The INVESTMENT COLLECTIVE

INVESTMENT MARKET UPDATE

ISSUE 86 WINTER 2023

"OUR DUTY IS YOUR FUTURE"™

MESSAGE FROM MANAGER

Six or seven years ago I took up running. I had been coping with the death of first my father, then my brother, heath issues with my middle son, the challenges of building and then owning a business, and then mum dying. Always pretty resilient, I didn't manage these stresses well, and that was not helped by becoming very unfit. One Saturday morning, walking the dog I was surprised to see people running toward me. Mostly it's people who live nearby who use the pathway adjacent Yeppen Lagoon, but on this particular morning a trickle of people turned into a flood. Surprised, I saw my friend Suzie in the crowd. "Watcha doing Suzie?" I yelled. "Parkrun, look it up online" she called back. And from that day something changed, and I decided to try and start looking after myself better.

Outdoors and social, the now global Parkrun movement is based on just doing something positive for yourself. You sign up for free, get a bar-code and just turn up. Around 300 people turn up to the Botanic Gardens in Rockhampton at 7am every Saturday morning. In Melbourne I have done Albert Park (up to 700 people), Studley Park and Darebin (both lovely courses), and more than 20 others elsewhere. I always think it's a bit amusing to wander down from my car, bleary eyed, and there suddenly is the hum of people chatting, laughing and otherwise distracting themselves from the upcoming 5km.

> "From that day, something changed, and I decided to try and start looking after myself better."

Run, jog, skip or walk, it's just you against yourself, or not even that. Originally I started out not being able to run the full 5km and I didn't lose any weight. It was very frustrating. But just by turning up people started to take an interest in me. Walk a bit and run a bit they said, and each week make the running bits a little longer. Hold your posture, look ahead and don't stoop. Lift your feet. And best of all, the 70ish year-old lady who good naturedly insisted that I had no business being slower than her!

Gradually I started to improve, and around that time Suzie mentioned another free, outdoor activity called Live Life Get Active. Available in many places in Australia (but sadly not in Rockhampton currently), it comprises short daily exercise classes run by paid trainers. That broadened out the exercise regime, and the company of the mainly women who came along led to a great camaraderie. I realised that few of us get through life without a cross to bear. Live Life Get Active is in hiatus during school holidays, and so I was invited to join these newfound friends doing Body-Boss sessions for 6 weeks or so. Body-Boss is an app-based program that starts each Monday relatively tame, and cranks up through the week such that by Friday you really know you are alive (or nearly dead)! It's fun to do with others.

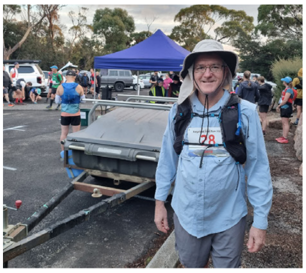
Well from that point, my confidence in my physical ability began to improve, and so did my Parkrun times. I went from 38 minutes down to just over 24 minutes – not record breaking, but not bad coming back after a 30-year spell from exercise!

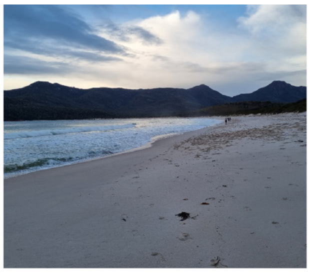
The next step was to join Rocky Road Runners, which with Parkrun meant running 5km at least three times a week. It eventually took over from the Live Life Get Active Sessions, but it opened my mind to all sorts of new running based activities. Our business took on sponsorship of the Great Keppel Island Trail Run, and apart from mooching round bays and beaches fishing, there's no better way to see this incredibly beautiful island. I ran 22 of 27km on my first go. Suffering immensely, but utterly amazed at myself. I have done the 22km segment three more times since then, each time getting better. Here, I have learned that 'better' does not necessarily mean faster. To run a given distance and just feel like you are in control of your body at the end (as opposed to being one step off being carted away in the rescue helicopter!) is really something.

