



Andep Investment Consultancy

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June 2020 Quarter in Review

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1 Covid 19

1.1 Opinion

Last quarter, we wrote “*The quarter was, and probably the year will be, dominated by the Covid 19 infection. Its health, social and economic effects will be the out turn of biology, individual behaviour, collective behaviour and mitigants. Individuals can control their behaviour and influence that of those around them, but biology, other people and governments have wills of their own. We are hostage to both the wisdom and madness of crowds.*”. This remains true. At the end of June, both the health and economic effects have been serious but not catastrophic.

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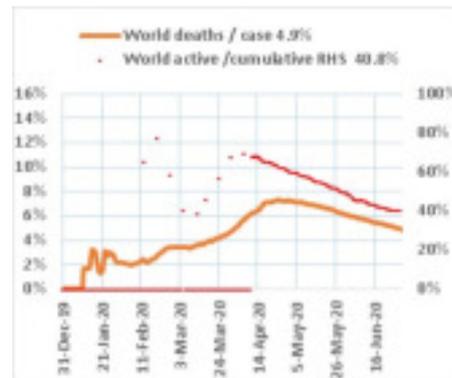
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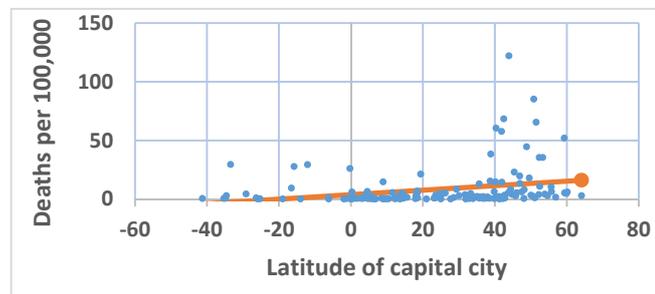
1.2 Epidemiology

According to the European Centre for Disease Prevention and Control (ECPDC), 10.273 million cases and 505 thousand deaths were reported to the 30th of June. According to Worldometer, 4.187 million (40.8%) of cases were active at that time.

Based on these sources, 4.9% of cases have resulted in death. Case mortality is generally highest in earlier hit European countries. Global case mortality peaked on Anzac Day which closely coincided with the highest proportion of active cases in the quarter. The chart to the right shows this with incomplete data about earlier active proportions.

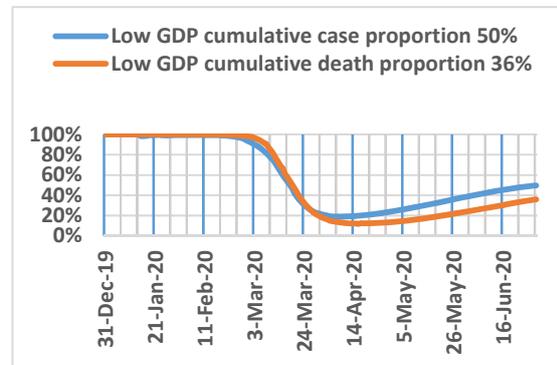


The disease predominately afflicted the Northern Hemisphere.

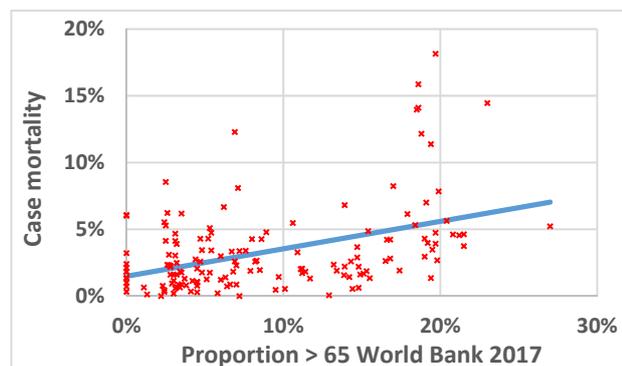




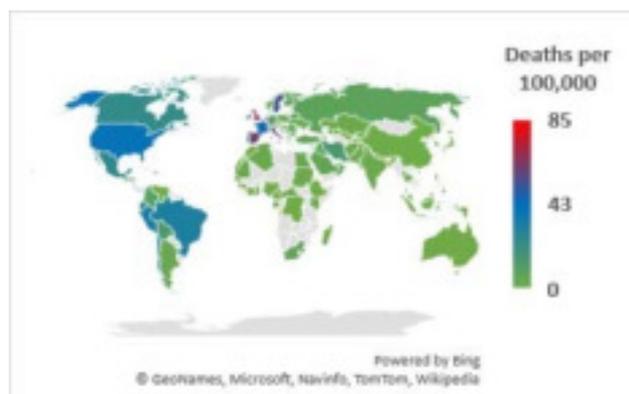
After the initial Chinese outbreak, it was concentrated in higher GDP per capita countries, but as the quarter ended, lower GDP countries experienced a greater proportion of daily cases and deaths driving up those countries' proportion of all cases.



Case mortality is generally higher in countries with a large proportion of their population aged over 65.

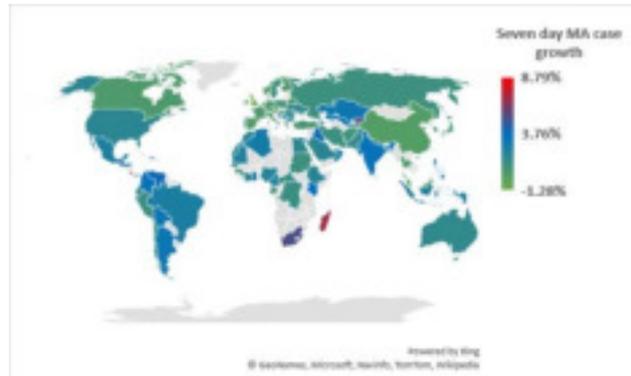


The damage has been concentrated in Europe and parts of the Americas.

