



# **RISK AND RETURNS ROADSHOW**

April 2025



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# Supercharged Superannuation: unlocking the power of platform ownership

Presented by

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ADVICE

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01

Superannuation themes

02

Ownership options

03

Platform ownership in-depth

# Superannuation themes



# The norm rather than the exception



Funding via superannuation has become the dominant ownership structure for Life, any occupation TPD, and Income Protection (SuperLinked).



Superannuation is a concessionally taxed (or zero taxed) environment and can also offer client's advantages in cashflow management, premium affordability and estate planning.



Policies owned within the superannuation environment have a variety of funding options that are unique to the superannuation fund type e.g. SMSF, insurance only fund, industry fund, platform.



Though platform ownership was the original retail insurance ownership pioneer, this structure has waned in popularity, in favour of insurance only superannuation funds funded by a rollover.



# Ownership options



# Industry Superannuation Fund Ownership

## Advantages

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- Cover commences upon member employment
- Automatic acceptance (default cover)
- Default cover may include coverage for pre-existing conditions
- Premiums are generally funded by compulsory SG contributions
- Premiums are generally tax deductible at a member account level
- Beneficiaries may receive claims proceeds tax-free or on a concessional basis.

## Disadvantages

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- Policies are not guaranteed renewable
- Default cover is generally unitised and decreases as the member ages
- Underlying insurance policies are not portable
- Policy terms may be more restrictive
- Potential erosion of retirement savings.

# Insurance Only Superannuation Fund Ownership

## Advantages

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- Choice of retail insurer
- Underlying insurance policies are portable
- Insurance premium generally attracts a 15% reduction (rebate)
- Beneficiaries may receive claims proceeds tax-free or on a concessional basis
- It is now possible to roll over both TPD and Death benefits to another complying superannuation fund.

## Disadvantages

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- Complexity of policy structure
- Potential erosion of retirement savings
- Potential impact on the members contribution caps
- Potential loss of deductions for personal contributions.  
Potential erosion of tax-free component.

# Self-Managed Superannuation Fund Ownership

## Advantages

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- Choice of retail insurer
- Underlying insurance policies are portable
- Beneficiaries may receive claims proceeds tax-free or on a concessional basis
- It is now possible to roll over both TPD and Death benefits to another complying superannuation fund
- Nominations are not governed by SIS provisions.

## Disadvantages

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- Potential erosion of retirement savings
- Potential impact on the members contribution caps.

# Platform ownership in-depth



# Platform ownership considerations

1

Premium funding

2

Taxation 101

3

Estate planning

4

Administration

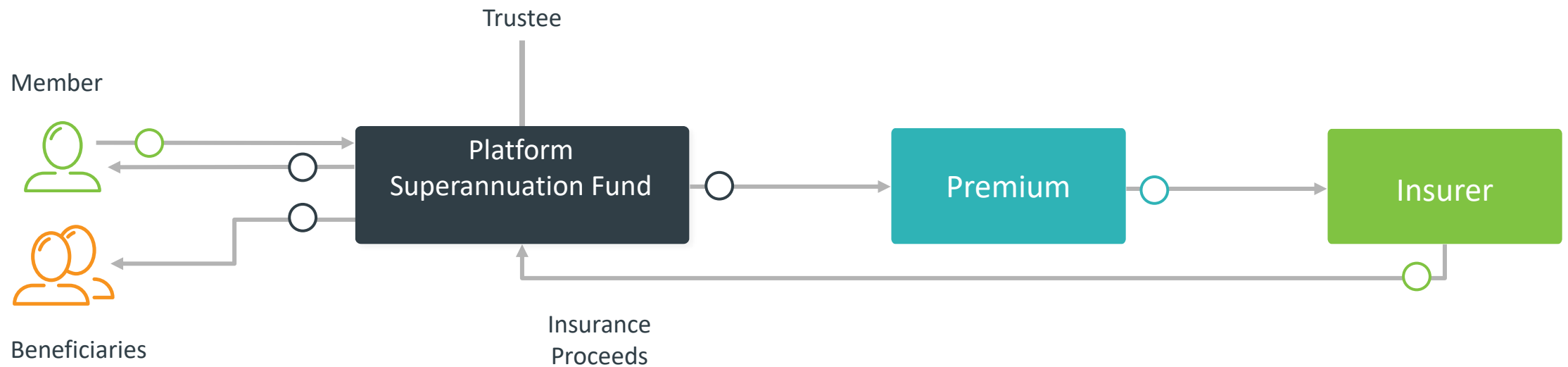
# Premium funding

- The insurance premium will generally be funded by the Cash Account within the platform.
- The Cash Account does not require a selldown of invested assets (unless the cash account is not holding enough cash).
- The premium payment is paid to the insurer and noted as an identifiable transaction on the client cash account statement/summary.
- Some platforms will rebate the client 15% of the premium immediately, mimicking the 15% rebate offered when the premium is paid via rollover to an insurance only fund.
- Platforms that do not offer the immediate rebate will claim the client's insurance premium as a tax deduction.
- As client circumstances change, the premium can alternate between being funded via contribution (concessional and/or non-concessional), excess concessional and the client's accumulated balance.
- Premiums can also be funded in pension phase for certain policies, primarily life.



Though premium funding through a platform ownership is not as simple as set and forget, it does provide a lens for advisers and their clients to review, manage and prioritise their cover against their other financial objectives.

# Ownership and funding





# Taxation 101



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The premiums are paid by the platform trustee to the insurer and are deductible to fund.



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The member can choose to contribute personally to superannuation as a concessional contribution improving the policies overall tax efficiency.



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Claims proceeds can be paid free of tax in lump sum form to SIS and tax dependants as defined.



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Many platforms have the ability to pay death benefits in pension form to specific beneficiaries e.g., spouse.