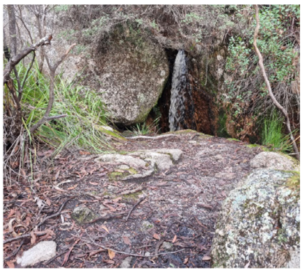
I now also do 10km trail runs semi regularly, but early in the year I got this idea to do a 29km run at Freycinet National Park in Tasmania. We had been there when Sandra was pregnant with our first child, and its beauty never left me. Running through a postcard, how great would that be? Well goodness, here I am almost 60, a handy hack as far as running goes, surrounded by 100 or more immensely fit Tasmanians, most of whom were much younger. I can't ever remember being nervous before something has happened. Excited in anticipation, yes. Scared in the middle of something unexpected and dangerous, a few times. But here I was, nervous and I didn't even know why. Well off we went, up 200 metres and then down to Wineglass Bay, along a kilometre of sand and then up, up 580 metres to the top of Mount Graham. The trouble with Mount Graham is that the top is not the top! You reach what you think is the top only to see a 2km swamp, between you and the final ascent. Really, who puts a swamp on the top of a mountain? Water everywhere, you could barely discern the track. The Tasmanians were long gone! I fell twice. Of course, it would be easier on the way down.

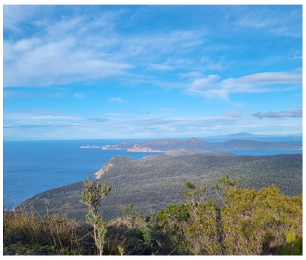
The view from the actual top was absolutely jaw dropping, but the descent being incredibly steep was just cruel on the knees and nothing like I had expected. 20km to go, good god, what had I done? Where would they land the helicopter? Thankfully it flattened out a bit and soon I was back in the forest with birds, bush and beautiful streams running everywhere. I got a little bit of pace up, before falling twice more. Up hill, down dale, and then at last out on the western beach with 8km to go. With hopes for a 4.5 hour finish clearly down the toilet, I texted Sandra to say she should get some lunch and that I would be another 45 minutes to an hour – I mean if I can easily do Parkrun's 5km in 28 minutes, surely an hour is enough for 8km on a nice beach and well-worn tourist track. Well the beach was okay; I even thought I might catch up to a Tasmanian or two. But the last 5km? More bloody mountains!

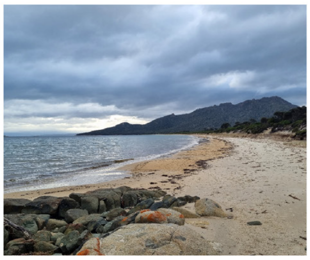
Eventually I got to the end, 5 hours, and 40 minutes. Apart from two people who turned back, dead last, and 10 minutes after official cut-off - but still welcomed by the organisers, a couple of runners committed to the event and of course Sandra.

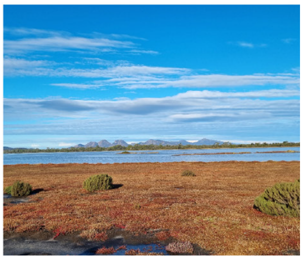












Looking back, it was one hell of a day out. I totally underestimated it. The place was awash, beautiful but unfamiliar to me. I fell the four times and got lost three (luckily there is a very good moving map app they make you load before you go). My running app measures energy use and you would be amazed at the energy deficit even with a truckload of energy bars. Low glucose does not help your brain and according to the app I used three times as much energy as I put in. I think that made me feel lonely and once even a little bit scared.

Afterward I kept thinking of the track, even waking at night, it's like all this detail had been absorbed by my mind and was mesmerised by the beauty of the place, yet unsettled by fact that I was alone in it by myself for so long. As the weeks have gone by I have started to allow myself a little pride (people take two to three days to hike this track). Would I do it again? Possibly, but I would train differently (I ran 24km up our local mountain the week before – good idea but I should have left two weeks recovery time), I would work harder at the beginning to keep the pack in sight and I would know the way better.

I hope you've enjoyed the read. I decided to share it because as I have gotten older, I realise so many of us face challenges, and helping clients with those challenges is something I love about my work. Not everything can be sorted with a click of your fingers, and while money is an undoubtably useful tool, the really big-ticket items often cannot be solved outright, if at all. When solutions are not obvious or they do not exist, we need to learn to manage ourselves. Learning to look after yourself is key to that. See you at Parkrun!

David French
Chief Executive Officer

5 aged care mistakes to avoid

Navigating the aged care system can be challenging and overwhelming. There are several pitfalls that can trip you up along the way, from unexpected costs to unsuitable care.