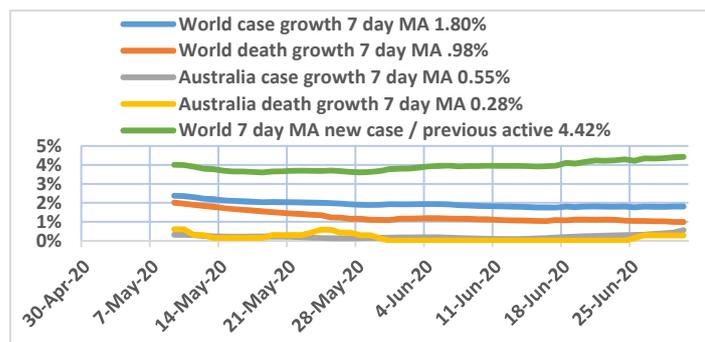




Growth is now concentrated largely elsewhere.



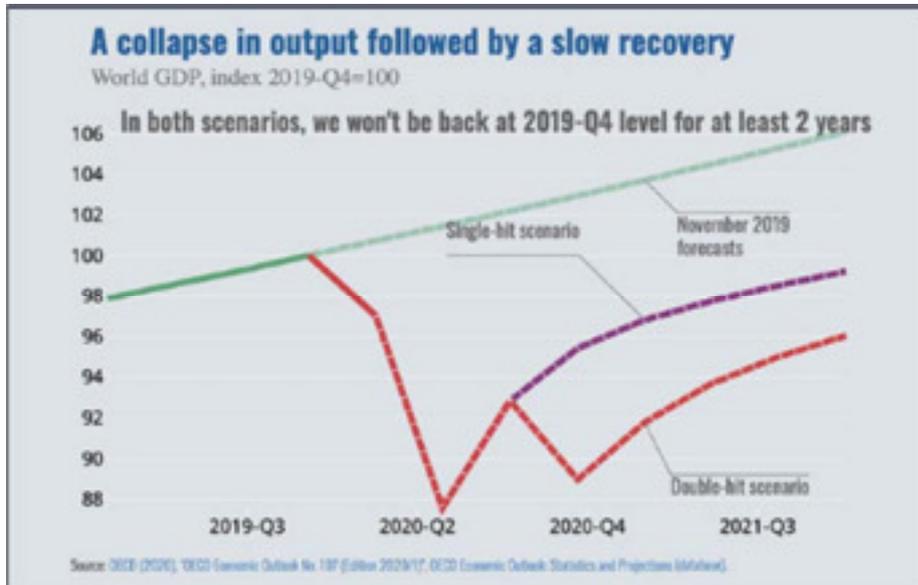
While case numbers and deaths continue to grow, the rate at which they are growing is slowing. The alternative measure of new cases per active case on the previous day (green line) is slowly rising.



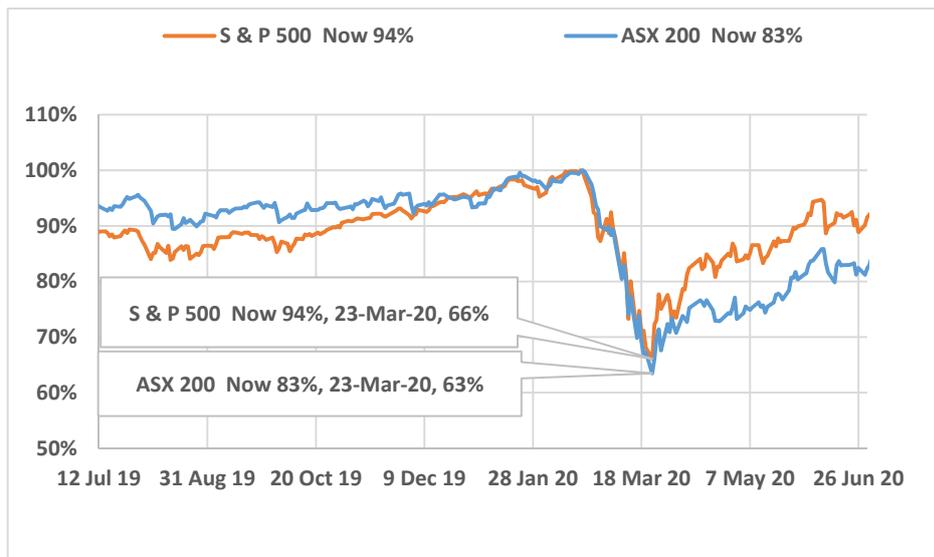
1.3 Economic effect

A measure of the financial effect of Covid 19 is the OECD unemployment rate which moved from 5.2% in February to 8.5% in April then back a little in May to 8.4%. The OECD's most optimistic December 2020 projection is 9.4%. In Australia, Job Keeper hides some unemployment, but the official May rate was 7.1%.

The OECD published the following chart projecting world GDP assuming single and double waves of infection. The better case has output back to previous levels late in 2021 but nevertheless 6% below previous projections. The alternative shows output at that time around 10% below the 2019 projection.



Stock markets fell significantly but have retraced many of their losses as indicated in the following chart of the Australian ASX 200 and the US S&P 500, both indexed to 100% at their peak.

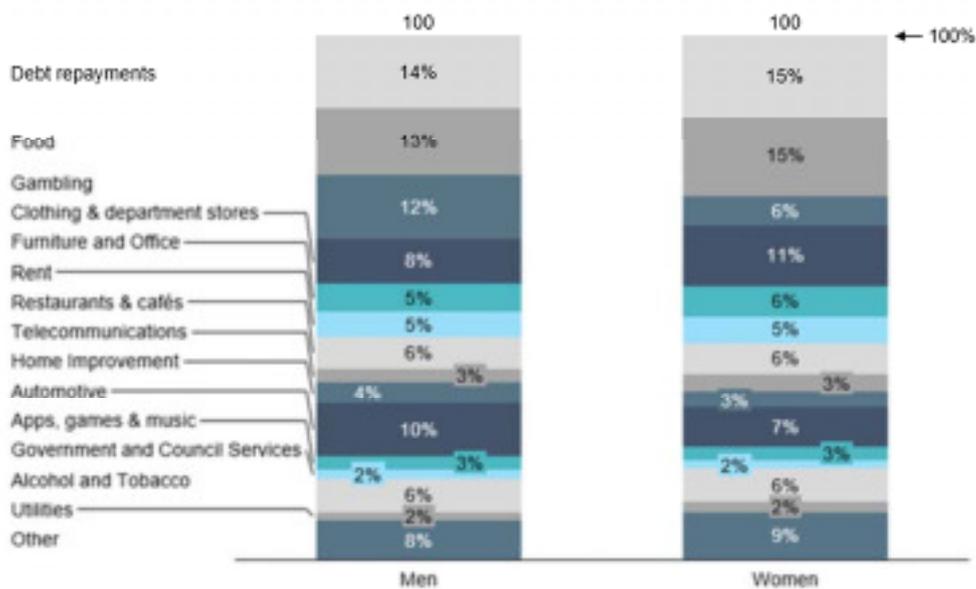




1.4 How the money was spent

The following table from Illion, (formerly Dun and Bradstreet) shows what a sample of people who accessed their superannuation early spent it on.

