. Data as of August 2026.

Much of the commentary has understandably focused on where the price is heading next. But another question matters just as much for investors: what is the best way to own it?

Should you buy physical gold, either directly or through a physically backed ETF? Or should you buy the ASX-listed gold miners, such as Northern Star, Evolution and Ramelius?

The answer is unsatisfying but important: it depends on what you want gold to do in your portfolio. Physical gold and gold miners may both benefit from a rising gold price, but they are fundamentally different investments.

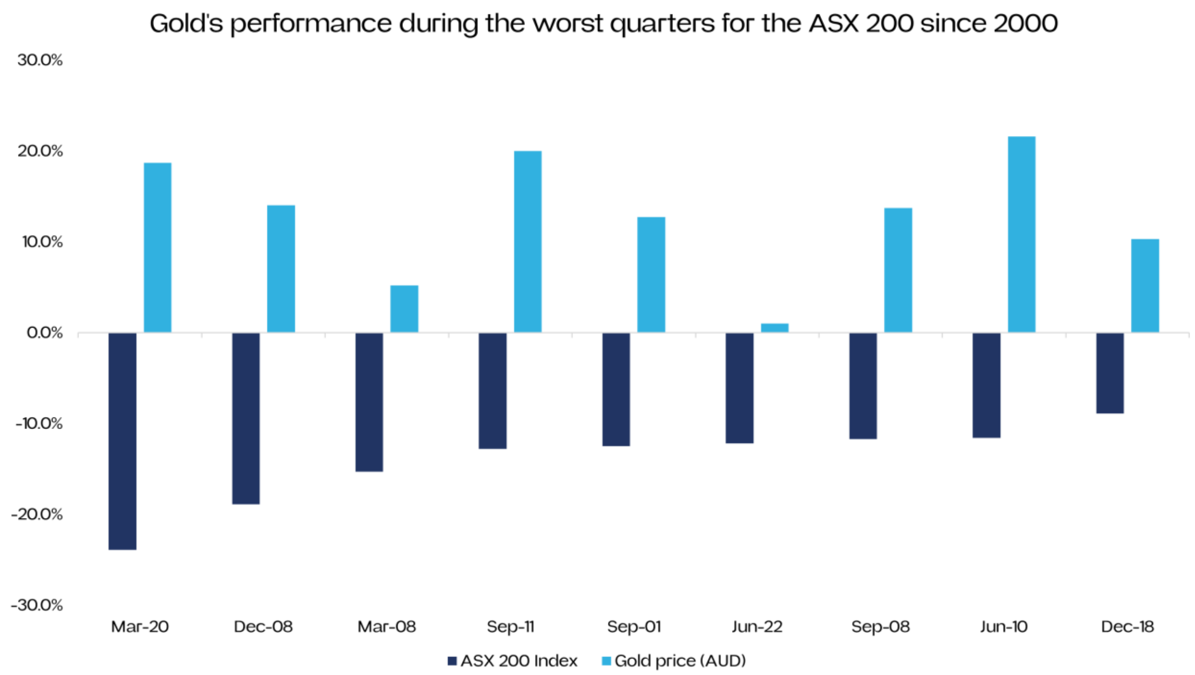
Gold: the portfolio diversifier

Gold has been used as money and a store of value for thousands of years. Civilisations from ancient Egypt to imperial China, with little or no contact with one another, independently prized the metal because it was scarce, durable, divisible and difficult to create. While no longer used as money, many investors still view gold as a store of value and portfolio diversifier.

Gold is essentially an asset without an issuer. There is no company whose profits you are relying on, no government promising to repay you and no corporate balance sheet that can go broke. That gives it a quality most financial assets simply do not have: no conventional credit risk.

Today, investors usually describe this benefit in more modern portfolio language: diversification.

Gold has historically had a relatively low correlation with shares and other risk assets, and at times has performed particularly well when investors are worried about financial markets, inflation, currencies or geopolitics. This is reflected in the chart below, which shows how gold has fared in the worst quarters for the Australian share market over the past 20 years.



Last 20 years. Source: Bloomberg. Data from Jan 200 - June 2026.

That is the crucial distinction between owning gold and owning a gold miner. A gold bar does not have a chief executive. It does not have debt. It does not have a mine that can flood, a processing plant that can break down or a workforce demanding higher wages.