# Platform bring forward tax deduction example - Expand

Date	Transaction type	Description	Unit price	Units	Amount
12 Jun 2024	<span style="color: purple;">●</span> SMA income transfer out	SMA Perennial Value Shares for Income <span style="background-color: #e0f0ff; border-radius: 5px; padding: 2px;">1 item</span>			\$7.97 <span style="float: right;">∨</span>
11 Jun 2024	<span style="color: green;">●</span> Income	Income - Amcor PLC			\$125.58
11 Jun 2024	<span style="color: purple;">●</span> SMA rebalance	SMA Perennial Value Shares for Income <span style="background-color: #e0f0ff; border-radius: 5px; padding: 2px;">4 items</span>			\$101.67 <span style="float: right;">∨</span>
06 Jun 2024	<span style="color: gray;">●</span> Tax	Retail Insurance Premium Tax Deduction			\$11.87
06 Jun 2024	<span style="color: pink;">●</span> Insurance	Retail Insurance Premium			-\$79.11
03 Jun 2024	<span style="color: purple;">●</span> SMA rebalance	SMA Perennial Value Shares for Income <span style="background-color: #e0f0ff; border-radius: 5px; padding: 2px;">2 items</span>			\$310.38 <span style="float: right;">∨</span>
01 Jun 2024	<span style="color: purple;">●</span> SMA income	SMA Perennial Value Shares for Income <span style="background-color: #e0f0ff; border-radius: 5px; padding: 2px;">1 item</span>			\$7.97 <span style="float: right;">∨</span>

# Funding via contribution – tax considerations

Personal contributions are treated as non-concessional contributions. Completing the s 290 170 Notice of Intent will allow contributions to be treated as concessional. There are strict rules surrounding the s 290 170 notice.

1

The client must be a member of the fund at the time the notice is completed.

2

The money must be in or expensed in the fund.

3

The fund must acknowledge the notice in writing.

The client must lodge the notice before the client completes their income tax return for the year the contributions were made or the end of the income year in which you made the contributions, whichever comes first.



The s 290 170 formalities are strict, which may give rise to issues that platform ownership can reduce.

# Rollovers - Potential Deduction Loss

- If a portion of the contribution is no longer held by the superannuation fund at date of lodgement of the notice, no deduction is available for that portion.
- If a rollover amount contains a portion of the current year contribution, that portion will not be deductible.
- Proportioning Rule requires the roll over amount to contain a pro rata portion of all the components of the member balance. It is not possible to exclude current year personal contributions from the roll over amounts.



Advisers should quantify the loss of deduction for personal contributions, and weigh this against the advantages offered by the roll over.



This is not an issue where the contributions into superannuation are employer contributions.

# Erosion of Tax-Free Components

Where the accumulated balance contains tax free amounts such as non-concessional contributions, the Proportioning Rule requires all amounts rolled over to be pro-rated between taxable and tax-free components.

1

The member cannot leave the tax-free components intact in the transferor superannuation fund.

2

The tax-free component of the roll over to fund insurance premiums is lost, as there is generally no member balance in the transferee fund after the payment of life insurance premiums.

# Estate planning

## Flexibility

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- Claims proceeds are paid to the superannuation platform trustee to the members cash account.
- Platforms can generally pay death benefits as a lump sum, or pension, or combination of both.

## Administration

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- The estate planning is confined to the platform documentation as the clients account balance will include the insurance proceeds.
- No need to complete multiple death benefit nominations.
- No need to rollover death/TPD benefits from insurance only funds .
- There may be reasons as to why you would want to keep insurance proceeds and account balances separate.

# Death benefit pension advantages

0%

Death benefit pensions are tax free if the deceased or pension recipient was/is aged over 60.

15%

Where the deceased & recipient are both agreed under 60, the taxable component will be taxed at marginal tax rates with a 15% rebate.

0%

The asset supporting the pension (which the adviser may have some control over) is in a zero-tax environment – 0% on earnings and 0% on capital gains!



Though accessible having the money in pension phase may reduce indiscriminate spending.



Consider how a death pension can ensure the right amount of money gets paid to the right person, at the right time in the right format.

# Administration

## Tax

Platform ownership can avoid issues related to rollovers including NOI formalities and issues regarding the proportionate rollover of the tax-free element.

Platforms generally can pay death/TPD benefits in pension form.

## Premium funding

The premium is funded by the client's cash account.

The client can contribute to their superannuation fund which will be independent of the insurance premium.

The client can salary sacrifice more effectively to fund an insurance premium within a platform.

## Estate Planning

The estate planning for the client's superannuation can be done within one fund.

Platforms generally can pay death/TPD benefits in pension form.

No need to rollover death/TPD to commence a pension.



Thank you

A photograph of a person and a child walking away on a dirt path through a lush green forest. The path is lined with white wildflowers. The person is holding a large black umbrella. The scene is captured from behind, showing the back of the person and child as they walk down the path.

# Ethics for modern times

Adam Crabbe

National Risk Strategy Specialist

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## Ethics in society



## Ethical values

- Trustworthiness
- Honesty
- Fairness



## Ethical decision making

- Reflecting on actions



## Ethical framework

- Application through everyday dilemmas



“

Ethics is about right and wrong;  
**what ought I to do?**

SOCRATES

# Ethics

A system of **moral principles** (or moral philosophy) governing how people decide how to live their lives.

(What action is likely to lead towards 'good' and 'right')

## Ethical dilemmas:

- How to live a 'good' life (Philanthropy? Family? Certainty? Higher income)
- Our rights/responsibilities (e.g., right to freedom, social norms)
- Language of right/wrong (guidance in testing times)

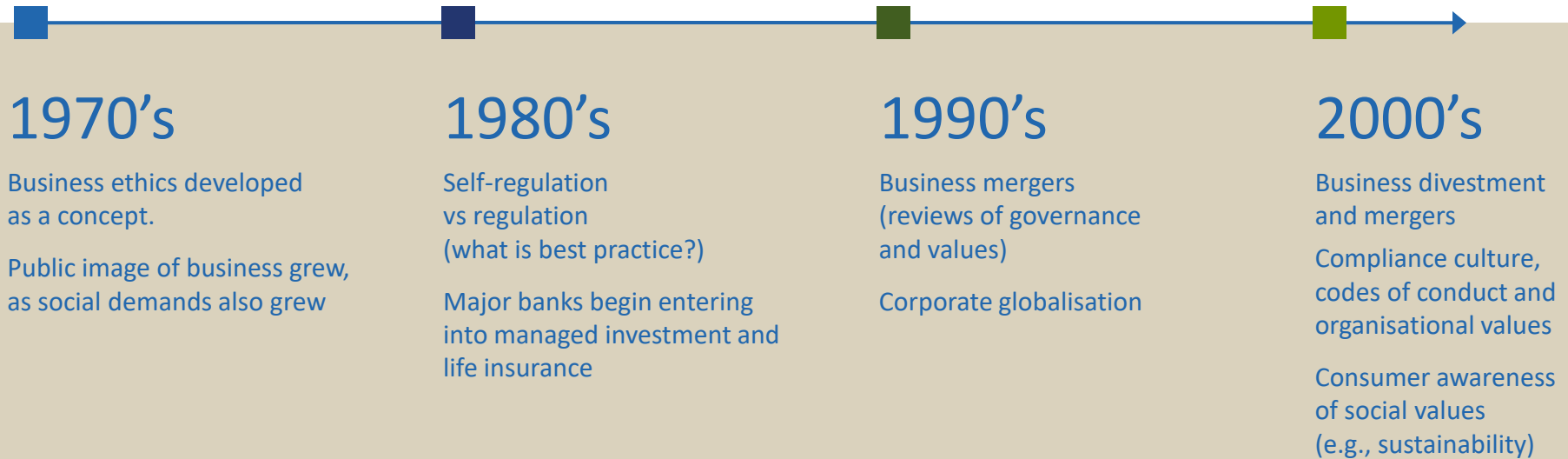
Part 1

# Ethics in society



# The role of ethics in society

## History of modern ethics





“Sustainable finance” refers to financial products, strategies or financial market activities which **support and prioritise long-term economic, social and environmental objectives** by, for example, taking into account environmental and social drivers of financial returns; mitigating adverse environmental or social impacts; or advancing positive environmental and social outcomes.

