



Andep Investment Consultancy

Analytical advice since 1982.

March 2021 Quarter in Review

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1 Covid 19

1.1 Opinion

Last quarter we wrote the virus will be contained or controlled during 2021 . To this we now add “or 2022”.

Economic policy remains directed at mitigation. Repairing government balance sheets continues a distant secondary aspiration. Turning off the stimulus too soon risks backward economic steps while leaving it too long sows the seeds of a bubble.

While government balance sheets look terrible, the same cannot be said of those of households and companies. Aided by rising confidence, the latter two are a force for strong growth.

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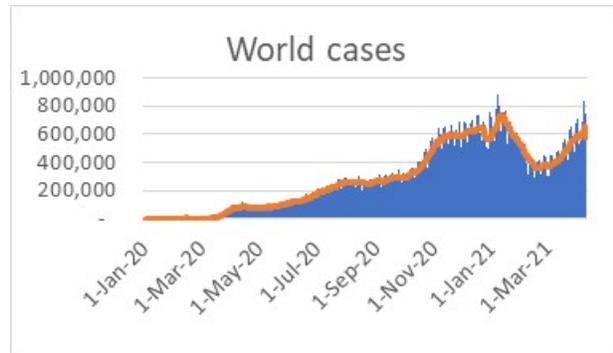
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Public attention to social distancing and the use of the Safeway and other similar apps is greater in the breach than the observance.

1.2 Epidemiology

At the start of the quarter, 83 million Covid cases and 1.8 million Covid deaths had occurred. By the end of the quarter, these numbers were 128 million and 2.8 million respectively. Active cases rose to 21.1 million over the quarter. Case mortality remained constant at 2.2%. Seven day average new cases started and ended the quarter about the same 580 or 590 thousand but reached as high as 740 thousand on 11 January and fell to just over half that number 5 weeks later.



At the start of the quarter, 1.6 million vaccine doses had been administered. This grew to 457 million at the end of the quarter. Israel's administered doses stood at 118% of the population (reflecting the need for multiple Astra Zeneca (AZ) doses).

A small number of suspected Australian cases of virus escape from quarantine lead to some restrictions on travel.

The virus continues to mutate.

1.3 Getting used to Covid

We noted last year that retirement and aged care e-zine publisher and research house, [DCM Media](#) had bravely scheduled two day industry seminars in all mainland capital cities to discuss the outcome of the [Royal Commission into Aged Care Quality and Safety](#) in mid-March. These went ahead.

In Andep's area, fund managers are trickling back to live presentations and interstate "road shows".

1.4 Vaccines

Vaccinations have proceeded reasonably steadily in the developed world, but not without some spats. One such spat involved the European Union suspending delivery of 3.1 million doses of AZ to Australia, with credibility consequences for the government.



1.5 Economic effect

1.5.1 The snap back is on

On 18 March, the Australian Bureau of Statistics (ABS) announced a February unemployment rate of 5.8%, down from 6.8% a quarter earlier. On 3 March it announced seasonally adjusted GDP growth of 3.1% in the December quarter and an annual decline of 1.1%.

The Reserve Bank of Australia (RBA) added no impetus to the economy during the quarter.

1.5.2 JobSeeker finished

As previously announced, Jobseeker ended with March 2021. It was replaced by some industry specific assistance to the aviation and tourism sectors in the form of a \$1.2 billion package of 50% air fare discounts to selected locations.

1.5.3 Staff shortages

While JobKeeper is no more, JobSeeker benefits and the travel restrictions or fear thereof are continuing to leave jobs unfilled in some industries and regions.

1.5.4 Spending effect

The adjacent chart, sourced from ABS series 8501, shows seasonally adjusted retail turnover sales over the last three years and the associated trend line. It hints that the shock and rebound from the pandemic has been absorbed.





1.5.5 Unemployment

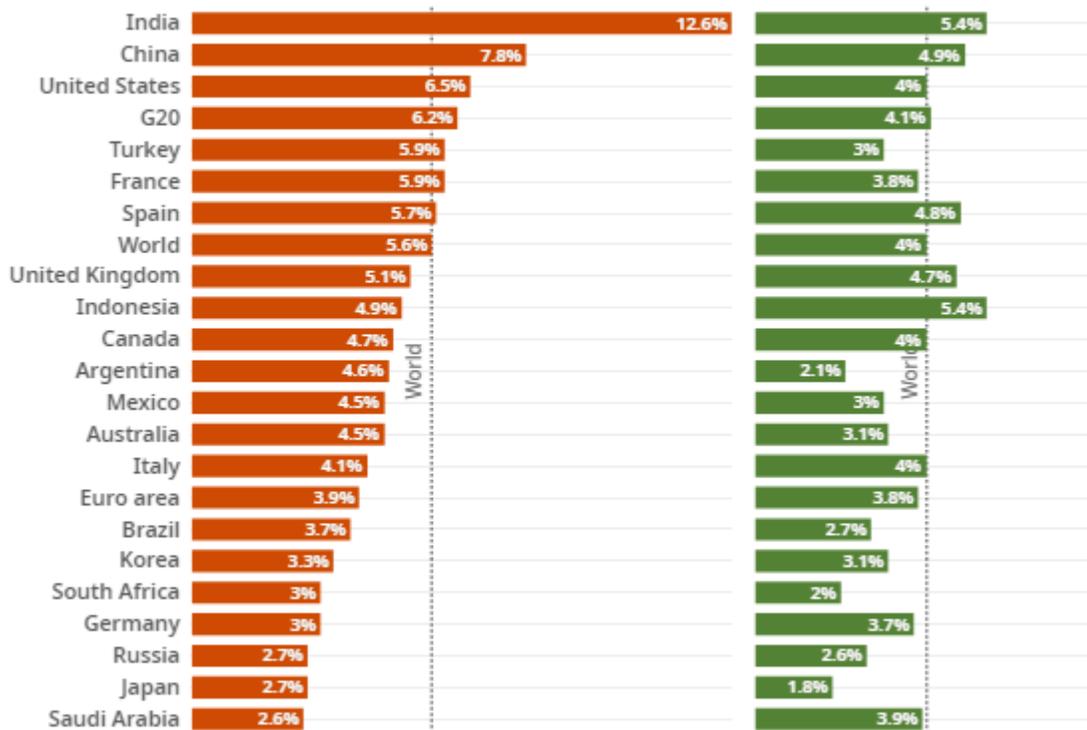
As indicated above, the unemployment rate now has a 5 in the front of it.

1.5.6 GDP

The OECD March 2021 outlook entitled “*Strengthening the recovery: The need for speed*” contained the following charts.

Real GDP growth projections for 2021 and 2022

%, year-on-year

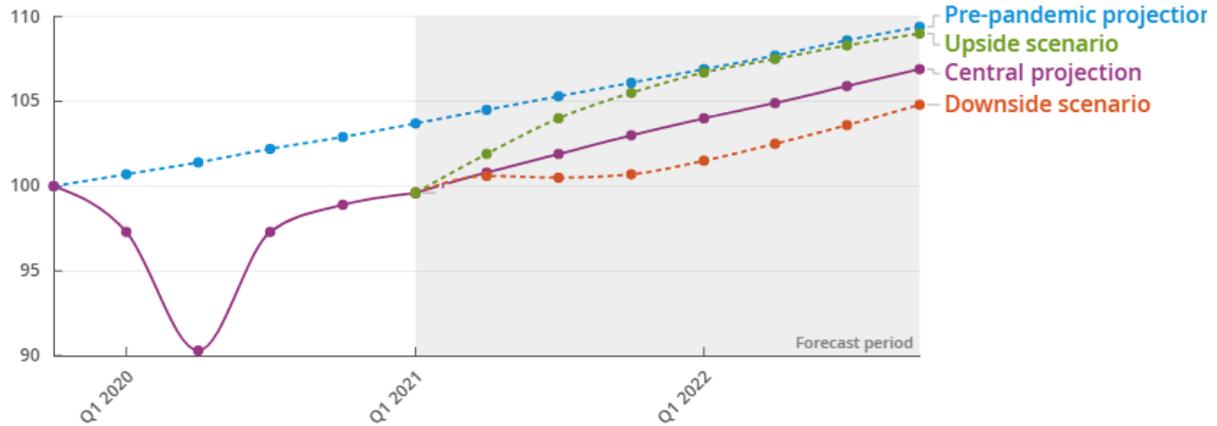


Source: OECD (2021), OECD Economic Outlook, Interim Report March 2021. © OECD [Terms and conditions](#)