By being aware of these common pitfalls and taking steps to avoid them, you can ensure that you or your loved ones receive the best possible care and support in their later years.

1. Thinking residential aged care is the only option

If your loved one needs some extra help and support, they don't necessarily have to move into a permanent residential care facility. There are some other options available that can help them maintain their independence and stay in their own home for as long as possible. One option is the Commonwealth Home Support Programme. It's a great option for those who need some assistance with daily tasks, but don't require a lot of extra support. For those who need a bit more help, there are also Home Care Packages. These packages can provide a range of services and support to help people stay in their own home, even if they require a higher degree of care. So if your loved one needs some extra help, don't assume that permanent residential care is the only option. There are other choices out there that can help them maintain their independence.

2. Leaving it until it's too late

Many people only think about aged care when there's a crisis. This often leads to a lot of stress and fewer options to choose from. When something unexpected happens, like a health emergency or a decline in daily living activities, it can be really tough to figure out what to do next. You might have to deal with financial issues, family dynamics, estate planning, and personal preferences all at once. It can be overwhelming. That's why it's a good idea to start talking about aged care early on, before a crisis happens. If you notice that someone you care about is starting to need some extra help in their daily life, it's important to start having those conversations sooner rather than later. This way, you'll have more time to gather all the information you need and make the best decisions for everyone involved.

3. Avoiding the topic

Some people may avoid talking about aged care because they don't want to face the fact that they or their loved ones may need others to provide some assistance in the future. By opening up a discussion with your parents or loved ones, you'll have the opportunity to hear from them about what's important to them. You can find out what their preferences are, what they're worried about, and what kind of help they might need in the future. That way, you can start preparing early on.

4. Nothing is documented

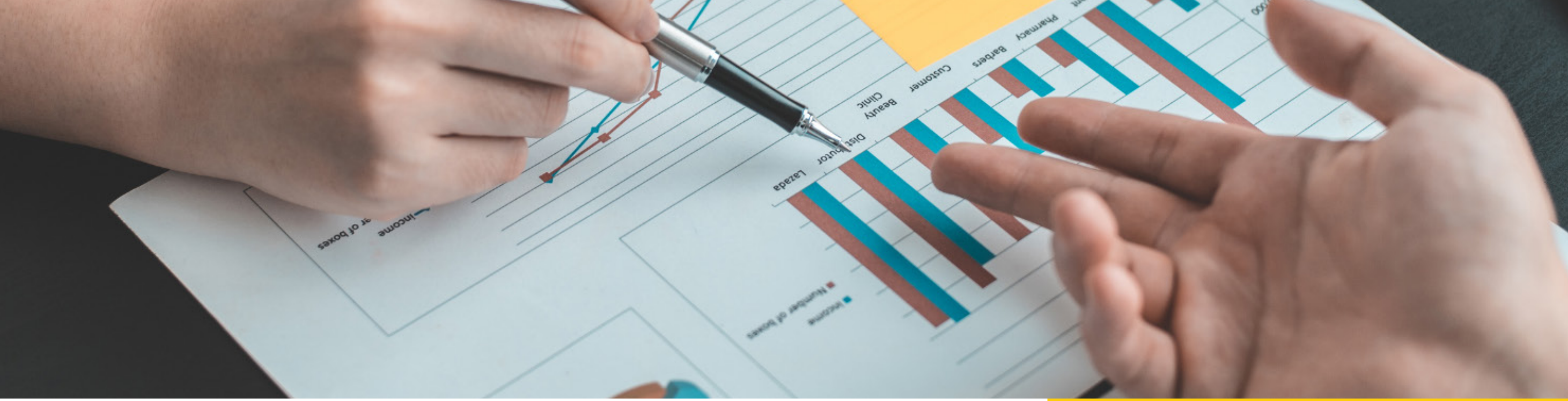
It's really important to have certain documents, like an Enduring Power of Attorney, Enduring Guardianship, and Will up to date and valid. These documents can make a big difference when it comes to making sure you get the support you need. It's also important to make sure the right people know where these documents can be found, along with any other wishes you may have. This can help avoid stress, confusion, and delays down the line. If everyone knows what to do and where to find everything, you can focus your efforts on getting the right support and care that is needed.