**Consumers are increasingly prioritising sustainability** in their consumption practices, with almost half (46%) say they are buying more sustainable products as a way to reduce their impact on the environment. Personal actions consumers are taking include making more considered purchases, including:

- Reducing their overall consumption (43%),
- Eating different foods (32%),
- Travelling less or differently (31%), or
- Purchasing - or planning to purchase - an electric vehicle (24%)



# Community is at the heart of a sustainability strategy



Zurich's bushfire relief fundraising efforts saw ~AUD\$1m donated to the Australian Red Cross, the NSW and QLD Rural Fire Services, and Country Fire Authority, as well as contributions to the AFL's Bushfire Fund.

Throughout 2022 and 2023 Zurich Australia continued to respond to local and global emergencies including the NSW and QLD floods, as well as the Pacific Tsunami appeal, the Auckland floods as well as global disasters including the Ukraine war and earthquake in Turkey/Syria.

Since 2018, Zurich Australia has been recognised as one of Good Company's Top 20 Best Workplaces to Give Back.

An ethical mindset can:

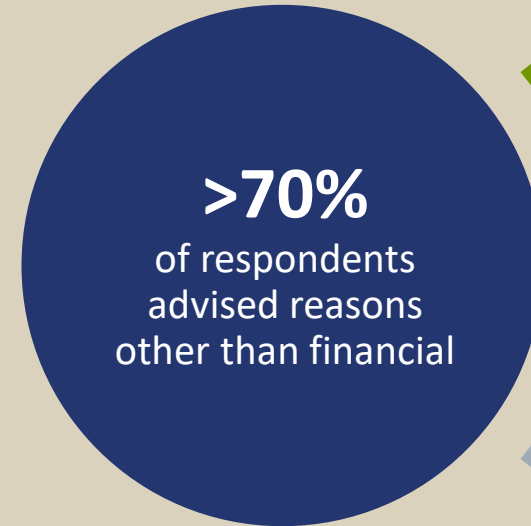
- provide a **moral map**
- pinpoint a **disagreement**
- give **several acceptable answers**





### Businesses need to make a **profit**

- Required to survive
- What motivates the contribution to society?



# Business ethics

## The dilemmas



### Businesses need to make a **profit**

- Required to survive
- What motivates the contribution to society?



### Desire for **profits** vs needs of **society**

- Maintaining balance
- Proactive engagement in the community



### Where there is **conflict**?

- Trade-offs / Is there a compromise?

## Principles

**Specific** and **pervasive** boundaries for behaviour that are **universal** (not bound by individuals, culture etc.) and are absolute.

Some examples of principles include **concern and respect for others**, freedom of speech.

## Values

Used to develop norms that are **socially enforced**. Help to define what is 'good'.

**Integrity, accountability and trust** are examples of values.

## Standards

Set by employees, customers, interest groups, the legal system and the community.

Often determine whether an **action** is right or wrong, ethical or unethical; they're **measurable**.