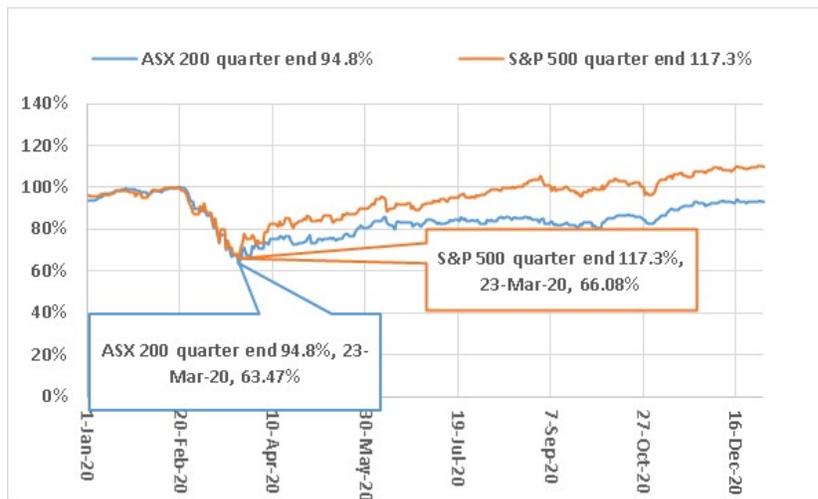
A global economic recovery is in sight

World GDP index (Q4 2019=100)



Source: OECD Interim Economic Outlook, March 2021. • Pre-pandemic projection refer to November 2019 projection.

1.6 Stock markets



Stock markets fell significantly but have retraced many of their losses, as indicated in the adjacent chart of the Australian ASX 200 and the US S&P 500, both indexed to 100% at their pre Covid peak. Indeed, the US index ignored Covid 19 ending 18 August at an all time high and rising a further 17 % since then . The Australian index ended the quarter 5% below the pre Covid peak.

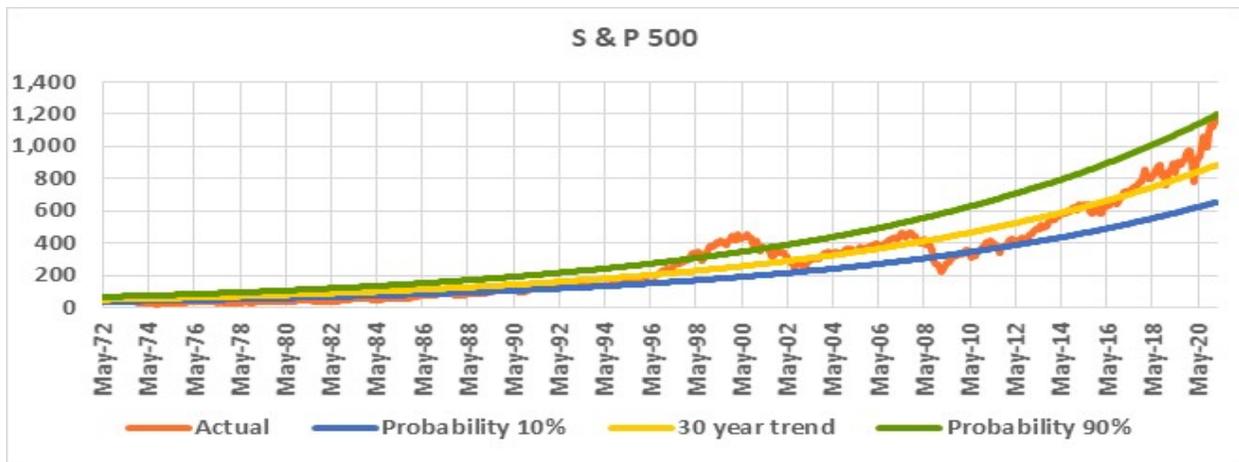
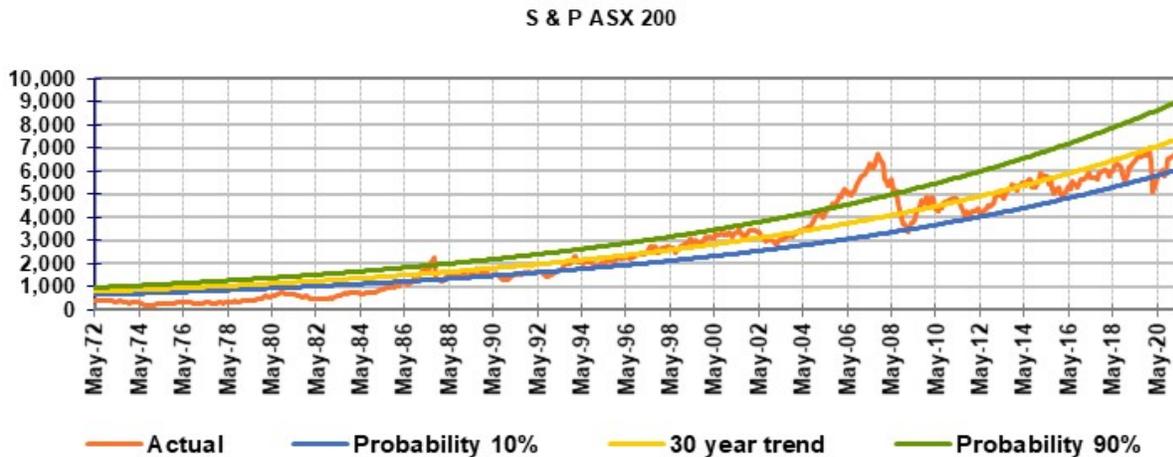
1.7 The blame games

Throughout the quarter, unnamed individuals who contracted the virus and acted irresponsibly were vilified as “Covidiot”. At the end of the quarter frustration at the slow vaccination process brought criticism on the federal government.



2 Markets and trend lines

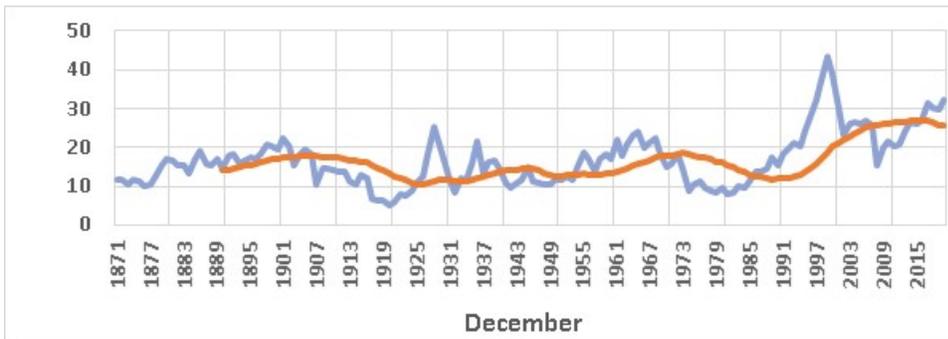
The following charts show, respectively, the best fit of constant compound growth in the Australian and United States of America broad market indices together with some statistically derived probability percentiles. On this statistical basis, the Australian market moved during the quarter from roundly 0.7 standard deviations below the trend to 0.5 standard deviations below the trend while the US moved from 1.15 standard deviations above its trend line to 1.31 standard deviations above it.