5. Financial traps

Depending on the type of care and support required there can be various fees and costs and it can be complex in nature. Working with a specialist aged care financial adviser can help you and your family work through the various costs and options and to help you find the strategy to achieve your personalised outcomes. Having clarity around the immediate and longer-term outcomes can help you make the decision that are right for your situation and avoid unexpected financial results.

Start the conversation early, explore your options, and be clear on each other's wishes to proactively protect yourself and your loved ones. Our clients tell us that working with us relieves them of the financial and emotional burden. Most of all, they gain confidence in their decisions and peace of mind.

Robert Syben
Senior Financial Adviser



The future of financial planning

Financial planning continues to be a topic of interest since the Banking Royal Commission. A recent government 'Quality of Advice Review' has responded to recommendations from the financial sector, aiming to make advice more accessible to more people and prioritise client outcomes.

> "Shifting the focus towards client outcomes is expected to be advantageous for both clients and advisers."

Some prominent recommendations include:

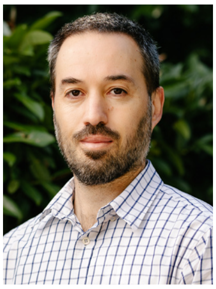
- Simplifying fee disclosure, which currently poses a significant burden on both firms and clients.
- Shifting the focus to outcomes, reducing paperwork for advisers and clients while emphasising the value advisers bring to their clients.
- Amending Statements of Advice (SOAs) which currently average 40+ pages, primarily filled with legislative jargon that is not easily understandable. Simplifying the SOAs and making them more suitable for their purpose will be beneficial for both advisers and clients.
- Removing safe harbor and best interest duty has been a subject of longstanding debate. Critics argue that these provisions tend to focus more on the adviser's actions rather than the outcomes they achieve for their clients. Shifting the focus towards client outcomes is expected to be advantageous for both clients and advisers. Although there is still much work to be done and details to be provided, it seems that the government is open to listening to advisers, a move that could ultimately benefit clients. This is certainly a step in the right direction.

If the industry can reduce the regulatory burden and emphasise positive client outcomes, there is a possibility that more people will seek financial advice. Such changes could lead to greater accessibility to advice and potentially lower the cost for consumers in the future.

Simplicity often yields positive results, and I am hopeful that common sense will prevail, leading to a substantial increase in the percentage of Australians seeking financial advice from the current 10 per cent.

During my initial meeting with my previous financial adviser, I could immediately see the positive impact he had on our financial affairs. I hope more people have the opportunity to experience the same.

John Zahra
Financial Adviser



Events Update

Fitzroy Frogs GKI Trail Run

The Investment Collective were proud to once again be the major sponsor of the Fitzroy Frog's GKI Trail Run! Taking place on 4 June 2023, CEO David French (pictured) took part in the the 22.2km "The Wreck" trail run across Great Keppel Island. With over 100 competitiors competing on the day, the event was once again a great success!

Camberwell Art Show

From 24 June - 2 July, the Camberwell Art Show took place at Swinburne University located in Melbourne. The Investment Collective were glad to support an event which is chaired by one of our clients. Judging by our staff reactions and feedback from clients in attendance, it was very well run and some terrific artwork was on display!

Understanding and paying off debt

Debt is a common financial obligation that many people face. It refers to money borrowed from a lender that must be paid back over time, usually with interest. Debt can take several forms, including credit card debt, personal loans, and mortgages.

Managing debt can be a significant challenge, especially when drowning in a sea of bills and increasing cost of living. High-interest rates, administration fees, and minimum monthly payments make it easy to feel your debt is out of control. However, with professional guidance from a financial adviser, you can take control of your debt and work towards achieving your long-term financial goals.

Understanding the various types of debt and the associated risks is important before taking on any new debt. For example, credit card debt often comes with high-interest rates, making it difficult to pay off quickly. In addition, personal loans may require collateral, including a home or car, to secure the loan.

Understand your budget and cash flow

A way to free up money and pay off debt is by reducing expenses. First, look at your monthly budget and identify areas to cut back.

Reducing expenses can be challenging, but it's an essential step in managing debt effectively. Focus on what is a need vs what is a want. By freeing up more money, you can improve your cashflow and put more towards paying off your debts each month. The benefit is reduced interest payments as you pay the loan off faster.