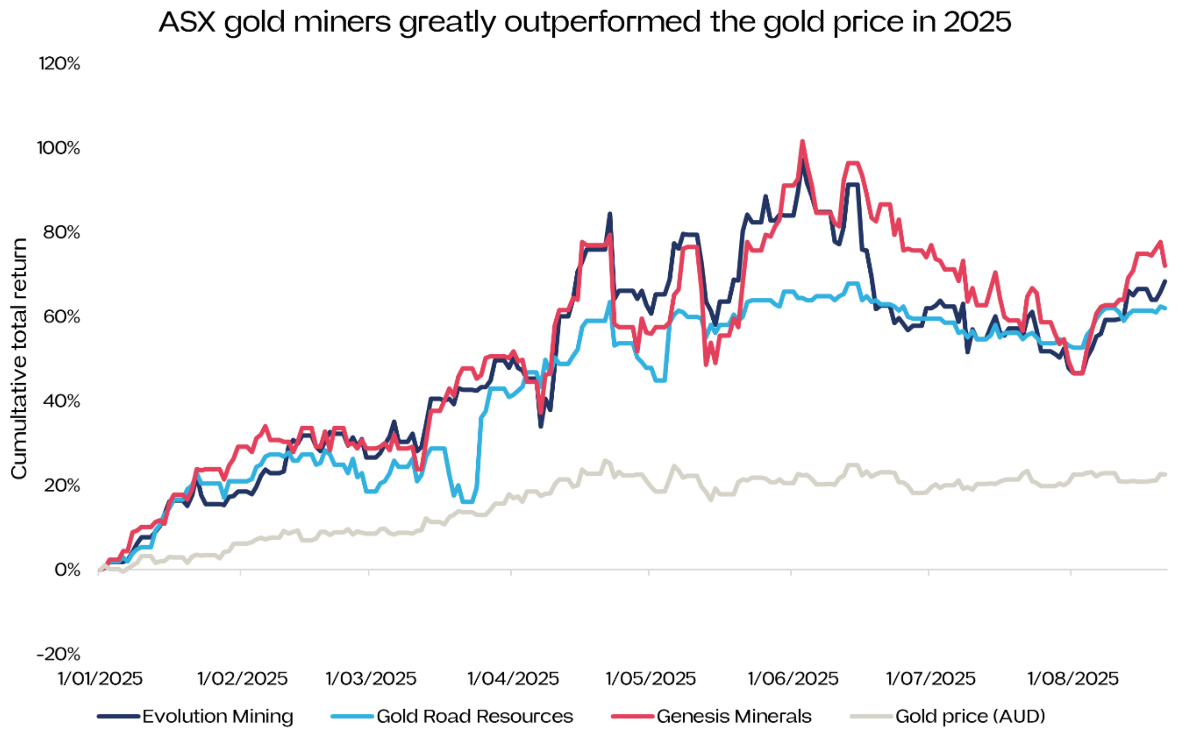
A gold mining company does.

Gold miners are shares, and shares tend to behave like shares. That doesn't mean miners cannot outperform during a stock market sell-off – they certainly can – but they do not provide the same diversification characteristics as physical gold. An investor buying gold primarily to diversify a portfolio of Australian equities gets a purer form of diversification from the metal itself.

Why buy the miners?

None of this means gold miners are inferior. In some circumstances, they are considerably more attractive. The biggest attraction is operating leverage.

Mining companies have large fixed and semi-fixed costs. Once a mine is operating, many of those costs do not rise proportionally with the commodity price. So when gold rises, a much larger proportion of the additional revenue can flow through to profit.



Source: Bloomberg. Data as of August 2026.

Imagine, very simplistically, a miner producing gold at a total cost of US$2,000 an ounce. If gold is US$3,000, it has a US$1,000 margin. If gold rises to US$4,000, the margin doubles to US$2,000. The gold price has risen by 33%, but the company's operating margin has risen by 100%.

That is the leverage investors gain when they buy a gold miner. In practice, however, realised returns often depend as much on management execution and capital allocation as commodity prices.

And it was on full display during the gold rally of 2025, when a number of Australian gold stocks dramatically outperformed the metal - Evolution, Genesis and Gold Road among the standout performers.

Of course, leverage works in both directions. If the gold price falls, miners' margins can contract much faster than the underlying commodity price. Investors are taking on operational, cost, management and equity-market risk in exchange for greater upside.