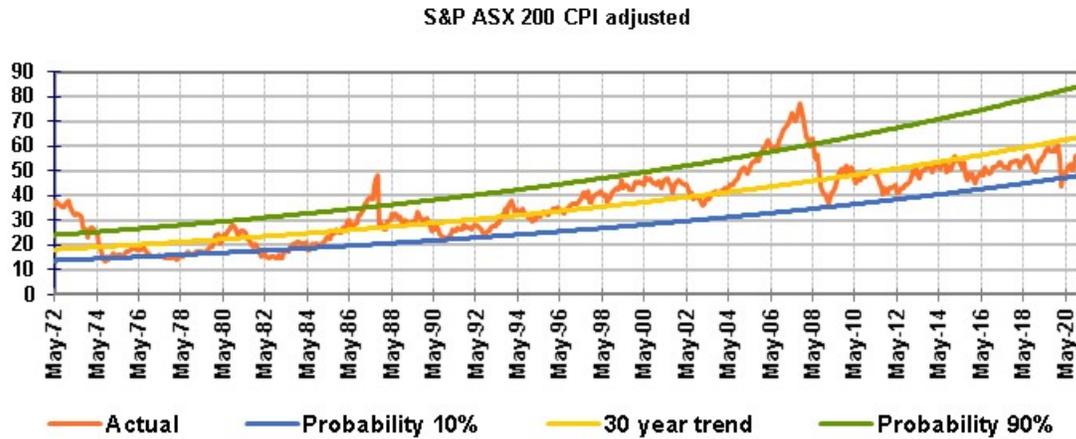
US share prices measured as a proportion of ten year average inflation adjusted earnings are roundly 38% above the 20 year average of the measure (27% at the end of the previous quarter).

The following chart shows the last 150 December values of this variable and its 20 year moving average



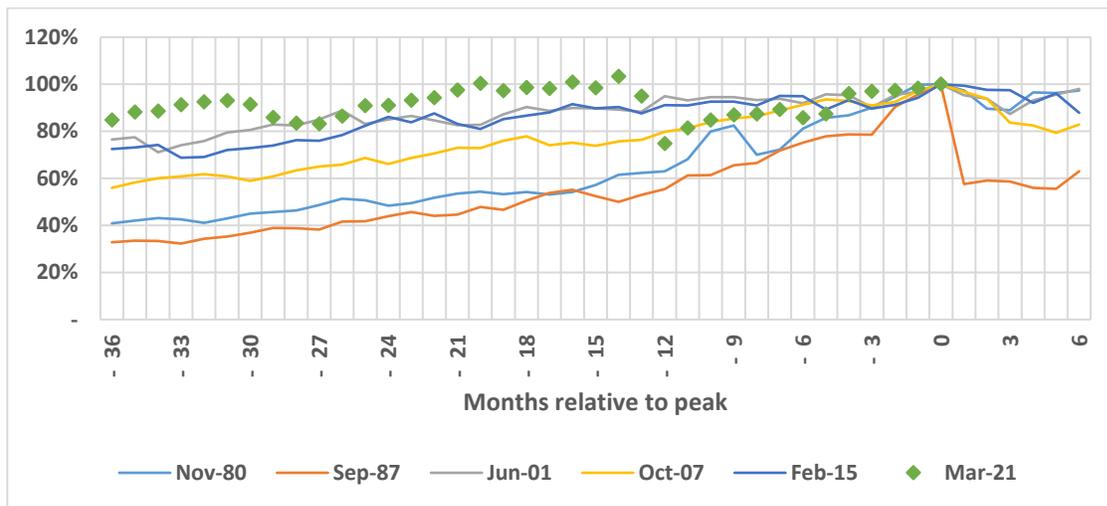
As written in previous Quarters in Review, the 30 year trends encompass a period of steadily falling interest rates, which is at or near its end. These may make conclusions from the trend charts optimistic.

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.



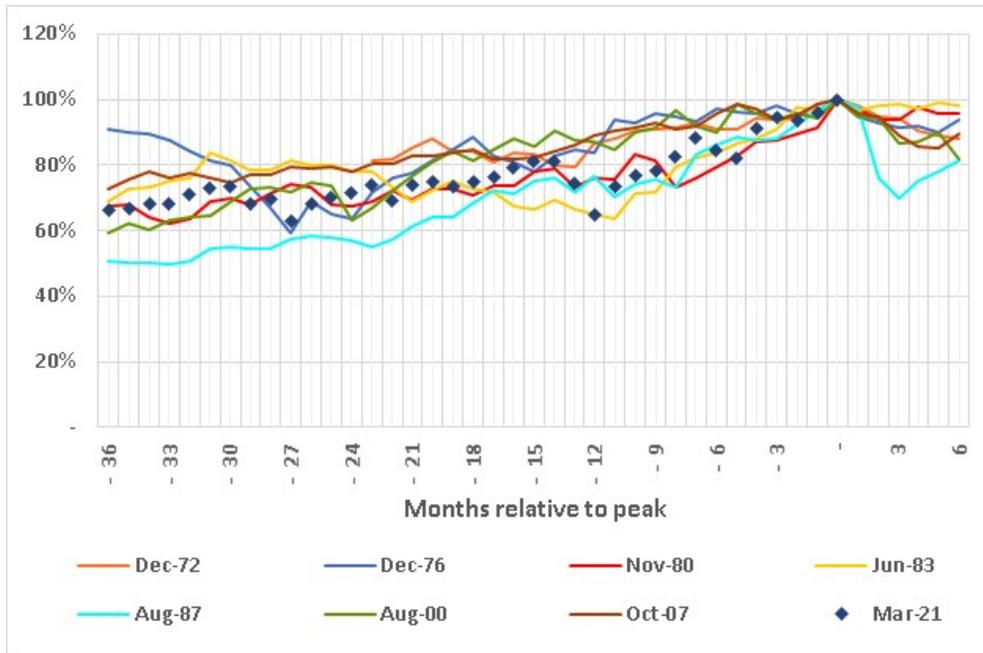
The next two charts seek to show a comparison of the movement in the three years leading up to the end of the quarter and the three years before and six months after significant peaks.

The following chart relates to Australia and the diamonds of recent progress show the movement since the onset of Covid is in the mid range of movements leading to falls, but, as it was last quarter, the longer term progress has been flatter than that leading to other falls.





The corresponding chart for the US market shows the fast recent growth and mid range longer term growth.



All the markets for which statistics are published by the RBA are higher than they were five years ago.

With the exception of London, this is also true for a four year period and only that city and Hong Kong are currently lower than three years ago.

As always, indices conceal detail. For example, from mid February to the end of the quarter, the US technology stock index Nasdaq fell around 6% while the main S&P 500 index rose 2%. Implicit in this is faster growth for non technology stocks.



3 Economic milestones

3.1 Return of inflation?

On 27 January, the Australian Bureau of Statistics (ABS) issued the December 2020 Consumer Price Index (CPI) number of 117.2, a 0.9% increase from December 2019. The chart below shows the index and the Reserve Bank of Australia (RBA)'s target range, (albeit a slightly different measure) which was introduced in September 1992.

The RBA's stated policy is not to increase interest rates until there is clear evidence of emergent inflation.

The quarter saw more appearances of inflation "worriers". The concerns of these commentators saw the ten year Commonwealth bond rate rise from 0.98% to 1.69% over the quarter.

The worry is that asset prices can move opposite from the direction of bond yields. This applies to stock market and housing prices.