# Shifting trends

Principles and values sought

SENSE OF BELONGING

WORKPLACE FLEXIBILITY

COMMUNITY FOCUS

MENTOR

ACCEPTANCE

MAKING A DIFFERENCE

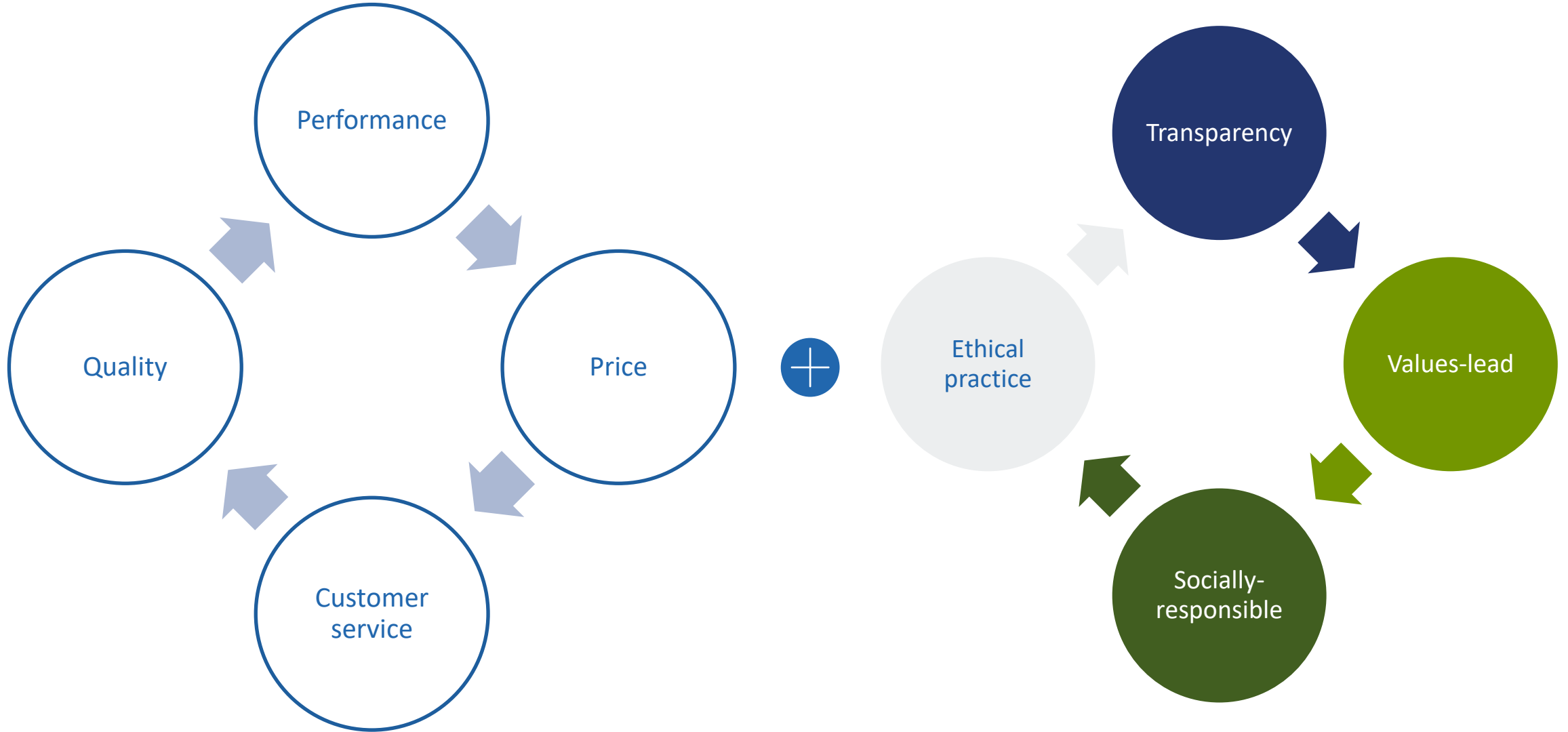
SOCIETAL VALUES

Some consumers and staff are choosing to deal only with those businesses who share similar standards

Young consumers (aged 18-34 years) engage in sustainability practices at a rate over **3x greater** than other age groups<sup>1</sup>

# Value of ethics in business

Shifts in business adding a new dimension





Part 2

# Ethical values

Trustworthiness | Honesty | Fairness



# Ethical values

Used by staff and consumers

## Trustworthiness

- **Reliable**
- **Authentic** and of **good character**
- **Humility** and able to connect with people

## Honesty

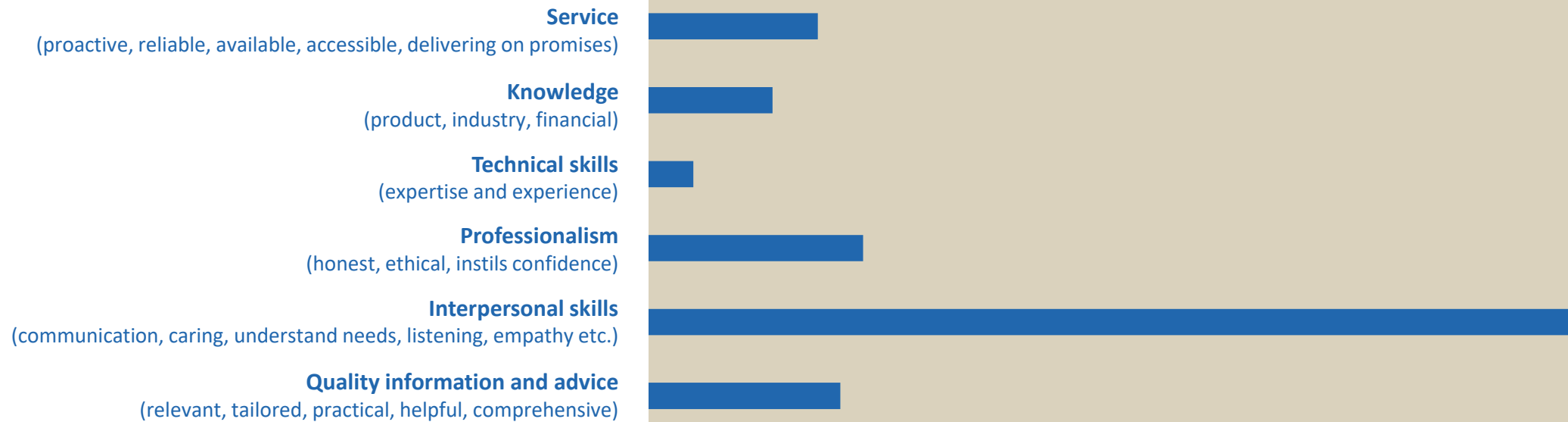
- Means **more** than technically **telling the truth** (present both sides)
- What would the other person **need to know?**
- Ensuring people have a well-rounded **understanding** of the **issue**

## Fairness

- Being **objective**
- Assess your **biases** and address how they **influence** your **decision making**
- What's fair for one may not be **fair for all**

# Ethical values

What adviser qualities are most important to clients?





“

An ethical culture, focused on **honesty** and **fairness**, will go a long way to **insulate** a business from **misconduct**, poor business practices and poor decision making

FORMER ASIC COMMISSIONER JOHN PRICE

Part 3

# Ethical decision making and reflecting on our actions



# How can you reach a 'good' decision?

Critical elements of ethical thinking





The ethical decision-making process is **not** a solo journey

Take account of **personal relationships** involved and impacted

Ensure to take on **different views** and **act objectively** in response

## Scenario 1

David is on the cusp of winning a substantial **new client**.

He is **waiting** on Emily to complete a piece of **analysis** which he hopes will clinch the deal.

Emily's work was due **two days ago**, but she has recently discovered her husband has been having an affair and she has had **great difficulty** concentrating at work.

You are aware of Emily's current difficulties.

You overhear the following exchange...





## Scenario 1

**David:** Emily, where is the strategy paper for Mr Smith?

**Emily:** I'm sorry David, I haven't been able to complete it yet.

**David:** That's not good enough! I told you I needed it days ago, and gave you a final deadline of yesterday and it still hasn't been done? If it isn't done by tonight I will have to take some serious action.

**Emily:** But David, I...

**David:** No, I don't want any excuses. It has to be done by tonight!



## How would you respond?

Make an anonymous **complaint**?

Talk to David about your perception of his **behaviour and treatment** of Emily?

Discuss with David **what's needed** to secure the new client?

If you initiate discussions with David or others, do you **volunteer information** about Emily's **personal situation** if it is not widely known?

**Talk to Emily**, perhaps exploring ways to support her personally and/or in her work. Ask whether she would like you to take any action?

Do **nothing**?

Try to **find out more** of the background information to what you observed?

**Discuss** what you have observed with others (David's boss or a trusted colleague?)





“

a key insight from our work is that **asking questions** is essential to learning and to the practice of **ethical decision making**

FORMER ASIC COMMISSIONER JOHN PRICE

Part 4

# Applying an ethical framework to everyday dilemmas



## Scenario 2

Wanda is 68 years old **recently widowed**.

Her late husband James managed all the family finances.

She has started rolling-over large amounts of **term deposits** as they mature.

She agrees to **seek advice** regarding her late husband's estate.