The other advantage: income

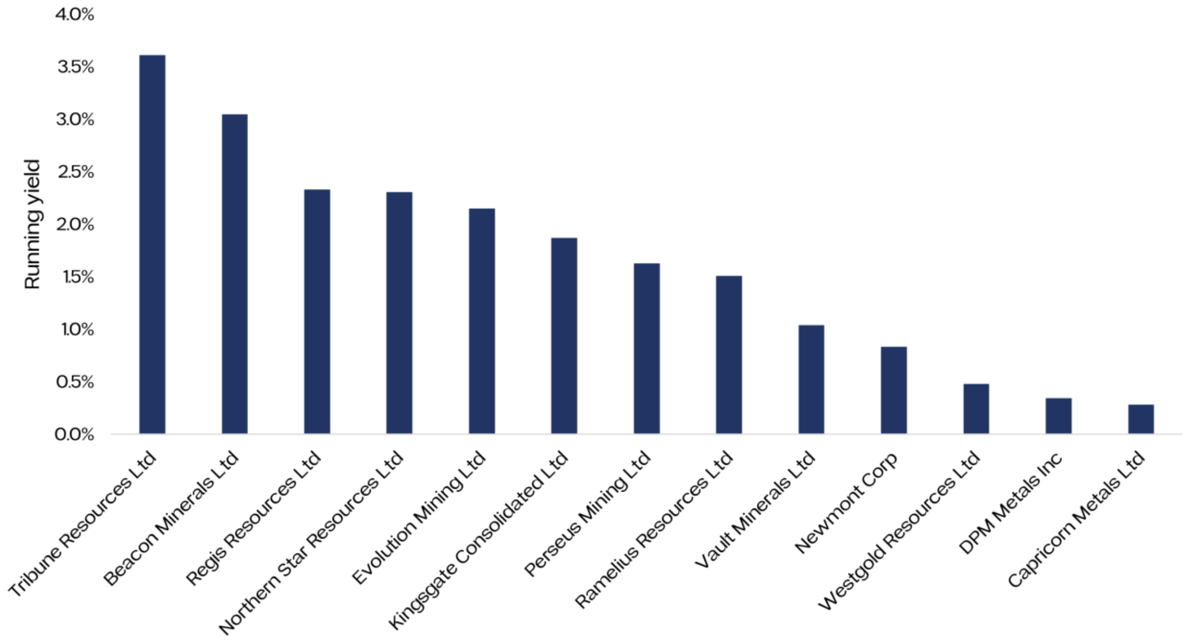
Then there is something physical gold cannot provide: cash flow.

A gold bar doesn't pay a dividend. A profitable gold miner can.

That matters particularly in Australia because many of the country's major miners – Northern Star and Evolution among them – distribute franked dividends while still investing in their businesses.

This creates a different proposition. Physical gold does not generate income, whereas profitable miners may return cash to shareholders through dividends. There is an important caveat, however. Dividends are not guaranteed. A miner can cut its dividend if profits fall, costs rise or management decides capital is better deployed elsewhere. A gold miner should not be thought of as a bond with a gold price attached. It is still an equity.

ASX gold miners ranked by dividend yield as at 21 August 2026



Source: Bloomberg. Yields as of 21 August 2026.

The curve ball: gold miners are becoming less about gold

There is another complication investors need to consider today. Increasingly, it isn't even clear what constitutes an "ASX gold miner".

The reason is geology. Miners rarely extract one commodity from a mine. Gold mines can contain lots of copper, silver and other metals. Some of the world's biggest mines are valuable because of the combination. BHP's Olympic Dam is the famous example, producing copper, uranium, gold and silver from the same extraordinarily complex South Australian mine.

The same phenomenon is increasingly relevant to the ASX's gold sector. Newmont's Cadia operation in NSW is a major gold mine, but also a substantial copper operation. Evolution Mining's Ernest Henry in Queensland is explicitly a copper-gold-silver operation: Evolution produced 76,261 tonnes of copper alongside 750,512 ounces of gold in FY2025.

This matters more as investors increasingly focus on copper because of its role in electrification, grids and data centre development. It also means buying a "gold miner" is no longer necessarily a pure bet on gold.

That can be either a feature or a bug.

Complements, not substitutes

So, should investors own the metal or the miners? Investors should first decide what role they want gold to play in their portfolio. Those seeking diversification may favour exposure to the metal itself, while those seeking greater upside from a potentially rising gold price may prefer holding the miners. Of course, this recognises the additional risks associated with equities and mining operations.