3.2 Trade surplus

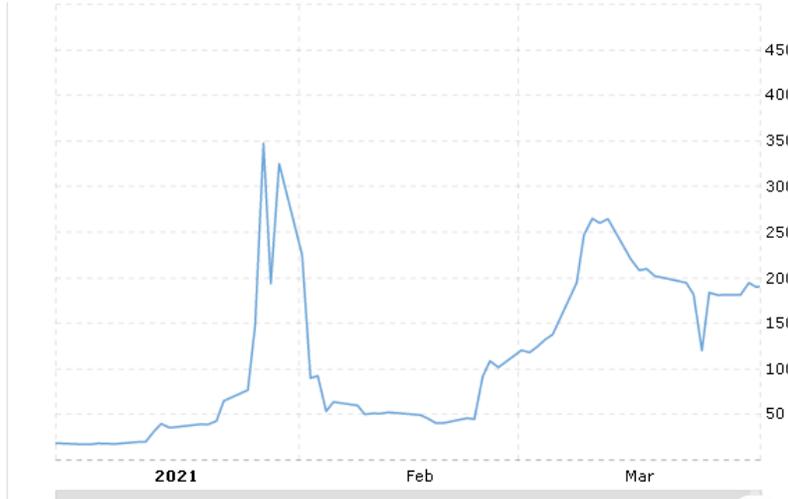
February's 37th consecutive trade surplus of \$10.2 billion was the largest on record.

3.3 Is Gamestop literal?

This story starts with the free share trading platform "Robin Hood", which "generates significant income from payments for order flow, a common although controversial practice whereby a broker receives compensation and other benefits for directing orders to different parties for trade execution." Source <https://www.investopedia.com/articles/active-trading/020515/how-robinhood-makes-money.asp>. Non professional traders frequent the site and many chat rooms on other sites notably Reddit.com's sub site "WallStreetBets" (WSB).



Over the last half of 2020, a US bricks and mortar game store chain, GameStop, came to the notice of WSB users and the price rose strongly. On 8 December, the company's quarterly revenue disappointed markets and the share price fell from USD16.94 to USD12.72. WSB



users were not perturbed and the stock ended 2020 at USD18.84. By 12 January, the price was USD19.78, well above the median value of USD12.50 ascribed by professional analysts and roundly 60 % of the stock available was "short sold"-subject to a transaction in which the short seller plans to profit on a falling price.

Short sellers sell stock hoping to buy it back at a

lower price. To the extent that the price rises, they experience losses. Risk management protocols can see short sellers seeking to stop their losses by buying the stock, paradoxically further raising the price. Higher prices make short sales more attractive.

Short sellers often release reports justifying their negative views thus hoping to accelerate the decline in the stock.

The WSB users sensed that the stock would rise in the rush to the exits and bought the stock further increasing the price. On 19 January, one short seller posted a tweet that said buyers of GameStop were "suckers". The stock ended that day at USD39.51. Reason and rational behaviour went absent.

January ended with the stock priced at USD328.34 and Wikipedia stating the approximately 140% of the stock had been sold short. One thought of irresistible forces and immovable objects and expected, at the end of January, tears to flow from both sides. Prosecutions and regulatory change could also flow. Gamestop may indeed stop or slow the games of shorting and "pump and dump".

By 19 February, according to an AFR report, the investors had turned on themselves with a class action being mounted against a participant alleged to have posed as an amateur investor when actually a Chartered Financial Analyst.



The stock price is proving resilient but volatile ending the quarter at USD189.82.

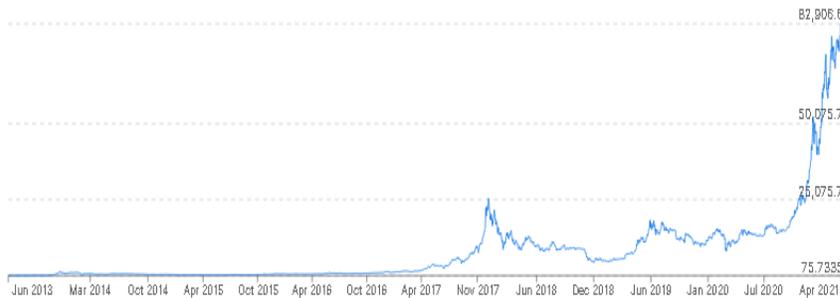
One is reminded of economist and statistician John Maynard Keynes' observation that "*Markets can stay irrational longer than you can stay solvent.*"

3.4 New vehicle sales rebound continues

As mentioned in the last Quarter in Review, November 2020 new vehicle sales constituted the first increase after 31 months of declines. The rebound has continued.

3.5 Bitcoin mainstream?

In the last Quarter in Review, we wrote that the price of a Bitcoin exceeded \$35,000. It ended

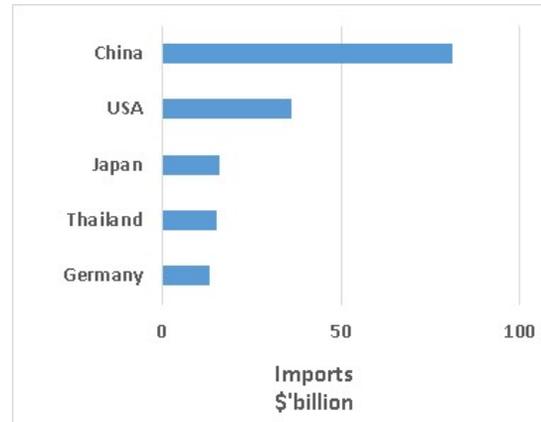
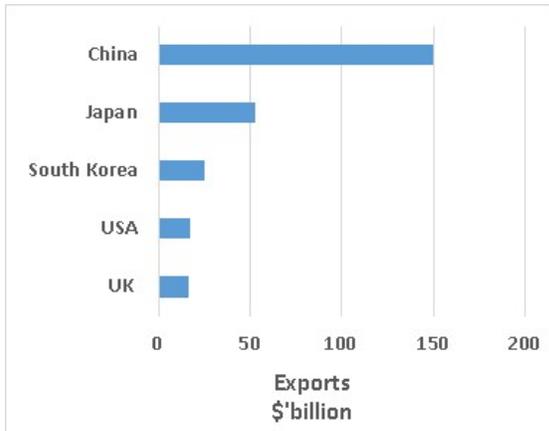


March over \$77 thousand. On 8 February, Tesla revealed that it had invested USD1.5 billion in Bitcoin. On 18 February a bitcoin exchange traded fund (ETF) launched on the Toronto Stock Exchange. Six

days earlier an Australian Securities and Investments Commission (ASIC) commissioner told the Senate that ASIC had no objection to a Bitcoin ETF. To Andep, bitcoin remains a speculation, not an investment. Chart source: [XE.com](https://www.xe.com)

3.6 Chinese trade tension

Early in the quarter, the Chinese Communist Party's issued an unofficial edict to state-owned steel producers and power stations to stop importing Australian thermal and coking coal. On Australia Day the ABC published an article noting that Chinese prohibitions have had no aggregate effect on exports. The ABS [noted](#) that in 2019-20, admittedly before the start of the spat, China accounted for 39% and 27% respectively of Australian exports and imports. Below are charts of the top five export destinations (L) and import sources (R) sourced from the ABS data.



3.7 Union breakup heads to Court

Previous Quarters in Review have discussed the efforts of the mining division of the CFMMEU to spin out. Enabling legislation was passed during the quarter. Despite not always complying with Court orders in other matters, the CFMMEU has launched injunctive action in the Federal Court to stop the now legal demerger process.

4 Legislation

4.1 Double dip prevention and casual conversion

The government's previously rejected attempts to modify the Fair Work Act was resubmitted as the Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Bill 2021. This bill was passed and addressed "double dipping" leave entitlements and conversion from casual to permanent employment. Those hoping for significant reform were disappointed in the legislation.

4.2 Union demergers

As written above, legislation that removed the time limit on reversing union mergers including but not limited to the CFMMEU was passed.