Share of extra spending in the fortnight after superannuation withdrawal (\$). This chart focusses on the spending of people who withdrew superannuation from their accounts. It shows how much spending increased in each category in the fortnight after receiving superannuation withdrawal compared to the average fortnight in the two months before receiving the superannuation withdrawal.



Notes: based on a sample of 13,000 people who withdrew superannuation.
 Source: Illion & AlphaBeta (part of Accenture)

1.5 Communications failure

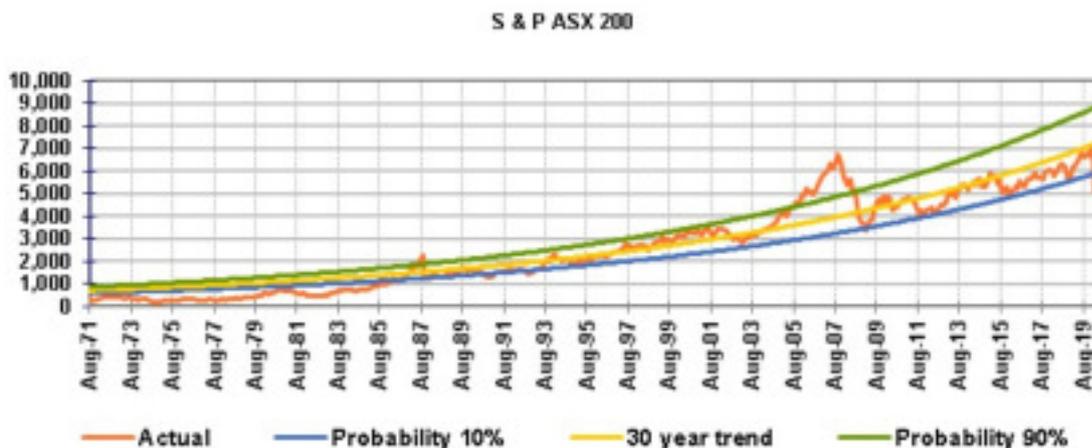
The AFR of 24 June reported that it was only on 22 March that the Victorian government asked its Covid communication management company to communicate in languages other than English. The article is silent on whether the company earlier suggested extension of its assignment so that it could engage with the 20% of the population who speak a language other than English at home.

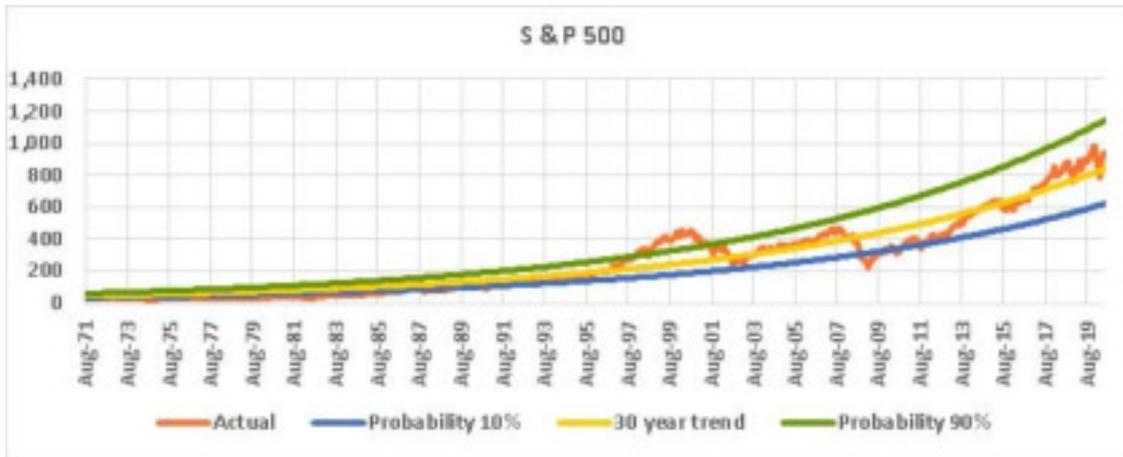


2 Markets and trend lines

In the December 2019 Quarter in Review, we wrote “*In the absence of an external shock, the Australian stock market can expect business as usual, but is vulnerable to a realisation that the local economy is soft.*” The first phrase of that sentence renders the rest immaterial.

The following charts show, respectively, the best fit of constant compound growth in the Australian and United States of America broad market indices together with some statistically derived probability percentiles. On this statistical basis, the Australian market moved during the quarter from roundly 2.3 standard deviations below the trend to 1.4 standard deviations below the trend while the US moved a quarter of a standard deviation below its trend line to half a standard deviation above it.

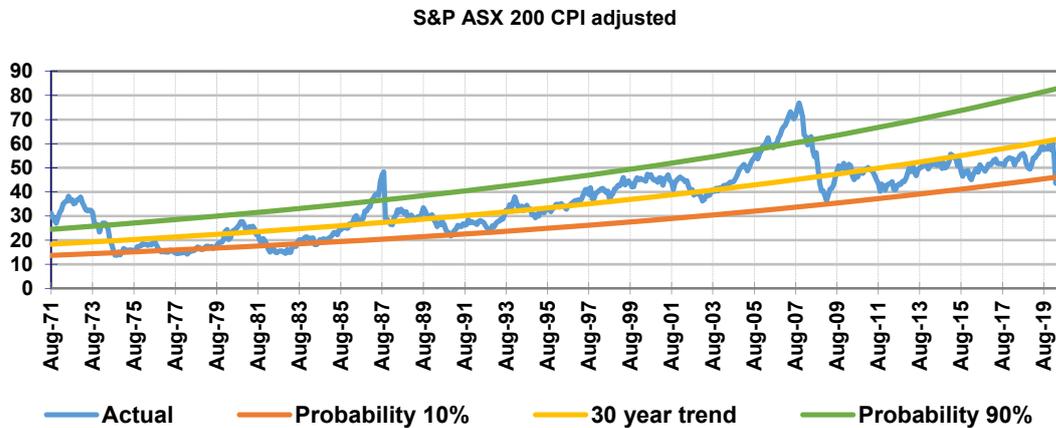




US share prices measured as a proportion of ten year average inflation adjusted earnings are very close to the 20 year average of the measure.