## Scenario 2

You make recommendations on **restructuring assets** and an appropriate income stream to meet Wanda's lifestyle needs.

Wanda **says she understands** the recommendations and is happy to proceed, however you know her experience in financial matters is **very low**.

What **should you do** in this situation?



### Use caution

You should be satisfied that **Wanda understands** any explanation about the effect of the recommendations **before implementing** the recommendations.

It is **not sufficient** to simply explain the effect of the recommendation to Wanda and gain her written authorisation to proceed.







In discussion with your client, Rick, a **need for personal insurance** was identified.

Rick's indicated he's happy to add Life, Total and Permanent Disability cover but he doesn't want to fund from cash-flow – **only from super.**

He is 37 years of age.

What **ought** one do?

## Scenario 3

### Potential reactions



**Agree**, and **provide** quotes fully funded via their super, including basic IP cover?

Provide an analysis on the **impact** on his **super** balance **or** ongoing income at **retirement**?

Provide an analysis on the **impact** on **both super** balance and ongoing income at **retirement**?

**Discuss** the **pros and cons**, including the benefits of **salary sacrifice**, the **limitations** of IP within super and **tax** implications, particularly TPD and **non-dependants**?

# Scenario 3

## Practical insurance considerations



- 39% of Zurich claim recipients (3,084) were **aged 35 to 50 years**
- The most claimed products in Rick's age group were:
  - Income protection (80%)
  - Trauma & health events (12%)
  - TPD (5%), and
  - Death & terminal illness (3%)
- The most common claimed conditions were:
  - Musculoskeletal
  - Cancer, and
  - Mental health

## Scenario 3

### Strategy considerations



Extend to include Rick's **full understanding** of the impact on retirement savings and other impacts?

- Working for **longer**
- **Reassessing** retirement goals and objectives
- **Topping-up** superannuation contributions, **reducing** the level of insurance cover, or a **combination** of these things
- Ongoing impact of **premium volatility**
- **IP claim restriction** - no claim payable if unemployed

# Advice dilemmas

## Key takeaways



**If you are not satisfied** the client understands the recommendations being made, **reconsider** proceeding to implement the recommendation.

Ask client the to **explain** your advice



**File notes are critical** to detail and provide context to your conversations, interactions and explanations.



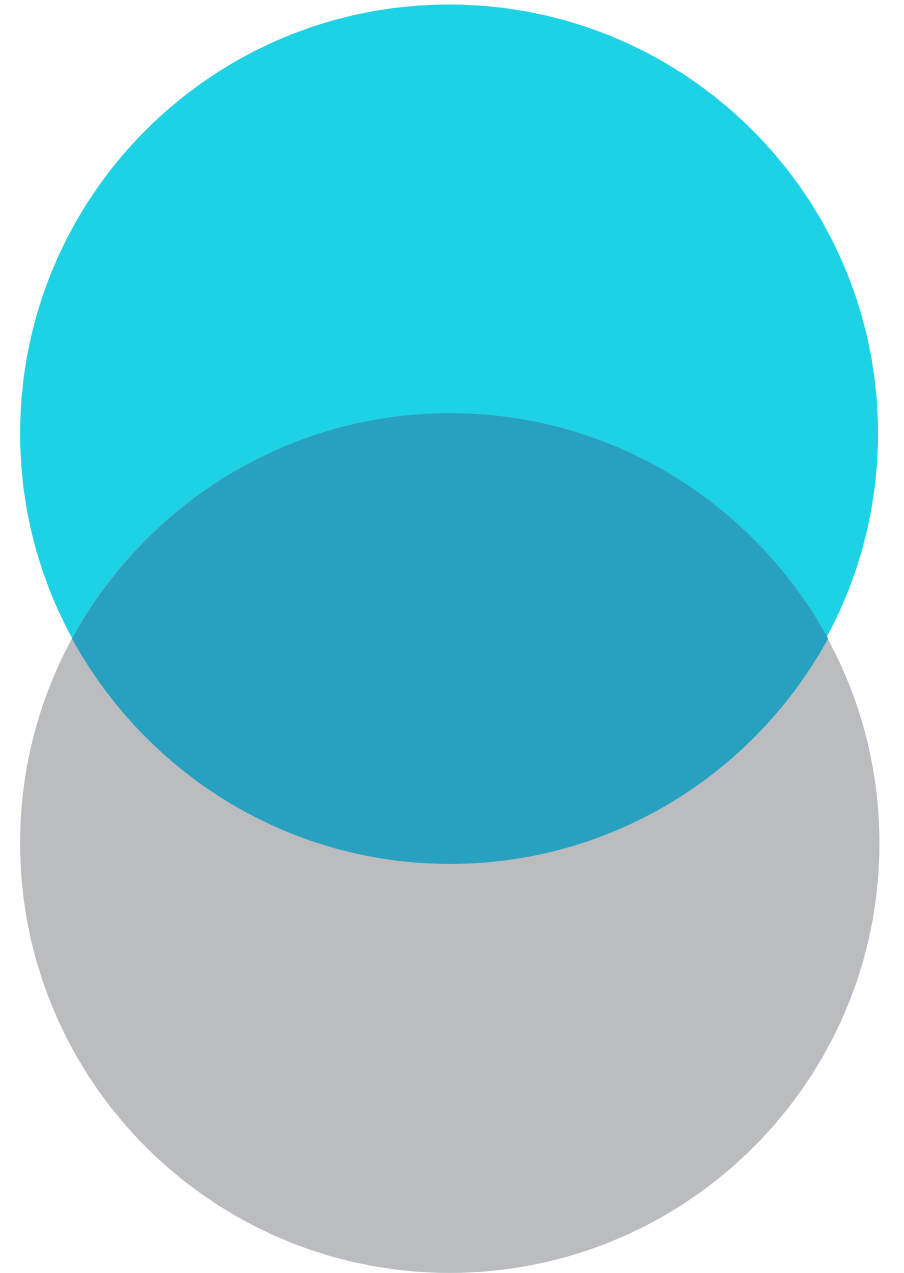
Aligns with:

- Acting with **integrity** (Standard 2)
- Advice and financial products that meet the **best interest** and **appropriateness** requirements (Standard 5)
- Addressing the **broad effects** arising from your advice, including longer term interests (Standard 6)



Thank you

# MORNING TEA





HEALTHIER, LONGER,  
BETTER LIVES

# PRICE IS WHAT YOU PAY. VALUE IS WHAT YOU GET

John Giannikos

March 2025





# LEARNING OUTCOMES

**One of Warren Buffet's famous quotes.**

**When it comes to life risk advice, a common misconception is that retail life insurance products are fundamentally identical in build/construct. There is thus a tendency to lean towards the most affordable policy in market.**