4.3 Laws may take a while

Not legislation, early in March the Commonwealth Aged Care Royal commission delivered 148 recommendations. The ABC summarised them as

- 🧩 Rights based, not rationed, care;



-  Stronger governance;
-  Improved workforce conditions and capability and
-  A better system will cost more See sub section 8.5 below.

The two commissioners submitted different sets of recommendations casting doubt on the prospects of significant action on this, the 19th major review of the industry since 1997. The government's funding response awaits the budget in May, but the Prime Minister initially showed little enthusiasm for a Medicare style levy.

5 The environment

5.1 Hydrogen reality

Interests associated with Fortescue Metals Group chairman Andrew Forrest have proposed the construction of a hydrogen fired power station using “green” hydrogen in Port Kembla. The hydrogen will be produced in Western Australia. If the project is successful, it will demonstrate the portability of hydrogen. The fine print of the announcement is that initially only 30% of the power plant's output will be hydrogen generated and it still requires further evolution of technology to get to 100% hydrogen generation. Paradoxically, the project is being opposed by the energy market regulator because it is too big.

5.2 Investment meets the environment.

On 16 February, index fund manager [VanEck Australia Pty Ltd](#) announced “*Australia's first ETF dedicated to clean energy and clean energy technology*”. The announcement continued “*The VanEck Vectors Global Clean Energy ETF will provide exposure to the world's largest companies involved in clean energy production or businesses that produce technology related to clean energy production, from both developed and emerging markets.*”

On the same day, fund manager Ausbil made the somewhat belated and surprising announcement that its three year old [Ausbil Active Sustainable Equity Fund](#) would exclude fossil fuel investments.

5.3 Rooftop hydrogen

On 25 January, Renew Economy published an article reporting funding for and sale of rooftop hydrogen storage. The patented “*world's first, long-term capture, hydrogen battery within a secure vessel.*” has only been available since November 2020. Gowing Brothers Ltd, an investor in both technology and property has committed funds to further development and purchased a significant number of devices to use on its properties. The device, with 34 kw capacity, is industrial, not residential. The essence of the process is that electrolysis using



solar generated electricity and mains water creates hydrogen which is stored in a metal alloy dubbed a “solar sponge”. How the hydrogen is ultimately used is not clear from the article.

5.4 An inevitable confluence.

The trends of bitcoin and renewable energy met with the raising, reported in the AFR of 11 February, of \$25 million for data centre operator Iris Energy to expand its renewable powered bitcoin mining operation.

5.5 Superannuation activism continues

Following the court case involving REST reported in the last Quarter in Review, another industry superannuation fund, HostPlus, has come to the attention of activists with lobby group, Market Forces Fund calling for divestment of some investments. Chief Investment Officer, Sam Sicilia, responded “*Climate change activists’ focus on divestment ignores the reality of our fossil fuel dependency, which is unlikely to change anytime soon.*”

5.6 Large scale solar and battery

CEP energy announced late in the quarter plans to build a 150-megawatt battery on the old GMH site in suburban Adelaide. The battery will store energy collected from solar panels on roof space on buildings owned by Melbourne construction company, Pelligra Group. This is the second old car plant to be used for green purposes. As we reported in the December 2019 Quarter in Review, the Mitsubishi plant at the other end of Adelaide was repurposed to produce hydrogen from solar powered electrolysis.

5.7 Solar and battery objections overruled

Despite objections outweighing support 170:102, the NSW Independent Planning Commission approved a 1,039 ha 350 or 400 megawatt(sources differ), solar and battery project for the Riverina town of Culcairn. It is intended that 75% of the site will continue to be available for grazing.

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	Mar 21	6,791	5,080	5,759	5,395
Annual change to latest date			33.7%	5.6%	3.3%
S&P /ASX 200 dividend yield	Jan 21	2.81%	3.84%	4.14%	4.29%



	Latest date	Now	1 year ago	3 years ago	7 years ago
S&P /ASX 200 P/E ratio	Jan 21	55.5	20.05	15.88	16.26
Topix- Japan	Mar 21	112.7	80.90	99.00	69.40
Annual change to latest date			39.3%	4.4%	7.2%
S&P 500- US	Mar 21	1203.1	782.7	799.8	567.0
Annual change to latest date			53.7%	14.6%	11.3%
GDAXI- Germany	Dec 20	13,890	13,234	12,898	9,598
Annual change to latest date			5.0%	2.5%	5.4%
Average weekly earnings \$	Jun 20	1,714	1,635	1,543	1,421
Annual change to latest date			4.8%	3.6%	2.7%
Consumer price index	Mar 21	117.20	116.60	112.60	105.40
Annual change to latest date			0.5%	1.3%	1.5%
Unemployment	Mar 21	5.8%	5.20%	5.52%	5.80%
Gross domestic product \$ m per quarter	Dec 20	491,525	496,921	475,223	430,854
Annual change to latest date			-1.1%	1.1%	1.9%
RBA cash rate	Apr 21	0.1%	0.25%	1.50%	2.50%
3 year Commonwealth bond	Mar 21	0.1%	0.38%	2.10%	2.97%
10 year Commonwealth bond	Mar 21	1.7%	0.89%	2.72%	4.10%
USD/AUD	Mar 21	0.7602	0.6175	0.7665	0.9221
Annual change to latest date			23.1%	-0.3%	-2.7%



7 Other peoples' views

7.1 Superannuation guarantee increases under threat

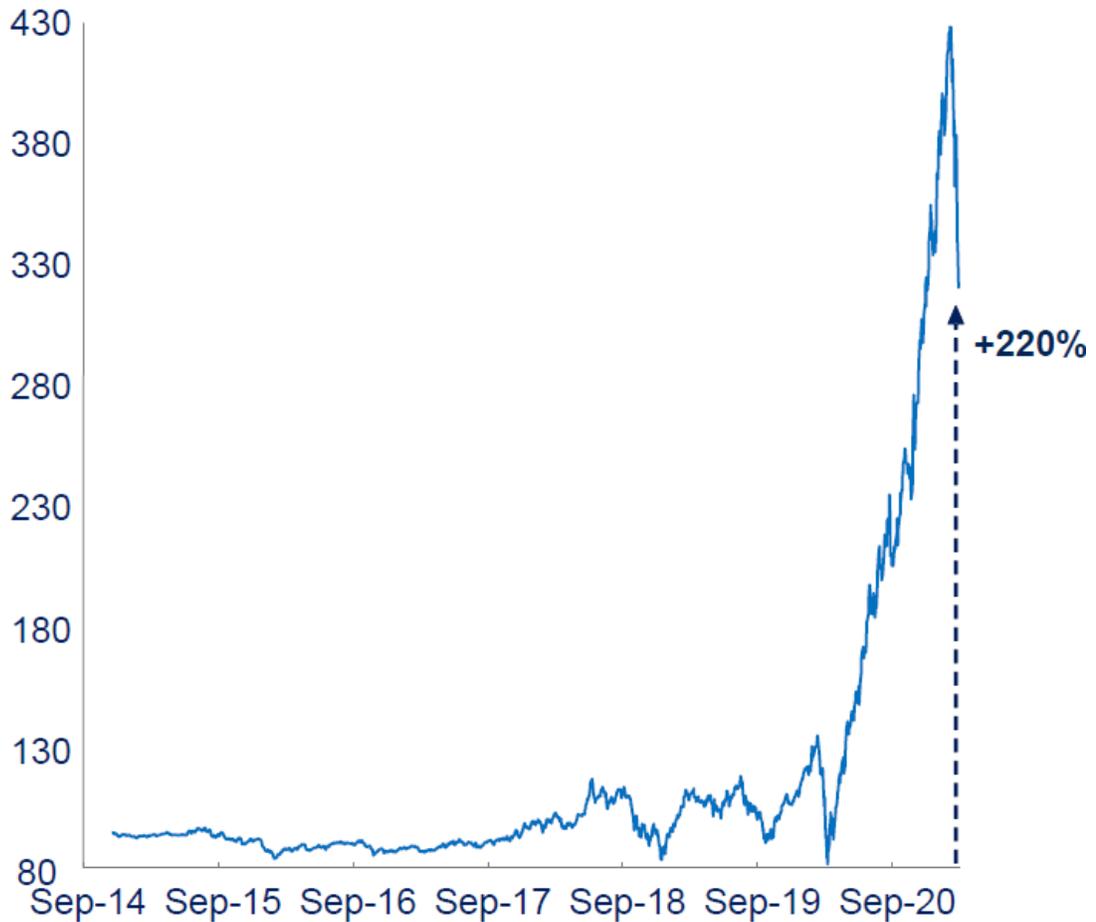
Writing in the AFR on 22 January Superannuation Minister Jane Hume added to the drum beat of the knell of the 12 % Superannuation Guarantee (SG), scheduled to be reached in July 2025. The minister repeated the common criticism that too many people are not drawing sufficient from their superannuation. The article also quoted the finding of the Callaghan Review that 9.5% superannuation employer contributions could provide retirement income of 65 to 70 % of pre-retirement income.