Alternatively, increasing your income is another way to pay off debt faster. For example, consider a side hustle like driving for Uber or asking for a raise at work. You could also look to sell items you no longer need.

Another option is to ask your loan provider for a discounted rate – you don't know if you don't ask.

Create a debt management plan

To effectively manage debt, create a debt management plan. This plan should include all debts, including the outstanding balance, interest rate, time frame remaining and minimum monthly payment.

Once you understand your debt, you can create a strategy for paying it off. Your financial adviser can help you strategise your approach to repayments.

Consolidate your debts

Having numerous debts can result in paying several administration fees and interest charges. Merging all your debts into one loan may lead to reduced interest and fees and assist in saving you money. In addition, consolidating your loans may make it easier to handle your debt as you will only have to make one payment rather than managing multiple loan repayments simultaneously.

Pay your debts on time

Time management is an important aspect of staying on top of and managing any debts. Ensuring that repayments are made on time can help you to avoid incurring late fees and added interest charges. The other downside of late payments is the impact on your overall credit rating, which may impact the ability to negotiate a lower rate or obtain a new loan.

Consider creating notifications that prompt you when your payments need to be made, or investigate if paying through direct debit would benefit you.

Stay motivated

Managing debt can be a long and challenging process, but staying motivated is important. Celebrate the small victories, such as paying off a credit card or loan, and focus on progress rather than how much you have left to pay. If charts help you achieve goals, plot the remaining loan and track it through to completion – not the original path of the loan and track with the additional payments to show the savings being made.

It's also essential to avoid taking on new debt while working to pay off existing debt. Try living within your means and avoid overspending, even if it requires making sacrifices in the short term.

Taking proactive steps to manage your debt can improve your financial health and help you achieve your long-term financial goals.

Allan McGregor
Financial Adviser

Investment Update

What a year so far as we close out the 2022-23 financial year. At the start of 2023, most investment professionals were calling a US recession and with it weaker equity markets. While there was a pullback in March, the recent rally in US equity markets has surprised many, despite weakening economic fundamentals and tighter monetary conditions. We continue to work through inflationary pressures, rising interest rates (with the odd monthly pause), recessionary concerns, and geopolitical concerns.

When we take a closer look at the US equity market, it becomes clear that the S&P 500 index has been primarily driven by a handful of stocks, namely Meta (owner of Facebook), Apple, Amazon, Netflix, Alphabet (owner of Google), Microsoft, Nvidia (the chip maker that sparked the frenzy in Artificial Intelligence (AI) stocks), and Tesla. These companies are all widely recognised, and I am sure you use some, if not all, of their products and services. However, the remaining 492 stocks in the index have not performed as well. This indicates that while the overall market appears favourable, caution is warranted as the rally is not widespread and is limited to a select few companies.

During the same period from January to the end of June, the Australian market did not perform as well, delivering a six month return of 4.51% (S&P/ASX 200 index), compared to the S&P 500 index return of 15.91%. It is important to note a few key differences between the Australian and US markets. The Australian equity market continues to be predominantly influenced by the Financials and Resources sectors, whereas the US market is more exposed to a wide range of Technology companies. Furthermore, the impact of rising

interest rates on households can vary significantly across countries. In Australia, most mortgages are linked to variable rates, so whenever the Reserve Bank of Australia (RBA) raises interest rates, borrowers feel the financial strain. On the other hand, in the US, it is common to have long term fixed rates, typically spanning around 30 years, which have been secured at historically low rates.

Therefore, while markets have been performing well, signs are emerging that economic conditions are deteriorating (e.g., lower corporate profits, regional bank failures in the US). As tighter monetary conditions take hold, there is a good chance that global economies may enter a recessionary period, although predicting the timing is difficult due to the conflicting economic data. Consequently, diversification across your portfolio is crucial. It should consist of equities (both global and domestic) for growth, fixed interest (generally considered defensive), some property and infrastructure (providing growth, income, inflation protection), and cash. Referring to our previous example, if you had invested solely in Australian equities over the last six months, you would have missed out on the strong returns from the US market.

Investing in volatile markets or during a recession can be a daunting task for many. The unpredictable nature of these times often leads to anxiety and fear among investors. However, having an investment strategy remains crucial. While there may be bumps along the road, we remain focused on quality investing to help navigate periods of uncertainty. In simple terms, quality investing means focusing on companies that have robust fundamentals, a track record of stability, and profitability. This approach offers several advantages during turbulent market conditions.