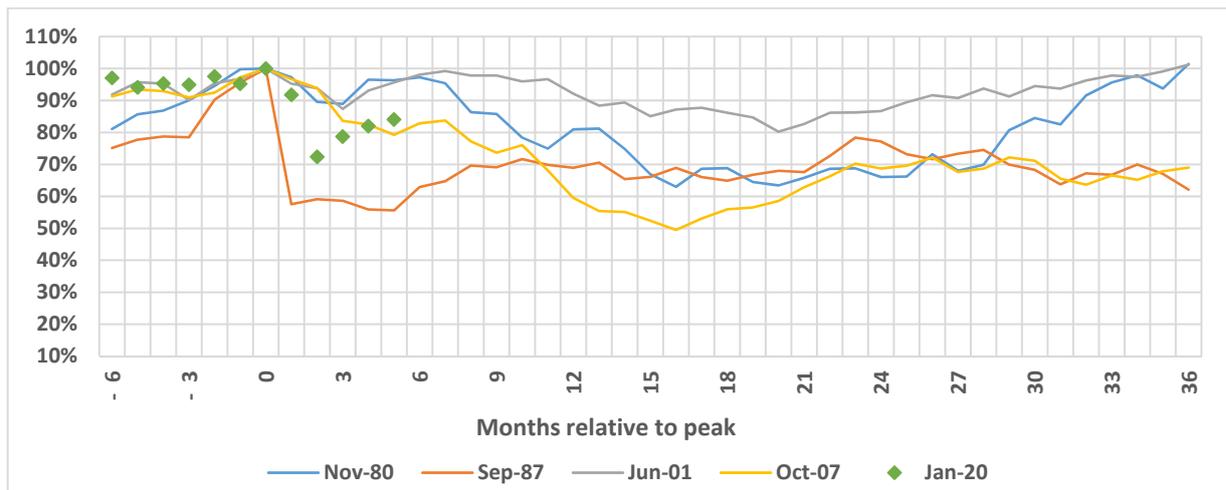
As written in previous Quarters in Review, the 30 year trends encompass a period of steadily falling interest rates, which is at or near its end. These may make conclusions from the trend charts optimistic.

The last thirty years have also been a period of generally declining inflation. The following chart shows similar information and a similar conclusion for the Australian stock market adjusted for Consumer Price Index inflation.



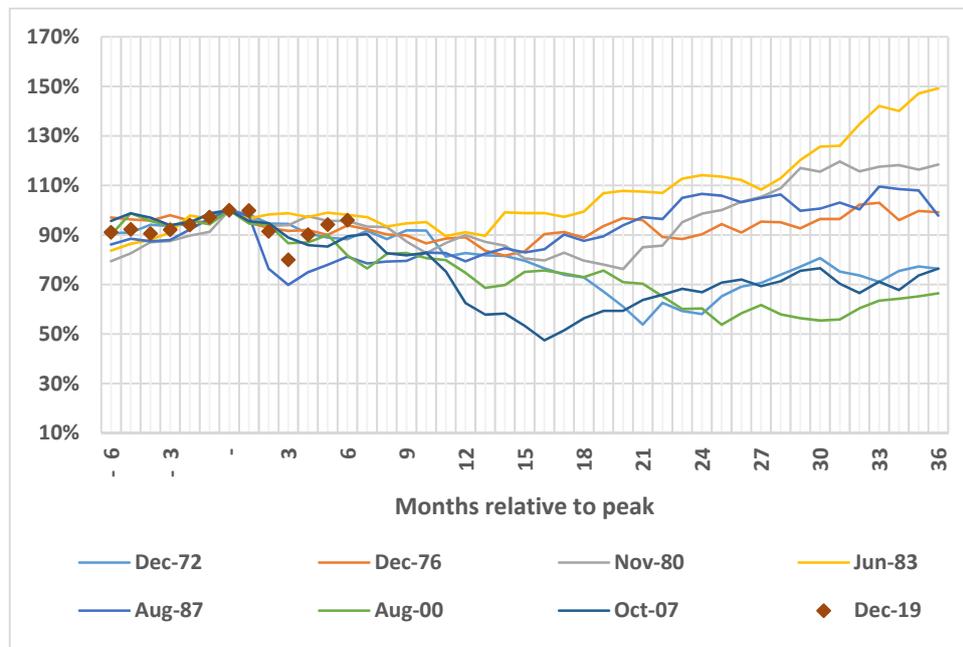
In the March 2020 Quarter in Review, we switched from showing the three years before and six months after major market peaks to the six months before and the three years after. The original view sought to answer the question “*does history suggest we are heading to a major fall?*”. The revised view shows the severity of the fall and ultimate recovery in historical context.

The following chart relates to Australia and the diamonds of recent progress show the fall was not as precipitous as the 1987 crash, but this time the market fell further in two months than it did in ten months after October 2007. The decline has been reversed and the current position is close to that after the October 2007 peak, which ultimately ended in the largest decline on the chart.





Similar comments apply to the USA market shown below except that the current position is more benign than in respect of all but the aftermath of the June 1983 peak.



The preceding charts are based on month end indices. Based on daily closing indices, both markets peaked on 20 February. This was 28 days after the first Australian Covid 19 case and 31 days after the first USA case.

All of the markets that have statistics published by the Reserve Bank of Australia (RBA), with the exception of the UK, are at levels higher than four years ago. Only Australia, USA, New Zealand and Taiwan are higher than they were three years ago.

In the last Quarter in Review, we wrote “*The short term progress of markets will be determined by the epidemiological progress and the strength of government stimulus.*” The next quarter’s progress will depend on whether there are further epidemiological shocks (good or bad) and whether markets tire of looking across the recessionary valley.



3 Economic milestones

3.1 Tackling big tech

On 20 April, the AFR reported that the Federal Government has given up trying to secure voluntary agreement for major tech companies to pay media houses for their content. The Government will establish the world's first mandatory code of conduct.