The usual suspects came to the defence and denigration of the SG levy and industry superannuation in particular.

Senator Hume's Op ed piece was sub headed "*We must give people the confidence to use their superannuation to live well, not die with a large balance*" This neatly encapsulates that problem. We know the life expectancy of the population at age 67, but not the lifetime of individuals. Until an efficient method of longevity protection is found the problem of large often tax free intergenerational transfer will remain.

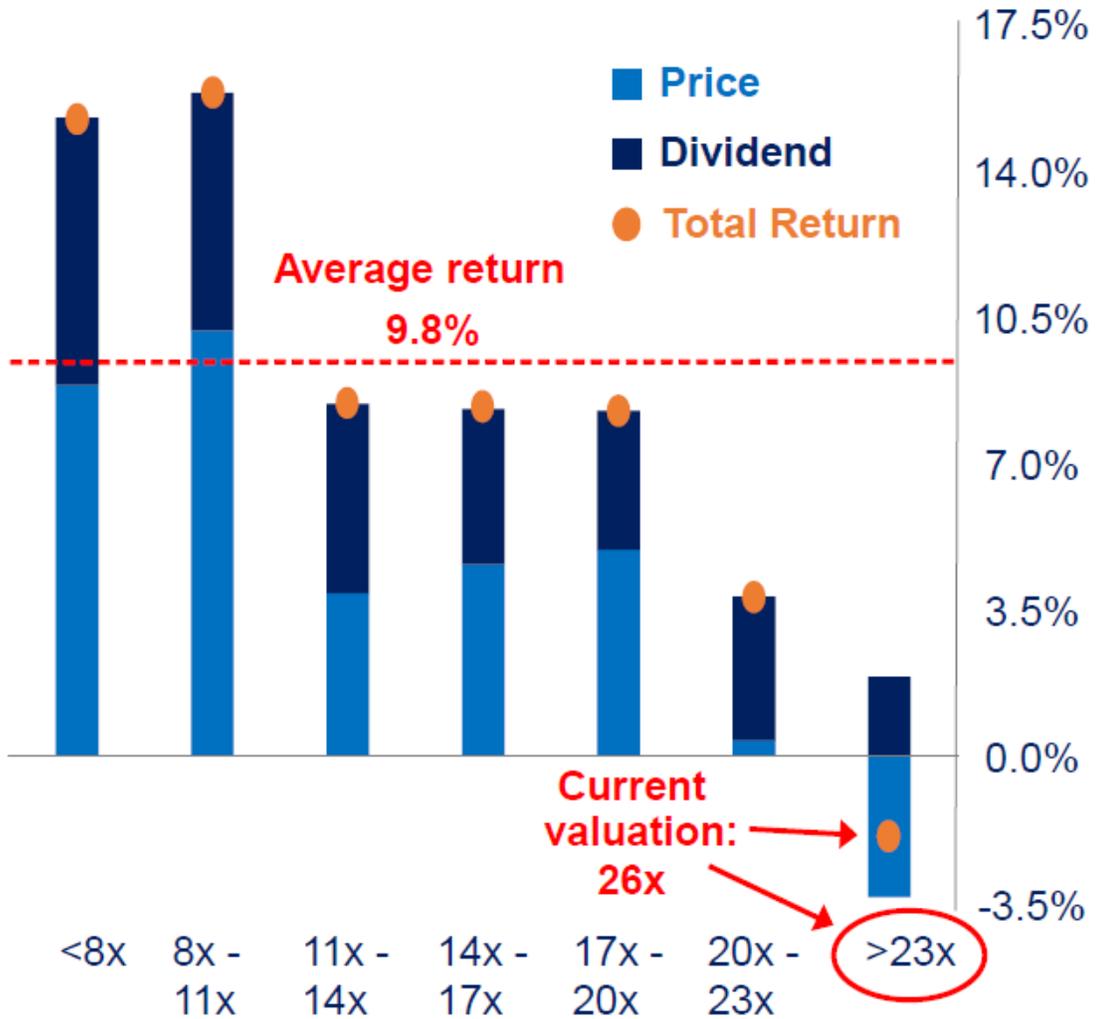
7.2 No profits no worries

Matt Sherwood, Head of Investment Strategy, Multi Asset at Perpetual Ltd showed an adviser webinar the following chart of an index of the price of US stocks yet to make a profit. Noteworthy on the chart is the sudden recent fall.



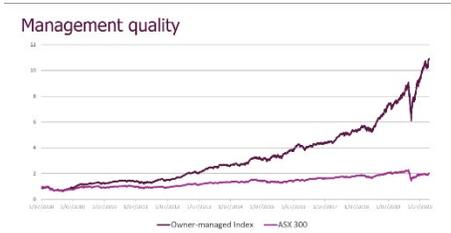
Source: Goldman Sachs and Bloomberg as at 23rd February 2021.

Mr Sherwood also produced the following chart of the five year performance of US stocks based on starting price to earnings ratios. The conclusion, not surprisingly, is that stocks bought very cheaply provide better returns and those that were historically expensive suffer losses. It also showed current valuations are at levels that presage losses over the next five years (all else being equal).





7.3 Skin in the game



Portfolio manager at Airlie Funds Management, Emma Fisher, displayed this chart at a Webinar on 9 March. It shows the growth (including dividends) of investments in a sub index of companies where management has a significant ownership stake against that of the largest 300 companies. The chart runs from July 2008 and shows accumulations from \$1 to roundly \$11 compared with \$2.

As always, charts of this nature depend for their effect on start and end dates.

7.4 Social security ideas

On 18 February, David Knox (left), CEO of superannuation manager Mercer Australia, advocating a means test free pension in a webinar hosted by retirement income think tank, the [Conexus Institute](#), noted that in 2050, the Australian age pension and tax support of superannuation will cost the lowest proportion of GDP of member countries of the OECD. Dr



Knox also noted that a new skill of “Pension Concierge” has emerged - people are paying to have their Centrelink forms completed. He highlighted the distortions the current social security system imposes on the efficient use of the nation’s housing stock.



Dr Knox made the interesting comment that the current annuity market makes no allowance for the state of health of the annuitant. People in poor health also need longevity protection, but it is not available.

When asked which political party would be most likely to introduce a means test free pension, Dr Knox said the ALP has history with universal health care, but the Coalition parties might be attracted by efficiency, removal of distortions and simplicity and no more “tinkering” with the retirement income system. The very next day, Inside Adviser reported Ken Atchison (right) of Mercer’s asset consulting competitor Atchison Consultants espousing similar views about removal of the means tests.