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.

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Global bonds markets are hiccupping

Michael Collins

Bond investors see themselves as 'vigilantes' who check government excess. Yet Japanese government gross debt stretches to a world-high 204% of GDP, a level that threatens global economic stability. US federal debt has doubled in the past decade to US$40 trillion. As this equals 126% of output, many warn of a debt crisis that will jeopardise the country's superpower status. The ratio for France is 118%, a height that could trigger another eurozone debt crisis. The UK's ratio of 104% is stirring talk of an IMF bailout à la 1976. The percentage for the advanced world is 108%.

The question arises as to why bond investors allowed these ratios to soar from the 1970s. Before then, government spending was small relative to economies, thus deficits didn't create debt piles, and the public viewed debt as a moral failing, thus leaders sought to balance budgets outside of wartime.

One explanation is that society became more tolerant about debt when consumer credit cards became widespread from the late 1970s. Politicians exploited this shift by running ever-larger deficits funded by borrowing, while investors (and economists) contorted themselves to justify why ballooning government debt didn't matter.

The nonchalance about debt was reinforced in recent times when interest rates fell to historic lows. Governments could easily meet their repayments.

Not anymore. Bond yields worldwide are hurtling to heights last seen before the global financial crisis of 2008. Note that bond prices fall when yields rise. Yields on US 30-year Treasuries reached a 19-year high of 5.33% on 18 August, up 4.3 percentage points from 2020 lows. To support bonds, Washington unexpectedly pledged to "at least double" its buybacks of longer-dated bonds. But the attempt faltered within 24 hours, as might similar endeavours.

London's debt too is yielding the most since 2007. Paris's borrowing costs are their highest since 2008. Japanese yields, at three-decade highs, are nearing record highs. Even countries with relatively low public debt such as Australia (Canberra's gross debt is 51% of GDP) and Germany (Berlin's ratio is 65%) have seen government yields hit 15-year highs.

Yields are rising because bond investors have turned vigilantes for six reasons centred around the US bond market, the benchmark for global credit.

Inflation

The core reason is that inflation has accelerated beyond central-bank targets. Prices are rising because wars and bad weather have boosted commodity prices, AI demand is bolstering the price of computer components and electricity, and tariffs are raising import costs.

Faster inflation is poison for bonds in two ways. One is that when central banks raise rates to quell inflation, yields on short-term bonds likewise jump to maintain investor interest. The other is that faster inflation reduces the present value of future bond repayments. Longer-dated bonds are savaged more because they represent more fixed payments.

Risk-reward

A second reason yields are rising is that investors want greater compensation for government credit risk because swelling interest repayments are stretching budgets already in deficit and facing other strains as populations age, military needs rise and industry policy gains geopolitical significance.

The debt-servicing costs for Washington, which is running a deficit at 7% of GDP, doubled in the past five years to US$1.2 trillion in fiscal 2025. These repayments now account for 15% of Washington's outlays, surpassing military spending for the first time. In Tokyo's budget, about 25% goes on interest repayments.

The risk is a vicious cycle whereby ballooning interest repayments widen deficits and force governments to sell more bonds, which boosts the interest bill, and so on.

Political influence

A third reason for higher yields is that investors have little faith that new Federal Reserve Chair Kevin Warsh will prioritise fighting inflation when President Donald Trump wants his appointee to cut rates.

AI capital demands

A fourth explanation is that hyperscalers are selling so much debt to fund AI infrastructure they are reducing the capital available for government debt. Bloomberg reports investment-grade companies have sold US$1.5 trillion of bonds this year, a jump of 36% from a year earlier.

Re-shoring

A fifth reason is that investors are fretful that rising Japanese yields will encourage Japanese to reshore some of the US$3.8 trillion they hold in foreign debt securities.

Easing demand from official buyers

A sixth is that a loss of faith in US political institutions' ability to repair Washington's finances is troubling traditional official buyers of US debt such as central banks, sovereign wealth funds and treasuries in China and Persian Gulf countries. Combined with geopolitical motives, these institutions are reducing US assets as a percentage of reserves, with the result that in June, gold overtook US Treasuries to become the topmost reserve asset for central banks.

Consequences

What are the consequences of the bond rout?