> "Investing in volatile markets or during a recession can be a daunting task for many."

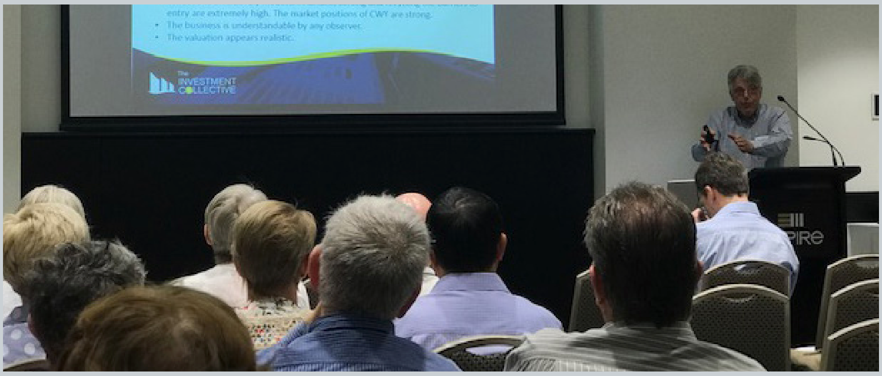
Quality investing identifies companies that have a solid foundation and are less susceptible to external shocks. These companies typically demonstrate reliable cash flows, healthy balance sheets, and sustainable business models. By investing in such companies (or fund managers that seek out these types of companies), investors can reduce the risk of significant value erosion during market downturns, in addition to having diversification across asset classes. We have previously discussed many of these types of companies, some of which you may be familiar with, such as Woolworths, Commonwealth Bank, and CSL. For international equities exposure, for instance, the VanEck MSCI International Quality ETF can be utilized, offering a broad-based exposure to approximately 300 quality stocks (excluding Australia).

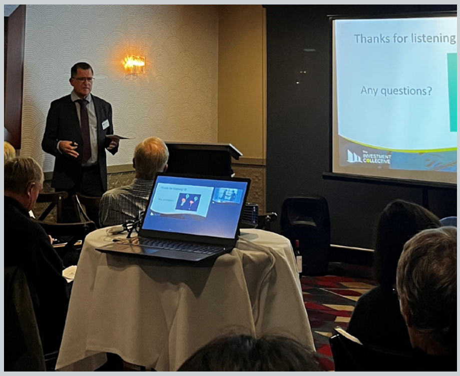
Quality investing has demonstrated a historical tendency to outperform over the long term. During periods of market volatility or recessions, lower quality companies often suffer significant declines in value. In contrast, quality companies have the potential to outperform their counterparts by maintaining profitability, attracting investors seeking safe havens, and capitalising on opportunities arising from market disruptions. This outperformance can offer investors superior returns compared to the broader market over the long term.

When we reflect on the start of the year in 2023, there were concerns of an imminent recession due to the trajectory of forward indicators and one of the fastest interest rate hike cycles on record. Over the following months, consensus views shifted from recession to 'no landing' to 'soft landing,' with constant shifts in between. Consequently, investors adopted a glass-half-full approach, driving up US equity markets to expensive levels once again, fuelled by substantial amounts of cash on the sidelines driven by the fear of missing out (FOMO). However, we believe that now, more than ever, with equity markets having experienced such a strong rally, there is a degree of complacency regarding share market returns, with inadequate consideration given to potential downside risks associated with a recession (although it should be noted that the possibility of a recession has been delayed). Corporate earnings have declined but have fared better than expected. Therefore, we continue to emphasise the importance of quality investing. Nevertheless, as market conditions and incoming data remain dynamic, we stand prepared to act if necessary.