7.5 Indian optimism

Mugunthan Siva, Managing Director of [India Avenue Investment Management](#), shared the optimism of the Indian share market, which rose 8% in the two days after the country’s budget was announced, in a summary posted on 3 February. Mr Siva noted that the budget represented a “*significant change*” with an “*all-out focus on growth*” now the Government’s priority. He identified emphasis on infrastructure, agriculture [in Andep’s’ view, ironic, given the farmers’ riots], growth, consumption and job creation aiming at 11% growth in the year to March 2022. He concluded his succinct summary thus “*We expect that the Budget will pivot the economy towards growth and rather than providing handouts as a stimulus has tackled the root cause of issues holding back India. Cleansing of banks, improving infrastructure, greater self-reliance through a focus on manufacturing locally and building strong partnerships with global firms will set up India to expand its capital formation, external position and create jobs and consumption.*”

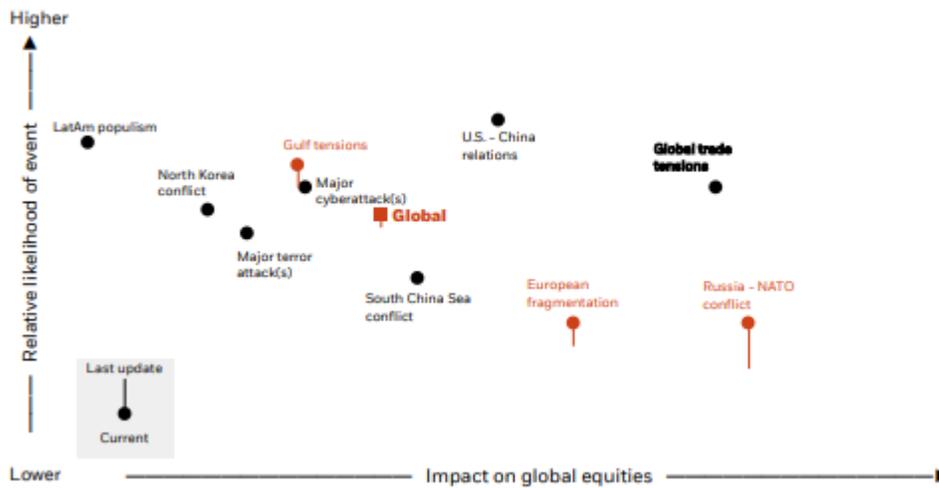


7.6 Geopolitical risk

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



The following chart shows the current status of individual risks.



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

8 Products and producers

8.1 Movement at Platinum

Respected fund manager Platinum has partnered with former friendly society Australian Unity Ltd to issue an international equities bond. Platinum has also introduced an arrangement under which investors have the choice of cash distributions, reinvestment of distributions and combination of cash distribution and either partial withdrawal or reinvestment to ensure a payment to the investor of 4% of their balance. Australian Unity is one of Australia's oldest financial institutions predating AMP.

8.2 Superannuation merger consummated

The merger of Tasplan and MTAA Super committed to on November 2019 was completed on 31 March. The three key points in the announcement were the new name "Spirit super", \$23 billion assets and 326 thousand members.

8.3 Fee for no advice

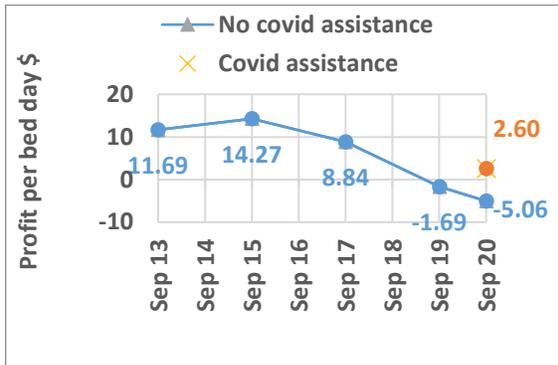
The fee for no advice restitution continues. A major multinational superannuation provider has commenced refunding clients who were charged an ongoing advice fee after the 2012 Future of Financial Advice reforms were legislated but received inadequate advice. One of Andep's clients, who was a previous client of this provider, received a letter notifying that a payment of \$50,000 was forthcoming in respect of advice fees paid over 6 years plus interest.



8.4 Taking a good idea international

On 25 February, ETF manager [BetaShares](#) announced its S&P500 equal weight ETF providing equal exposure to those of the largest 500 stocks on the US market meeting certain quality criteria. It follows the success of the similar Australian fund. managed by rival VanEck Australia Pty Ltd.

8.5 Aged care business woes



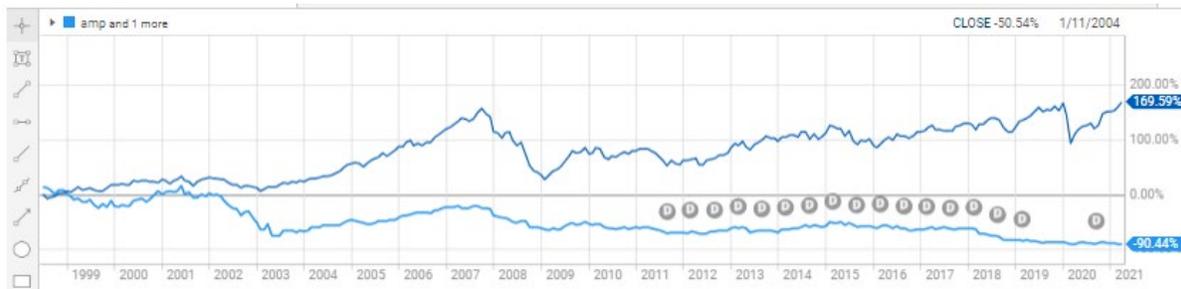
The [Weekly Source](#) reported on 28 January that industry specialist accountants, Stewart Brown, say 52 % of aged care providers are operating at a loss. The chart at left is from the article and shows the history of average operating results. The publication also uploaded a [weekly aged care wrap](#), which is interesting viewing.

8.6 AMP end game?

On 26 February, the takeover of AMP Ltd by Ares Management Corporation previously contemplated and described in the last Quarter in Review, changed to a joint venture in which Ares will acquire 60% of AMP's capital markets business.

The quarter ended in uncertainty about whether the CEO was resigning.

The destruction of investor's capital is evident from the following chart, the lower line of which is AMP's share price, the upper line the ASX 200 and "D" indicates a dividend payment.





It's too early to call AMP as out of danger.

Politics

8.7 Elections

Elections held or concluded in the quarter included the following.