3.2 The tyranny of timesheets spreads

On 24 April, the AFR reported large tech companies and others in the sector will probably need to implement timesheets for their employees as part of the continuing realisation that salaried workers who work long hours are formally underpaid.

3.3 Other trade woes

Australian anti dumping action was cited as the justification of the Chinese tariff on barley around the time that the World Trade Organisation's Dispute Settlement Body found Australia erred in its treatment of Indonesian paper products. The AFR reported on 18 May that Indonesian analysts maintain the decision has "*wide ranging implications*".

3.4 Trade meets Covid 19

Further anti dumping action was reported in the AFR of 5 June. Australian growers and producers of French fries sought protection from dumping of EU subsidised product that has not been sold because of Covid 19.

3.4.1 Sanguine stock market

At the close of trade on Friday 5 June, the ASX 200 exceeded 6000 points by the smallest of margins (0.1). Before the outbreak of Covid 19, the index was last below 6000 during February 2019.

4 Legislation

After the spate of Covid related legislation last quarter, the only activity of significance to personal finance in this quarter was the introduction of [Treasury Laws Amendment \(More Flexible Superannuation\) 2020](#) Bill to the House. It allows people aged 65 and 66 to make non concessional contributions under the "bring forward" rules.



5 The environment

5.1 Renewable targets

Respected publication “Renew Economy” reported on 22 April that South Australia plans to produce a net 100% of its energy needs from renewable sources by 2030. Journalist Giles Parkinson wrote

“.....both the Tasmania target –200 per cent renewables by 2040– and the South Australia target – net 100 per cent wind and solar by around 2030 –have been set by state Liberal governments. Both states have grand ambitions to be significant exporters of excess renewables output.

It would be nice to think that the federal Liberal Party could share a similar vision. But whether clouded by the interests of ideologues or donors, or the fossil fuel industry, the federal Coalition won’t contemplate the idea that a renewables based grid could be made to work. Like a petulant child struggling with Lego blocks, it can’t imagine what the finished product might be.”



5.2 Rethinking batteries

“Renew Economy” reported on 28 April that the Australian Energy Market Operator’s central scenario of its Draft 2020 Integrated System Plan mentioned in the last Quarter in Review may be modified to reflect the fact that the capital costs of battery storage are falling faster than anticipated and those of pumped hydro and gas are higher than previously assumed.

5.3 A bigger battery

Neoen energy has applied for permission to build a battery farm four times the size of South Australia’s big battery. The planned site is near Geelong.

5.4 Regulation trumps possibility

Renew Economy ended April with an article reporting that it will be practically possible for renewable sources to supply 75% of power needs by 2025. However, the Australian Energy Market Operator (AEMO) says technical details will need to be changed in the legislation if penetration is to get above 50 or 60%.

5.5 Hydrogen funding

On 5 May the Clean Energy Finance Corporation was reported as setting up a \$300 million fund to provide concessional funding to projects producing or using the lightest element.



5.6 What is the truth about hydrogen steel?

The AFR of 11 May reported a proposal by the Grattan Institute to use renewable energy to produce hydrogen which is then used to reduce iron ore to pig iron. Pig iron can then be used to make steel. The process to create pig iron is practical, but the reporting of the Grattan proposal doesn't mention the economics. Nor does the report address the way in which carbon can be introduced to pig iron to get steel. Adep's enquiry about this with a respected industry observer bought a "no names no pack drill" quote from a "former technical manager of a large chemical plant (in a different industry)"...

"Carbon in the form of coal is the heat source but also carbon is used to decide the grade of steel. If you use hydrogen as the heat you still need carbon regardless but of course less. The cost of producing hydrogen is currently prohibitive using renewable energy [it] is a pipe dream with current technologies and it's (sic) intermittent nature. Basically the proposal is a pipe dream."...

AFR resources writer Angela Macdonald-Smith wrote on 10 May *"The green steel industry uses hydrogen produced using renewable energy to replace coking coal in the process to reduce iron ore into iron metal, leaving only water as a byproduct. While hydrogen-based direct reduction is not commercially proven, the technology is based on gas-based direct reduction, which is proven."*

Giles Parkinson, the editor of Renew Economy has kindly provided some of the details of the Grattan paper, which is rich with detail difficult for the lay person to understand.

It was left to Professor Tom Smith of Macquarie University to close the AFR debate writing *"Hydrogen is used to produce steel across the world with ... Thyssenkrupp and... SSAB...the first movers"*. The websites of the respective companies reveal a successful trial in November 2019 and a pilot plant scheduled for completion in 2020.

5.7 Paler green steel

On 10 June the AFR [revealed](#) less technologically ambitious plans of British billionaire Sanjeev Gupta for the Whyalla steelworks writing *"The \$1 billion-plus upgrade would become a showpiece for Mr Gupta's 'green steel' concept where recycled scrap metal is used as a feedstock for the electric arc furnace as part of the steelmaking process. The modernised Whyalla plant would be powered by natural gas, with Mr Gupta aiming to eventually use hydrogen as a fuel source."*



5.8 The last word on green steel

On 29 June Environmental think tank Beyond Zero Emissions issued its Million Jobs Plan. The plan started with a statement of support for the “Uluru Statement from the Heart” and recognition of the traditional custodians of the land then, in summary, offered 1.8 million job years over the next five years. Under the heading “Zero-emissions steel”, it referred to and extracted comments from the Grattan Report mentioned above.

5.9 New sources – new problems

On 23 June, e-zine [Renew Economy](#) reported *The task of keeping the lights on in Australia’s main grid this past summer – in the midst of record temperatures and demand levels, and unprecedented bush-fires and losses from network and fossil fuel generator failures – was further complicated by two unexpected new problems, the loss of solar output due to smoke and dust, and the sudden loss of wind power in extreme temperatures.*

6 Economic and market statistics

The following table shows key economic and market statistics.