1. The coming political fight when governments seek to cut spending and raise taxes to repair their budgets.
2. Commercial and personal interest rates will rise and slow, even shrink, economies. While Australia might have relatively low federal debt, even if it's A$1trillion, Canberra's budget is in deficit, higher interest repayments are squeezing indebted state governments, climbing mortgage rates will menace housing, and the country faces steeper repayments on foreign debt of A$3.2 trillion as of 31 March, which, at 160% of GDP, is high by international standards. In the 12 months to March 31, Australian repayments on foreign-owned debt instruments reached A$80 billion.
3. Rising yields might sabotage the global stock rally because higher interest rates slow economies and thus hurt profits, and they reduce the value today of future earnings.
4. Governments will have little ability to stimulate economies come any slowdown, just when faster inflation is forcing central banks to tighten monetary policy. Governments could even magnify any slump if they tighten fiscal policy to placate bond investors.
5. Falling bond prices might trouble some financial institutions as happened to Silicon Valley Bank in 2023. A systemic scare is possible.

In short, everyone suffers when government bonds are no longer as safe as they should be.

To be sure, no one expects a Western country to default as Cyprus and Greece did during the eurozone debt crisis. It's true too that interest rates are only rising to historical norms after being abnormally low. But government (and business and household) debts are bigger now compared with the size of economies. Thus, even lowish rates pose dangers.

If a crisis eventuates, blame spendthrift politicians but also the public's tolerance of debt that defanged bond vigilantes.

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Why investors are looking beyond traditional property sectors

Steve Bennett, Sasanka Liyanage

What is life sciences real estate?

Life sciences real estate is characterised by facilities largely used for scientific research, diagnostics, healthcare, and innovation — most commonly in biotechnology, pharmaceuticals, medical technology and pathology. These assets are classified within the 'alternative' real estate sector, sitting between Office, Retail and Industrial & Logistics sectors, and are distinct from traditional healthcare real estate (e.g. hospitals and aged care).

Life sciences assets are comparatively more complex and sophisticated, with higher upfront capital requirements from the tenant. They can accommodate laboratories (wet and dry), Research and Development (R&D) facilities, biomanufacturing plants, clean rooms, testing facilities, and specialised office-lab hybrid buildings. These uses often require advanced heating, ventilation, and air conditioning (HVAC) control systems, high power capacity with backup infrastructure, and specialised safety features. Assets may also require reinforced floors and be subject to strict regulatory compliance. Typically, they are located within established clusters in close proximity to research institutions, universities, hospitals and skilled labour forces.

Sullivan Nicolaides Pathology, 24 Markwell St, Bowen Hills Qld

While life sciences property encompasses biotechnology and pharmaceutical research, this article focuses primarily on pathology and diagnostic testing facilities, which represent one of Australia's most established forms of life science infrastructure.

Structural demand drivers

The sector benefits from several long-term structural trends that may support demand growth. Ageing populations and rising healthcare demand have driven significant increases in healthcare expenditure. In the wake of the pandemic, there has also been an increased focus on longevity trends and a marked expansion in the scale and complexity of medical testing.

Long-term trends supporting demand

- **Ageing population**: Australia's population aged 65+ will increase from 1 in 6 today to 1 in 4 Australians by the 2060s, with 85+ the fastest growing cohort.[1] This rise in the elderly population is expected to drive structurally higher and recurring demand for pathology and diagnostic testing.

- **Leading government healthcare spending and performance**: Australia has recorded the highest growth in healthcare spending per capita across the advanced economies, increasing 5.7% compound average growth rate (CAGR) since 2000, above the G12 average of 5%.[2] Australia also has an outperforming and productive health system, ranked highly for health outcomes, equity and efficiency.[3]
- **Variety and complexity of testing**: Growth in diagnostic testing reflects increasing variety and complexity (e.g. genomic monitoring and biomarkers, multi-panel testing), as well as the expansion of screening programs and early detection initiatives. Preventative healthcare is shifting upstream with an increasing focus on early intervention, which is expected to support testing volumes.

Life sciences real estate as an investment sector

Life sciences real estate is a diverse property sector, and the method of participation for an investor is a key determinant of outcomes. The sector's specialisation and higher upfront capital requirements create distinct investment implications. Tenant lease terms are generally longer, increasing the importance of tenant financial stability, asset specialisation and location.