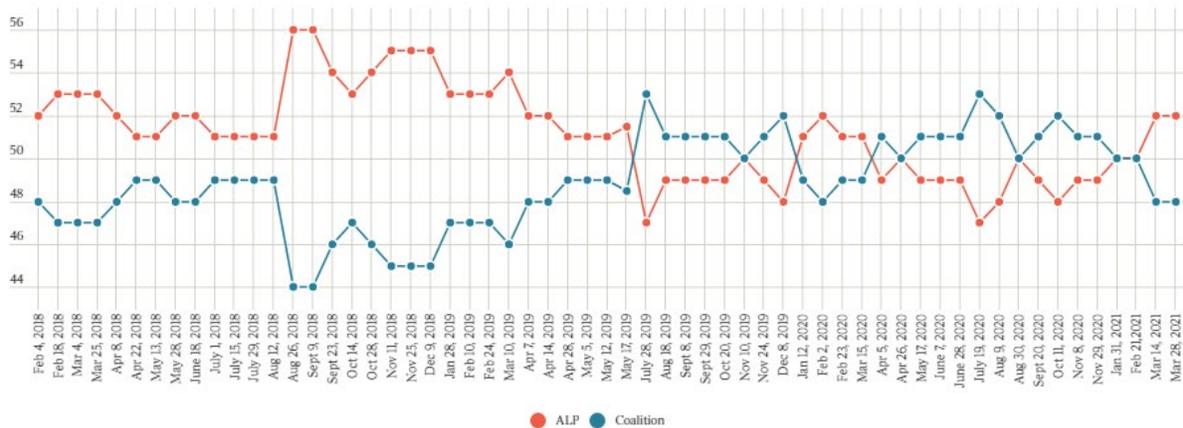
Jurisdiction	Election	Result
Baden-Württemberg	State	Greens secured 38.6% of vote and 58 out of 178 seats to remain in coalition government
	Regional election	Pro independence parties won a majority of seats and votes
Catalonia		
Israel	Knesset	The Knesset was constitutionally dissolved after failing to pass the budget and a new election called. The ruling coalition lost 11 seats to hold 38 of 120 but prime minister Netanyahu retains office
	General	Centre left Liberal party added 3 seats to provide a majority of 22 of 40 seats
Newfoundland and Labrador		
Nigeria	General	Nigerien Party for Democracy and Socialism retained the presidency with a new candidate, Mohamed Bazoum, and gained 4 parliamentary seats to hold 78 of 166
Rhineland-Palatinate	State	The ruling coalition including Social Democrats, Free Democrats and Greens extended its narrow majority with the Greens gaining 4 seats and the Free Democrats losing 1
Uganda	General	Incumbent president Yoweri Museveni re-elected with his party gaining 43 parliamentary seats to hold 336 out of 529 in an election described by the US State Department as "fundamentally flawed"



Jurisdiction	Election	Result
Western Australia	General	ALP increased majority winning 53 of 59 seats with National party winning 4 and leadership of the opposition the Liberal party holding on to 2 seats

8.8 Opinion poll

The following chart shows two party preferred voting indications since February 2018 published by the [Australian newspaper](#).



9 Courts and regulation

9.1 The net loosens

On 12 March, the Australian Prudential Regulatory Authority (APRA) announced discontinuation of its investigation into Westpac’s bulk money laundering activities. Deputy Chair John Lonsdale said: “*Although the investigation has not found evidence of breaches of the Banking Act or the BEAR, APRA remains determined to ensure Westpac rectifies its risk governance weaknesses effectively and sustainably.*” “*Under the enforceable undertaking, Westpac has clearly defined Executive and Board accountabilities for the implementation of its integrated risk governance remediation plan. APRA will be holding Westpac to account for the delivery of the required improvements,*” Mr Lonsdale said.



9.2 Incompetence or venality?

The first week of March saw two industry superannuation funds attract the ire of ASIC, Rest and Statewide. This in an environment where the bulk of the regulator's activity has been directed at "retail" superannuation funds. There is no suggestion that the two funds sought to benefit at the expense of their members – more a reflection of the micro complexity of the industry and its overlapping regulators.

9.3 The gig economy gets bigger

On 30 March, law firm, Murfett Legal, published an article on the Moffat case. The article reported that a decision to require a dentist's employer to make Superannuation Guarantee Contributions for a person who was not an employee under common law could be not further appealed. Presumably Dr Moffet was employed on the not uncommon basis of being entitled to a proportion of patient fees generated. The substance of Murfett's article concluded "*So, be careful.*"

9.4 Stock market fallout

On 15 February, the AFR reported moves are afoot to strip the Australian Securities Exchange of some of its monopolies following the ASX's computer crash on 16 November last. There are at least three other stock exchanges in Australia that could benefit, but the ASX dominance is probably not under serious threat.

9.5 A win for ASIC

The High Court found and ASIC [announced](#), on 3 February, that Westpac subsidiary BT had given personal financial advice in phone calls seeking to persuade people to switch their superannuation to BT. ASIC had lost the case in the Federal Court, had the decision reversed by the Full Court and is now vindicated by the High Court.

This somewhat evens the ledger after Westpac had defeated charges of irresponsible lending brought by the ASIC.

9.6 Commsec action

On 1 March, ASIC [announced](#) action against the Commonwealth Bank's stock broking arm, Commsec, and former subsidiary, AUSIEX, seeking declarations of contraventions, pecuniary penalties and other orders. ASIC alleged seven different classes of misbehaviour including overcharging of commissions of \$4.35 million.



10 Andep news

10.1 Friends in high places

YOUR MONEY
The West Australian
Monday, February 15, 2021 19

Who's that bloke on the same page of the West Australian as Liz?

The article included Liz's comments on how the interest of younger investors had spiked early in the pandemic.

The Premier was being promoted as a speaker at a West Australian breakfast.

Young investors join fray

KATE PURNELL

The number of first-time share traders more than doubled last year, with millennials accounting for the biggest spike, but many didn't do any research before jumping in.

New sign-ups to Commonwealth Bank's trading platform CommSec made up 18 per cent of the app's users in 2020, up from 8 per cent pre-COVID, according to new data.

In WA, investors aged between 18 and 25 made up nearly 60 per cent of the new traders, with those over 45 accounting for only 20 per cent.

Financial adviser Liz Rae, of Perth-based Andep Investment Consultancy, said the appetite of young investors grew noticeably last year as equity markets staged a recovery after plunging with the arrival of the global pandemic.

Ms Rae, pictured, found in the early months of the coronavirus Gen-Zs and millennials began to take an interest in their financial security to an extent not seen before, spurred by the heightened publicity around the local stock market and the ease and accessibility of online trading platforms.

West Australians represented about 10 per cent of new CommSec investors but the activity of these traders was among the highest nationally between March and October last year.

The most popular stocks were in mining and energy, which are historically

favoured by WA investors.

The strength of iron ore prices ensured Ferrucuse Metals Group and BHP were among the most favoured stocks, along with Woodside Petroleum and fast-running gold play De Grey Mining.

CommSec executive general manager Richard Burns said while the investor appetite was clear, new traders had brushed over important details in their enthusiasm to generate quick profits.

"There was a thirst for learning, however, it was interestingly leaning towards more educational topics with fewer clicks on the important basics such as planning or strategy," Mr Burns said.

CommSec is trying to ensure new investors are better prepared by launching a suite of educational tools, including videos and learning exercises.

Mr Burns said it was important that investors regularly monitored the markets and their portfolio, and understood their own risk appetite.

"Knowing how to keep track of your progress and how you stack up against key benchmarks is essential for understanding how your investment is performing and whether you may need to re-balance your portfolio," he said.

"It's never been more important to get your information from a variety of sources and diversify your investments, as volatility is likely to continue."





The West Australian

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events

A PREMIER POSITION

Hear direct from the Honourable Mark McGowan M.A. just days before West Australians vote at the State election. Join the leader dubbed "Mr 91 per cent" for breakfast as he outlines his vision for the next four years and how he plans to lead WA out of the COVID-19 crisis.

Leadership Matters is also a unique opportunity to put your questions direct to the Premier about what WA labor is promising you, your family and your business ahead of Election Day. This unmissable event is set to be a key moment in an election campaign unlike any other.

BREAKFAST WEDNESDAY, MARCH 3

CROWN PERTH, 7AM (FOR 7.30AM) TO 9AM

TICKETS \$120 (incl GST)

CORPORATE TABLES (10 people) \$1200

BOOKING events.thewest.com.au

INFORMATION events@wa.news.com.au






10.2 Benefits of word of mouth

We are pleased to have had a quarter bolstered by a number of clients being made redundant by large company. The first of these came to us referred by a friend who we had helped and, one by one, the others came from crib room and other workplace conversations. Many of these clients complimented Liz on the help she gave them.

11 Plaudits

11.1 Covid opening pioneers

We commend the Weekly Source and the Financial Standard and all their presenters for being early restarters of industry “road shows”.

11.2 Fund managers

We are required to sit through 40 hours of professional development and similar webinars. We are continually impressed by the calm logical presentations and breadth of knowledge of fund managers, particularly those who have an investment style and stick to it.

12 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.