Danny Wong
Manager, Research
Alteris Financial Group

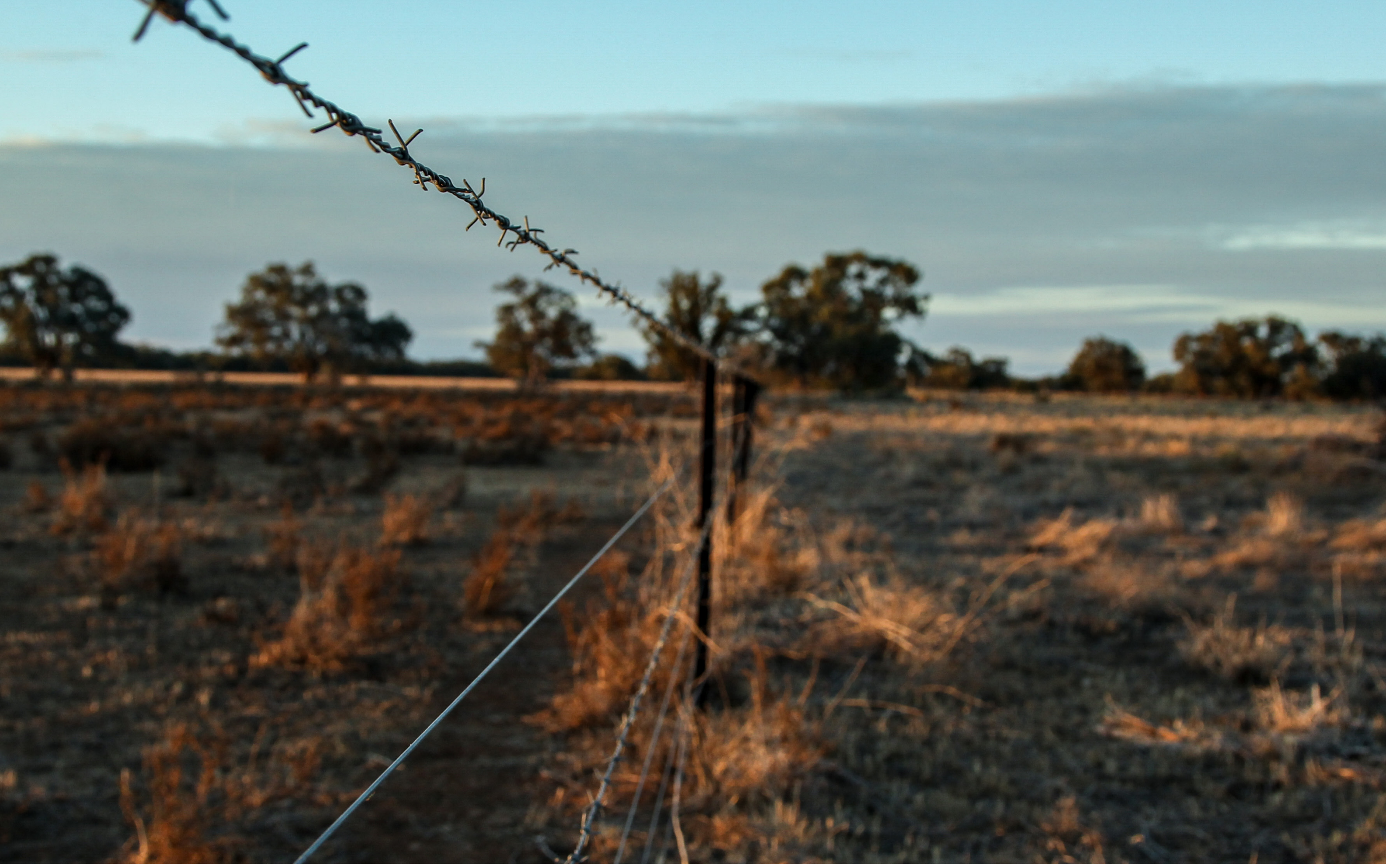
Client Seminars





During May, we hosted our Client Investment Seminars in Rockhampton and Melbourne! Both seminars had a fantastic turnout, with a large number of attendees eager to listen to our speakers. We are delighted to continue with the in-person format as we highly value the opportunity to bring clients, staff, and guest speakers together.

We would like to express our gratitude to David French, Owen Evans, and Robert Syben for their presentations at the seminars. David kicked off the seminars with a presentation on fixed-interest securities. This was followed by Owen's comprehensive discussion on everything you need to know about international stocks. Additionally, Robert provided an update on our new aged care advice offering, bringing the Melbourne seminar to a close.



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*Please note that the content in this newsletter is general in nature and has not taken your personal or financial circumstances into consideration. If you have any questions please contact your adviser.

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