	Latest date	Now	1 year ago	3 years ago	7 years ago
S&P /ASX 200- Australia	Jun 20	5,898	6,619	5,721	4,803
Annual change to latest date			-10.9%	1.0%	3.0%
S&P /ASX 200 dividend yield	Apr 20	4.71%	4.17%	4.01%	3.92%
S&P /ASX 200 P/E ratio	Apr 20	17.1	16.29	19.01	17.64
Topix- Japan	Jun 20	89.9	89.50	93.00	65.40
Annual change to latest date			0.4%	-1.1%	4.7%
S&P 500- US	Jun 20	938.9	890.9	733.9	486.4
Annual change to latest date			5.4%	8.6%	9.8%
GDAXI- Germany	May 20	11,587	11,661	12,624	8,291
Annual change to latest date			-0.6%	-2.8%	4.9%
Average weekly earnings \$	Dec 19	1,659	1,606	1,533	1,396
Annual change to latest date			3.3%	2.7%	2.5%
Consumer price index	Jun 20	116.60	114.80	110.70	102.80
Annual change to latest date			1.6%	1.7%	1.8%
Unemployment	May 20	7.1%	5.19%	5.56%	5.60%



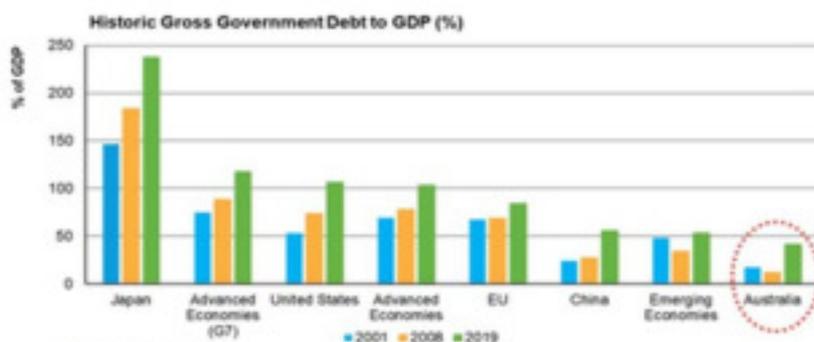
	Latest date	Now	1 year ago	3 years ago	7 years ago
Gross domestic product \$ m per quarter	Dec 19	480,379	461,547	440,330	383,772
Annual change to latest date			4.1%	2.9%	3.3%
RBA cash rate	Jun 20	0.3%	1.25%	1.50%	2.75%
3 year Commonwealth bond	Jun 20	0.3%	0.99%	1.76%	2.67%
10 year Commonwealth bond	Jun 20	0.9%	1.38%	2.41%	3.54%
USD/AUD		0.665			
Annual change to latest date	May 20	9	0.6916	0.7450	0.9649
			-3.7%	-3.7%	-5.2%

7 Other peoples' views

7.1 The way out

On 8 April, Roger Montgomery, of Montgomery Investment Management told an adviser's webinar that economic stimulus so far is a "band aid" but doesn't need to any larger because it can't be spent. He expects the economic recovery to start sooner than generally expected but to take longer. By 4 June, his view was that the recovery will be "slow and halting".

On 8 April Investment industry veteran Paul Xiradis of Ausbil Asset Management painted an optimistic picture of Australian recovery. "The X" noted that Australian commodity exports will benefit from foreign stimulus. He expected interest rates and inflationary expectations to remain low for three years. He also pointed to the Australian government's geographically relatively low debt levels. The chart below shows this and the fact that global government debt is generally more relative to GDP than at the time of the last two major economic shocks.



Source: IMF, Ausbil, 2020.



7.2 Superannuation wars

As well as the argument between for profit and not for profit superannuation funds ([see below](#)), the AFR of 14 May took the opportunity in an editorial on 14 May to liken a change in redraw arrangements made by industry super fund owned ME Bank to the “fee for no service” scandal plaguing for profit superannuation funds. It argued the ME Bank (which has not paid a dividend in 26 years) is a glaring governance conflict. By 22 June, the AFR was reporting that the Board of ME Bank was “understood to be exploring” options for a sale of the business.

Another front of the same war was criticism of the fact that industry superannuation funds invest in ISPT, a property trust managed by a company owned by the funds. The industry super haters see this as a conflict of interest. They are oblivious to the fact that profits of ISPT’s manager go back to fund members, contrary to when trustees of a fund use a company owned by the trustee companies ultimate parent causing funds to flow away from the fund members or unit holders.

7.3 Geopolitical risk

Investment house [BlackRock](#) quarterly quantifies geopolitical risk and its likely effect on world share markets. The following charts show the March 2020 situation and the history of the index.





Global index



Source: BlackRock Investment Institute, with data from Refinitiv. Date as of July 2, 2020. Notes: We identify specific words related to geopolitical risk in general and to our top risks. We then use text analysis to calculate the frequency of their appearance in the Refinitiv Broker Report and Dow Jones Global Newswire databases as well as on Twitter. We then adjust for whether the language reflects positive or negative sentiment, and assign a score. A zero score represents the average BGRI level over its history. A score of one means the BGRI level is one standard deviation above the five-year average. We weigh recent readings more heavily in calculating the average.

Source: BlackRock Investment Institute. See Andep's June [2018 Quarter in Review](#) for an explanation of this chart.

8 Products

8.1 Balancing speed and fairness

As companies raise capital to buffer against the impact of Covid 19, questions about the fairness of the process by which new shares are issued have been raised. Representatives of retail shareholders argued that they are missing out.

8.2 Assumption spat

An unseemly brawl emerged between Industry Super Australia (ISA) and the Treasury with the Liberal party backbench provoking, then joining the pile on.

Liberal Senator James Paterson saw the opportunity to embarrass his party's bête noir, industry superannuation, asking a senior Treasury official why ISA estimates of the loss occasioned by early superannuation withdrawal differed from those of the regulator the Australian Securities



and Investments Commission (ASIC). The official implied that ISA may not have accounted for inflation. This provoked an ISA request for the official to withdraw his statement.

The topic found its way to the House of Representatives again on 14 May with ISA saying it's the fault of the government for not imposing more micromanagement on the industry and specifying the required assumptions. ASIC has now specified that its "generic assumptions", which one can find working through the [Corporations \(Generic Calculators\) Instrument 2016/207](#) and [ASIC Class Order \[CO 11/1227\]](#), apply to these calculators too. This means one must assume after inflation and after fee earnings of 3% per annum.

Before these exchanges, Treasurer Frydenberg had asked ASIC to take a particular interest in the information provided to members lodging early-access claims under the government's coronavirus response package.