- **Tenant quality:** High-quality tenants reinvest in mission-critical assets, underpinning sustainable rents and long-term cash flow growth. Key indicators of tenant strength include rent-to-EBITDA (earnings before interest, taxes, depreciation and amortisation) and net debt-to-EBITDA ratios. Over time, high-quality tenants with resilient business models tend to deliver EBITDA growth, which may strengthen income security and support rental growth.
- **Asset specialisation:** The specification, regulation and capital requirements create barriers to entry across the asset class. As a result, well-located, high-quality facilities may be better positioned to command rental premiums and support occupancy over the long term.
- **Location:** Over time, tenant network effects may strengthen as connections with customers and surrounding business clusters deepen, reinforcing locational dependence and supply chain networks. Immediate proximity to key hospitals, medical research institutions and tertiary health services strengthens operational linkages and increases the strategic importance of the location to tenants.

Conversely, underperforming tenants can materially impair outcomes. In the event of lease expiry, high fit-out costs and asset-specific requirements can result in elevated re-leasing costs. Where assets are in inferior locations or poor condition, these challenges can compound. Tenant concentration and dependence on government reimbursement settings may also represent risks.

Successful investment criteria

Successful investments are typically anchored by tenants with strong and diversified revenue sources. Their cash flows tend to be supported by both public and private funding sources.

Investment risk can be mitigated through careful asset and tenant selection. Greater conviction can be achieved by targeting essential business models with established track records, and by prioritising modern, stabilised assets that reduce development-related risks.

Why pathology facilities may benefit from structural demand

Demand for essential pathology services

- **Critical life sciences infrastructure:** Australia's private pathology sector provides essential healthcare infrastructure for illness detection and treatment.
- **Non-discretionary demand:** Consumption of these services has been resilient through economic cycles, with a strong link to population growth, ageing population, rising life expectancy, and ongoing technological advancements.
- **High barriers to entry and limited supply:** Significant capital requirements, stringent regulation, specialised facility requirements and scarce suitable real estate constrain new supply, contributing to a highly concentrated market in which the three largest operators account for more than three-quarters of industry revenue.

Healthcare expenditure and service usage

- **Ongoing government fiscal commitments:** The FY27 Federal Government budget for healthcare increased commitments, with an approximate 17% increase in health expenditure forecast between FY26 and FY30.[1]
- **Rise in service usage:** Pathology services provided under Medicare have trended upwards over the past decade. Over the 20 years to FY25, the average annual number of Medicare pathology items claimed per person increased 75%, from 2.6 items to 4.6 items per person.[3] In FY25 alone, 175 million services were provided under Medicare.[4]
- **Medicare expenditure:** Approximately $3-4 billion per year is spent on Medicare-funded pathology in Australia. This equates to roughly 10-12% of total Medicare expenditure, the joint highest service volumes per capita with GP visits.[5]
- **Growth of market:** Australia's pathology market is worth ~US$11.8 billion in 2025 and is forecast to grow to US$26.2 billion by 2034 (~9% CAGR).[6]

Public and private funding sources

- **Public support:** Given the focus on maintaining sustainable healthcare expenditure, governments may increasingly rely on efficient, private providers to deliver healthcare services.
- **Medicare support:** Pathology has resilient support from government funding through Medicare (~70-90% of volume), with pathology traditionally recording one of the highest bulk-billing rates of any medical service (~91% in FY24, compared with an average of ~76% across other services).[1]
- **Resilient government funding:** The government continues to commit to expanding test coverage, adding new reimbursable tests, and supporting access and volumes. Examples include Medicare-funded reproductive carrier screening tests and higher demand for genetic testing. However, reimbursement levels are subject to policy decisions and periodic review.
- **Private sector filling the gaps:** The private sector is also contributing to service funding, with a growing contribution from private insurance (via hospital diagnostics) and advanced diagnostics.

Together, these factors suggest that pathology facilities may benefit from supportive, long-term demand trends. However, as with any specialised sector, investment outcomes will depend on asset quality, tenant strength, valuation discipline and future supply conditions.

[1] Australian Government – Australian Institute of Health & Welfare FY27 Government Budget.
[2] Global Health Expenditure WHO, via World Bank 2026.
[3] Commonwealth Fund – Healthcare system performance rankings.
[4] IbisWorld.
[5] Services Australia.
[6] Imarc Group.

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Retirement in reality - 6 months in

Dr Joanne Earl

For those of you who have not connected, I retired 6 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. This month I am exploring career and possible reasons for hanging on to identity.