**The reality is, significant differences still exist from product to product.**

**In this CPD accredited presentation, we identify where these variances typically lie across retail risk products, the "must have" or non-negotiables, and those that are simply "nice to have".**

**The objective is to equip advisers and their support staff with the intel they need to elevate the basis of their advice beyond mere consideration of price. To give more colour to the underlying features and benefits that may suit and be tailored to the individual sitting in front of them - that are arguably a small price to pay for the extra protection afforded to clients should the unforeseen occur**

# AGENDA

1

Options based framework

2

Canvassing options = empowering clients through the decision-making process

3

New business / Retention

4

Insurance recommendations house view

# IP NUANCES CHEAT SHEET..



Key IP Features & Benefits	Insurer A	Insurer B	Insurer C
Year 1 premium	\$ _____	\$ _____	\$ _____
Day 1 Partial?	Yes / No	Yes / No	Yes / No
Will annual leave/long service leave taken offset monthly benefit?	Yes / No	Yes / No	Yes / No
Benefits restrictions after a period of time on claim or at particular ages?	Yes / No	Yes / No	Yes / No
Income Tiering: 70% of first...	\$240k / \$300k	\$240k / \$300k	\$240k / \$300k
Guaranteed Future Insurability?	Yes / No / Optional Extra	Yes / No / Optional Extra	Yes / No / Optional Extra
Involuntary Unemployment Waiver	Yes/No	Yes/No	Yes/No



# DAY 1 PARTIAL



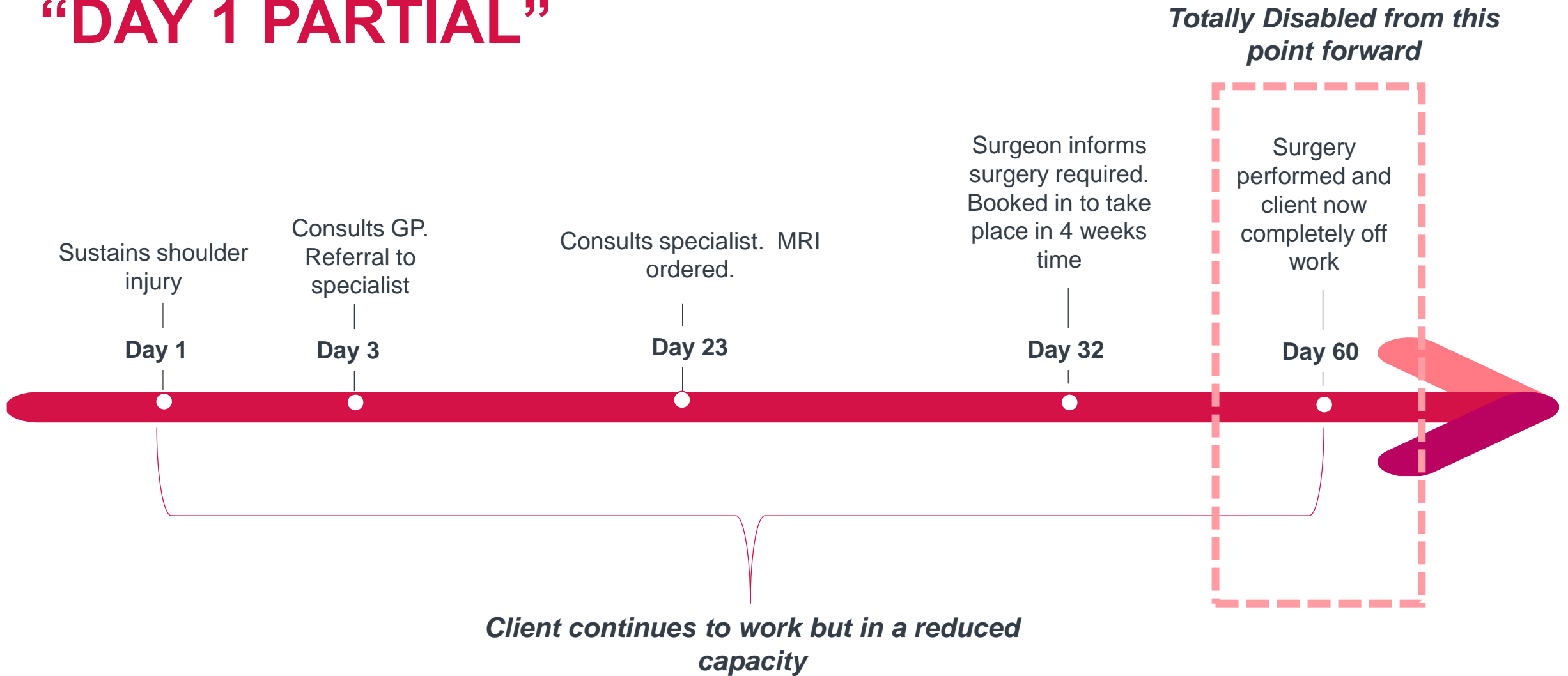
# DAY 1 PARTIAL DISABILITY DEFINITION

<b>Premium</b>	<i>\$2,614.59</i>	<i>\$2,647.69</i>	<i>\$2,707.24</i>	<i>\$2,778.81</i>	<i>\$2,999.86</i>	<i>\$3,078.01</i>
<b>Core Score</b>	<i>81%</i>	<i>83%</i>	<i>81%</i>	<i>83%</i>	<i>81%</i>	<i>83%</i>
<b>Supplementary Score</b>	<i>39%</i>	<i>52%</i>	<i>67%</i>	<i>76%</i>	<i>70%</i>	<i>61%</i>
<b>Waiting Period Requirements</b>		Optional		Optional		
No requirement to be totally disabled during the WP to be eligible for a Partial Disability benefit	X	✓	X	✓	X	✓