8.3 The gotcha moment

The AFR of 15 June reported the existence of internal Industry Super Australia research confirming the obvious fact that the existence of the Superannuation Guarantee Charge depresses wage claims and / or employers' profits. This is contrary to the ISA official line that there is no evidence of such effects, but that employers obviously factor SG into their wage negotiations. The industry superannuation loses a little more luster with this disclosure. The author later protested to the AFR, which stood by its journalist.

8.4 Realities of illiquidity

On 1 May, the AFR reported that industry super backed ISP refused a request from HostPlus to redeem \$1.5 billion. The application was in response to the need for liquidity to meet Covid withdrawals from its primarily hospitality industry based membership.

8.5 AMP woes continue

On 24 April, the AFR reported that \$7.7 billion was withdrawn from AMP over the March quarter with only \$5.8 billion flowing in.

8.6 Australian Super woes start

Investment researcher Lonsec has reduced its rating of Australian Super. Lonsec worries about the turnover of Australian Super's investment staff, particularly as Australian Super is leading the charge to internal investment management, which trades diversification off against fees.

8.7 Sic transit amicus certus in re incerta

After 171 years, thus passes a certain friend in uncertain times. AMP Limited announced on 23 June that the sale of AMP Life to Resolution Life has received all regulatory approvals and



confirmed it expects the transaction to complete after the market closes on 30 June 2020. History will not look kindly on the 1998 decision to demutualise what was a fine Australian institution.

8.8 Active manager performance

Index provider S & P Dow Jones released a [report](#) on the persistence of performance of active fund managers. It showed in respect, for example, of funds classified “Australian Equity General”, 16% of funds which outperformed their benchmark index in 2017 did so again in 2018 and 11% did so in both 2018 and 2019. Of the 2015 benchmark beaters, 13% did so again in 2016, 8% in both 2016 and 2017 falling to 2% for the three consecutive years to 2018 and 1% for the four year periods to 2019.

For the “Mid and small cap” category, the 2015 cohort performed similarly to the generalists. Almost half of the mid and small cap managers who outperformed in 2017 did so again in 2018 and almost 30% of them did so in both 2018 and 2019.

49% of the generalist managers who performed better than the median fund in the three years to December 2016 did so again in the ensuing three years. The corresponding proportion for mid and small cap managers was 53%.

Considering consecutive five year periods, 46% of above median generalist performers in the period to December 2014 held that status over the next quinquennium. For mid and small cap managers, the corresponding proportion was 39%. The obverse of this is that 54% and 61% of above median performers in the five years to December 2019 came from the underperformers in the previous quinquennium.

9 Politics

9.1 Calm during the storm

Covid 19 pushed politicians into federal /state cooperation. Oppositions generally refrained from opposing. Only the more obvious errors of the incumbents attracted criticism from their opponents. This means little of note occurred in local politics.

9.2 Elections

Elections held or concluded in a quiet quarter included the following.

Jurisdiction	Election	Result
Iceland	President	Guðni Thorlacius Jóhannesson was re elected to this ceremonial office with 92% of the vote



Jurisdiction	Election	Result
Ireland	Parliament	At the end of June, following the 8 February election, Fine Gael and Finnae Fail, both centre right, and the Greens entered a coalition and Sinn Fein constituted the opposition. The Prime Minister is Micheal (sic) Martin of Finnae Fail
Israel	Parliament	Following the indecisive April and September 2019 elections, an equally indecisive election was conducted on 2 March. On 20 April a coalition agreement installed incumbent Prime Minister Netanyahu for 18 months after which Benny Gantz will take over
Malawi	President	After losing the Court annulled 2019 election, Lazarus Chakra defeated incumbent Peter Mutharika 59% to 39 % in an election held on 23 June
Poland	President	The first round of this election saw Andrzej Duda, the right wing populist incumbent, lead Rafał Trzaskowski of the centre right 43.5% : 30.5% into July's runoff election
Russia	Referendum	A referendum to amongst other things, remove limits on the number of presidential terms, index pensions, prohibit same sex marriage and set the constitution above international law was passed by 79% of voters
Serbia	Parliament	An eight party coalition lead by the populist right wing Serbian Progressive Party won 75% of the seats in an election boycotted by the major opposition coalition and other parties

9.3 Opinion poll

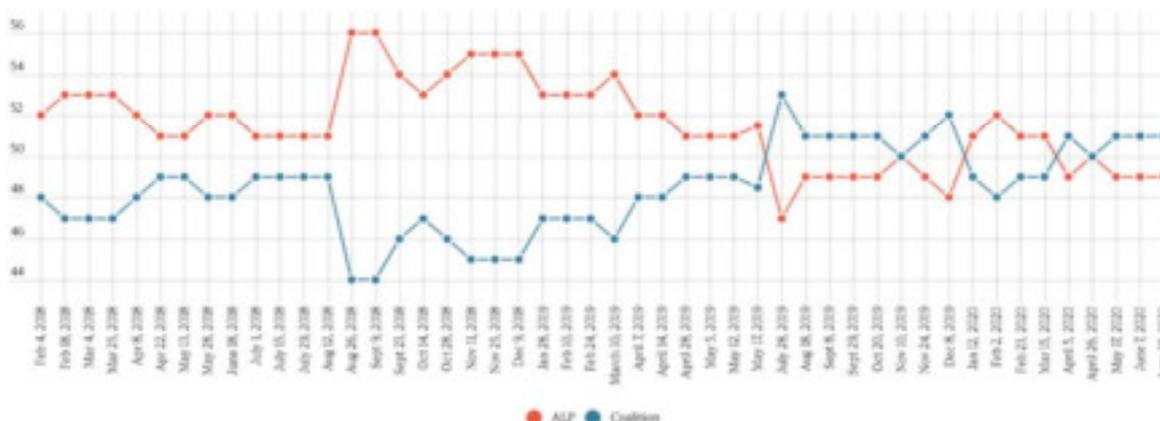
The following chart shows two party preferred voting indications since February 2018 published by the Australian newspaper.



FEDERAL

Two-party preferred

Preference flows based on recent federal and state elections



10 Courts and regulation

10.1 A bad week for the government

The end of May and start of June saw the government in two prominent court actions. The first was the collapse of the Social Security “Robodebt” argument. The government has concluded that basing means testing on average earnings over a financial year is invalid when Centrelink applies means testing more frequently. All Robodebt will be refunded and a class action will pursue other damages.