Work Identity

I've been thinking about a lot in the last month – largely because I found myself wandering back to similar work that I'd walked away from just 6 months ago. It meant temporarily parking up other plans – new plans - and reverting back to a well-trodden path in Educational Leadership. I didn't especially need the money but I was committed to the Program (which I think is great). I found myself pulling my pants over my tights in Supergirl style to save the day. I was back to old patterns. Worse still new routines I had in place around eating and exercise came to a stand-still. When I was not working, I was thinking about work even though it was only part-time and a short-term contract.

My dietician asked me "Why did you agree to do it?" and my reply shocked me "Because they needed someone who could jump in quickly and I had the skill set". Really? Just me? The only person in the whole wide world who could fix the problem? Highly unlikely. Then I listened to my SBS Insights interview where I say something relating to having the responsibility to share what we've learned about retirement planning so other people could benefit.

I started to reflect on my identity and what might best explain this irrational behaviour. I've never fully bought the identity crisis issue because it implies everyone is wedded to their work (spoiler alert – they are not) and that leaving is mostly involuntary. I'd buy the identity argument if people experienced ill-health, carer responsibilities or jobs were made redundant but if people are so highly invested in their work identities why did they voluntarily leave work in the first place?

Retirement theory to explain the reality

So what are the other possible explanations?

1. Psychologists might best explain my behaviour as evidence of Continuity Theory. Robert Atchley examined the role of continuity theory in 1971 in his article "Retirement and Leisure Participation: Continuity or Crisis?" published in *The Gerontologist*. Definitely worth reading. His early work largely focused on the role of leisure. According to this theory I might have agreed to participate because I wanted to keep my previous work identity alive and this was one way of doing it. There are some parts of my old work life I voluntarily continue. I mean, I see the benefits of progressing my retirement research, counselling and consulting – I'm obsessed – but chaotic administrative roles were not on my list.

2. Behaviour Economists might explain it differently. Perhaps what I was witnessing was not a willingness to let go of old identities but a sunk cost fallacy – something like "It was hard to get into my course. I studied for years and years. I completed four university degrees. I made great progress. I still need to keep going to make the best use of it. Anything else would be a waste." Maybe that's true, but not all parts of it need to be retained, only the selected bits that still make sense. In any case it was only a month-long contract and great lessons were learned.

Recognising the useful bits

So what can I tell myself and other people who are hanging on to old work identities and can't move forward, who share a similar compulsion? I reminded myself about a white woollen pant suit I once bought. Fitted me perfectly, made me feel like a million dollars but it was totally impractical. Every time I tried it on, I talked myself out of wearing it until one day I said "no more – that pant suit has outlived its usefulness". How did I feel donating that suit to make room for more suitable clothes? Relieved. Refreshed. Brave.

Retirement can be chaotic too

The other challenge I am coming to terms with is that, despite my very best efforts, some days (and weeks) are very chaotic. I imagined I would be able to easily partition off time for work but in reality, sometimes there are many different things simultaneously converging. In addition to the educational leadership role, the SBS episode I participated in aired one day before leaving for a holiday. I only found out two days ahead of airing and I was bombarded with requests for radio interviews. I found myself in the ridiculous situation where I was participating in radio interviews before, during and after a Conexus Institute round table. I could have said no, but I'd invested about 8 hours in the SBS episode and, you guessed it I wanted to make the most of it… sunk cost fallacy. In reality, at least for me, it is very difficult to smooth out work demands. That's something I need to examine more closely.

Spending

I think sunk cost fallacy might also be applied to explain a lack of spending behaviour in retirement. In this case 'saving' is the goal and then continuing to do that seems like the more comfortable option. The mindset is something like "I don't want to touch this money after I spent so long saving it". I caught myself shopping for a birthday card last week and (illogically) thought I should buy several more in case the price goes up. It reminded me of the period about 12 months ago as I started to slide into retirement. I started buying things imagining that "I won't be able to afford these when I retire". Of course, that's not true but as a result I now most likely have enough cards to last me until I die – if only I could find them amongst the bars of soap, shampoo, toothpaste and dishwashing liquid I'd hoarded alongside them.

So how important really is identity to you? If it's that important why leave work? If you do leave work, which bits will you hang on to and which bits will you happily leave behind? If you do work part-time or casually how do you organise your time so that it doesn't absorb your whole week? How will you manage the psychological switch from accumulating wealth to spending it?

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.