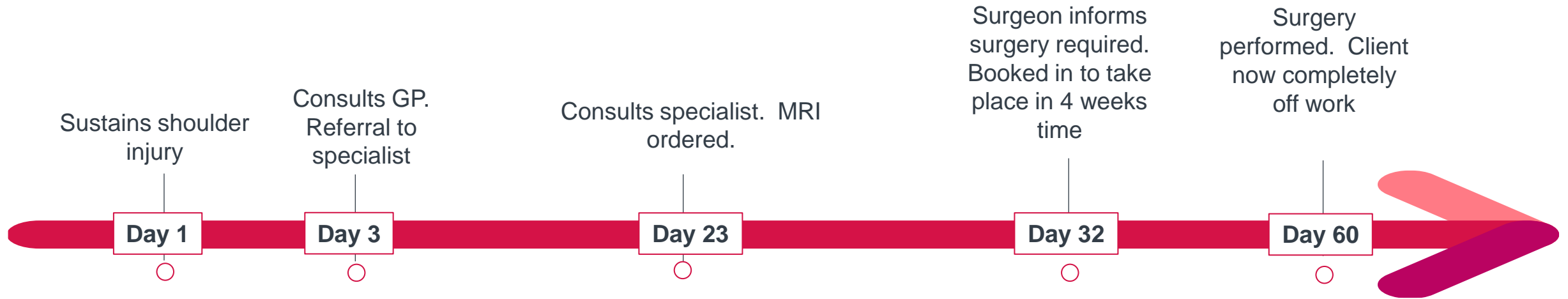
Plus, how many days of total disablement required in wait period?  
(some nil, 7, 14 days)



# “DAY 1 PARTIAL”



# “DAY 1 PARTIAL”



If IP policy has no “Day 1 Partial”: 30 day wait period commences Day 60 (which is when fully ceased work for surgery). **Would not qualify for payment until day 91.**

If IP policy has “Day 1 Partial”: 30 day wait period commences Day 1.  
**Partial benefit from day 31**



# QUANTIFYING THE DAY 1 PARTIAL BENEFIT

Salary (\$)	Partial Benefit for 1 month @50% capacity (\$)	Total Benefit for 1 month (\$)	Total (\$) If 30 day wait	If 90 Day wait...
100,000	2,916	5,833	8,750	11,666
150,000	4,375	8,750	13,125	17,500
200,000	5,833	11,666	17,500	23,332



# OFFSET CLAUSES



# ASSUME CLIENT EARNS \$200,000 - REPLACEMENT RATIO 70% GROSS

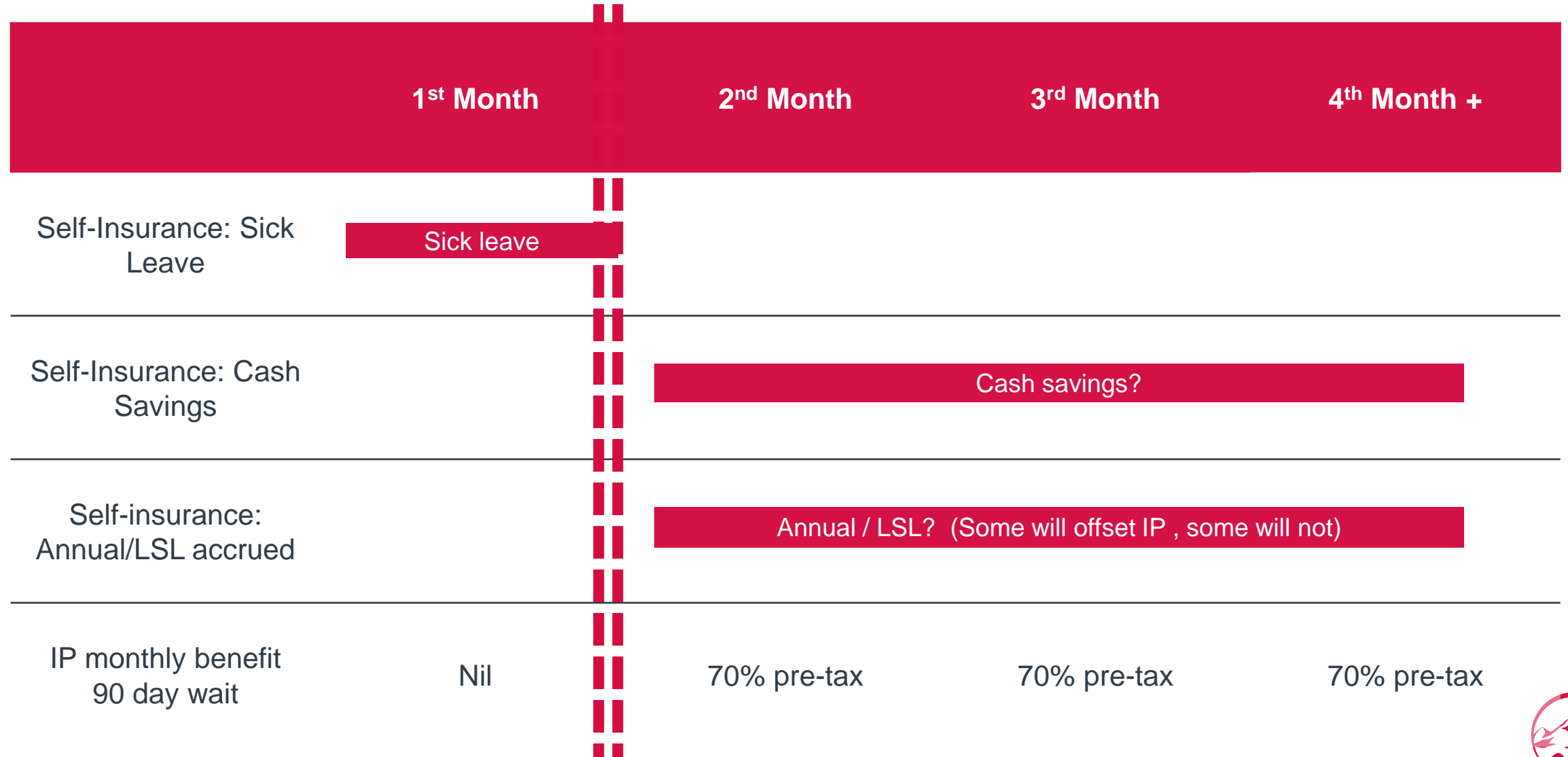
70% replacement ratio	Income Tax	Net IP benefit
\$140,000	c.\$40k	\$100,000

Net 50% replacement ratio!!