The second was the blanket ban on live cattle exports. The Court found that the relevant Minister “shut his eyes” to the risk that the ban might be invalid. One is reminded again that good politics does not necessarily make good government.

10.2 Conflicted payments

On 23 June The Australian Securities And Investments Commission (ASIC) issued a statement starting “ASIC has commenced civil penalty proceedings in the Federal Court of Australia against Commonwealth Bank of Australia (CBA) and CBA’s subsidiary, Colonial First State Investments Limited (CFSIL) in relation to alleged conflicted remuneration paid by CFSIL to CBA between 1 July 2013 and 30 June 2019.



ASIC alleges that more than \$22 million in conflicted remuneration was paid by CFSIL to CBA for the distribution of Essential Super, a superannuation product issued by CFSIL. CBA distributed the Essential Super product using its branch and digital channels. Approximately 390,000 individuals became members of the Commonwealth Essential Super fund under the arrangements.”

10.3 More underpayments

The catalogue of large companies reported to have underpaid workers grew during the quarter with the addition of Sun Corp. See also “The tyranny of the time sheets spreads” [above](#).

10.4 Unbelievable loophole

In the last Quarter in Review, we noted “*the Federal Court decided that Myer CEO did not cause a loss to shareholders by issuing optimistic, subsequently proven incorrect, forecasts. The Judge said that institutional investors didn’t believe the forecasts and therefore the market was not influenced by them*”. On 6 May, the case was dismissed with both parties meeting their own costs. Business angst over class actions remains with one commentator noting that almost half of the shareholder class actions ever initiated are still in the pipeline.

10.5 Another class action failure

An action against IOOF, which was savaged in the Royal Commission alleging that it failed to continuously disclose its situation, has been discontinued with each party responsible for its own costs. For funder, Regency, and lawyers, Quinn Emanuel, the result must be disappointing.

10.6 Undeterred – another class action launched

This time Slater and Gordon is pursuing Commonwealth Bank for selling junk credit card and personal loan insurance. The firm’s website says it has settled a similar action against NAB for \$49.5 million.

10.7 Class action fallout and free for all

The AFR of 16 June quoted an insurance broker saying average ASX Directors and Officers insurance premiums increased by 225%, attributing this to the risks of class actions. Early in June, the Victorian government announced that it would permit lawyers to charge fees contingent on the success of a case and share in the award. This sparked claims of corruption as major beneficiaries are also major political donors. It is obviously not good news for litigation funders.

10.8 Information test case

On 9 June, the AFR reported the Australian Tax Office (ATO) filed a claim against consulting firm PWC and one of its clients. The case is seen as a test of an attempt to expand legal



professional privilege beyond the conventional definition of documents associated with litigation. The other defendant is an international company. The consequences for the Government's efforts to further pluck the international goose are significant.

10.9 IOOF worries continue

As IOOF moves on from its Royal Commission mauling, it has been caught on the periphery of a criminal investigation involving the Chief Executive of Grow Super's license holder in which IOOF has a small shareholding. The alleged offence is unrelated to Grow Super and the link to IOOF is tenuous but nevertheless unwelcome.

10.10 Mayfair

The problems of Mayfair 101 continued with the AFR of 21 April reporting the company is being sued by The Australian Securities and Investments Commission (ASIC) for misleading and deceptive conduct. As reported in previous quarters in review, Mayfair is unhappy with some AFR comment and had been sued by Platinum Asset Management which has used the word "Platinum" in its name since 1994 to prevent use of that word by Mayfair 101. This matter, the AFR reported on 17 June, was settled in favour of Platinum.

On 25 May, the same paper reported that a Mayfair linked company which had borrowed from a Mayfair fund was placed in receivership after failing twice to make payments to the fund.

10.11 An ugly underbelly and its consequences

A Federal Court case reported in the AFR of 27 April concerned an unfair dismissal claim in which the plaintiff alleged he was sacked for refusing to falsify tests of the quality of coal destined for export. Evidence that was given suggested that the practice of falsifying such tests is widespread. The case had a consequence reported by the AFR on 14 May of the Korea South East Power blacklisting the employer involved and no longer accepting its certificates.

10.12 Watched space

In the last Quarter in Review, we noted that the corporate regulator will audit stockbrokers who are being paid commissions by fund managers and investigate the mis selling of poorly performing listed investment funds to retail investors. On 21 May, the Treasurer announced a ban on "stamping fees".

11 Andep news

11.1 Licensing examination

Both of Andep's advisers sat the Financial Adviser Standards and Ethics Authority's (FASEA) financial adviser exam in February and passed on their first attempt. The examination is part



of the federal government's push to improve the skills and honesty of financial advisers. All advisers must pass an examination by 1 January 2022. Currently, 35% of registered advisers have sat and 30% have passed.

11.2 Covid

Like many other organisations, Andep found working from home works well. So much so, we have instituted a system where everyone attends the office on Mondays, but on other days, either Liz or Dennis work from home. We continue to find Zoom meetings work well. Nevertheless, the ubiquitous sanitiser is on the reception desk and the meeting room furniture is wiped before and after each use.

11.3 Calculators

Following the provision of a calculator dealing with the consequences of superannuation withdrawal, mentioned in the last Quarter in Review, we will, this quarter, start to post a series of calculators on our website that clients and the public will be able to purchase. These will put numbers around some of the decisions that they may make. We will email existing clients once these are available on the website.

11.4 Online booking

Andep has added online bookings to its website, making it possible for clients to see when their adviser is available and book an appointment without having to wait for our office to be open to take the booking. Clients can choose to book their appointment either in person or over Zoom/telephone. It is available at <https://www.andep.com.au/book-a-meeting-with-an-adviser/>.

12 Plaudits

12.1 Navigating CPD records

Thanks to Holly Paterson of the Institute and Faculty of Actuaries (IFA) for patience, courtesy and efficiency in her recent audit of Dennis Barton's CPD which blends the requirements of the IFA, the Australian Actuaries Institute, FASEA, the Tax Practitioners Board and ASIC.

13 Disclaimer

This publication does not constitute personal financial advice. Before acting on any suggestion, explicit or implicit in this publication, please contact your Andep adviser.