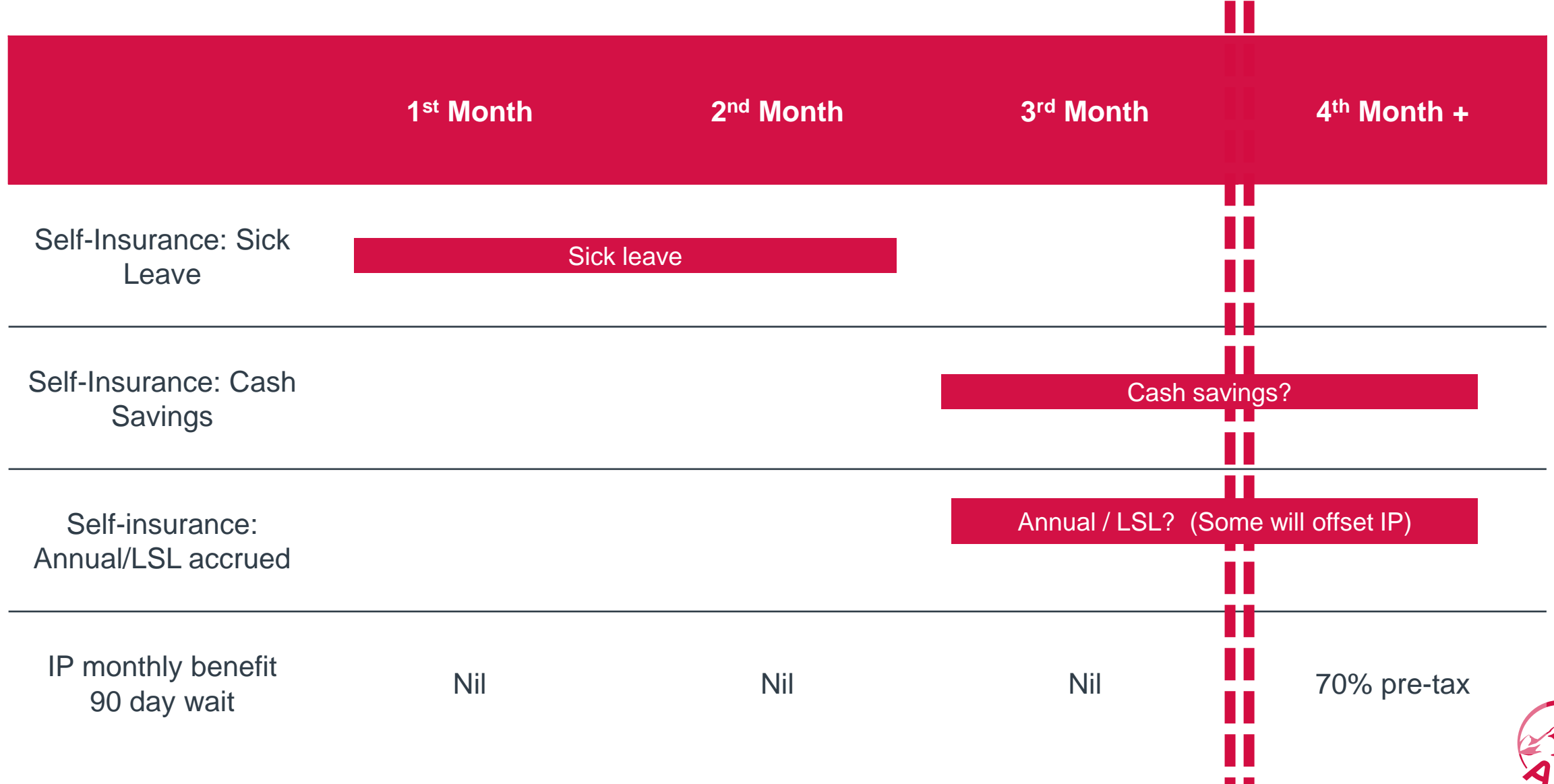
Tap into other sources of \$\$?

Accrued annual/long service leave?

# <30 DAYS SICK LEAVE, 30 DAY WAIT PERIOD



# 90 DAY WAIT PERIOD



# IP OFFSET CLAUSES: ANNUAL/LSL TAKEN

<b>Premium</b>	<b>\$2,614.59</b>	<b>\$2,647.69</b>	<b>\$2,707.24</b>	<b>\$2,778.81</b>	<b>\$2,999.86</b>	<b>\$3,078.01</b>
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<b>Supplementary Score</b>	<b>39%</b>	<b>52%</b>	<b>67%</b>	<b>76%</b>	<b>70%</b>	<b>61%</b>
<b>Offsets</b>						
Annual or long service leave taken is not used to offset the benefit	X	X	✓	X	X	✓

Crosses indicate a dollar-for-dollar reduction



# LUMP SUM COVER



# TERMINAL ILLNESS 24 MONTH

<b>Premium</b>	<b>\$1,384.46</b>	<b>\$1,471.96</b>	<b>\$1,492.58</b>	<b>\$1,495.19</b>	<b>\$1,521.49</b>	<b>\$1,547.89</b>
<b>Core Score</b>	<b>95%</b>	<b>100%</b>	<b>98%</b>	<b>97%</b>	<b>97%</b>	<b>95%</b>
<b>Supplementary Score</b>	<b>84%</b>	<b>81%</b>	<b>89%</b>	<b>84%</b>	<b>89%</b>	<b>79%</b>
<b>Terminal Illness (linked to Trauma)</b>						
Trauma - Terminal Illness period is 24 months	X	✓	✓	✓	✓	✓





# 12 V 24 MONTHS

- 95% of Terminal Illness claims are cancer related
- One-third of AIA Terminal Illness claims: 12-24 months life expectancy



# FUTURE INCREASES – PERSONAL OR BUSINESS

May need to increase levels of cover in future? Can generally do this without medical underwriting via Guaranteed Future Insurability

But GFI doesn't cater for the addition of cover. Forward Underwriting does.

<b>Premium</b>	<i>\$1,384.46</i>	<i>\$1,471.96</i>	<i>\$1,492.58</i>	<i>\$1,495.19</i>	<i>\$1,521.49</i>	<i>\$1,547.89</i>
<b>Core Score</b>	<i>95%</i>	<i>100%</i>	<i>98%</i>	<i>97%</i>	<i>97%</i>	<i>95%</i>
<b>Supplementary Score</b>	<i>84%</i>	<i>81%</i>	<i>89%</i>	<i>84%</i>	<i>89%</i>	<i>79%</i>
Other Life Benefits - Forward Underwriting	X	X	X	X	✓	X

# FORWARD UNDERWRITING BENEFIT (FUB)

- Husband/Wife, early 40s, \$1m mortgage debt
- Three children – primary school
- Auth to Proceed: \$1.5m Super Life/TPD, Income Protection
- Not proceeding with \$300k Trauma recommendation due to cost

**3 years later, pulls FUB lever, allows client to add Trauma, no medical underwriting**



# TPD COVER

TPD is generally understood as a benefit associated with a permanent inability to work, however it has certainly evolved over the years.

- Own or Any Occupation definition, is own occupation a must for your client?
- Accidental TPD, ADLs and Home Duties, what does it all mean?
- Split TPD and Conditions of Release Inside Super
- Cover past Age 65, when might it be worth considering?
- TPD sustainable for the future?

# TPD DIFFERENCES

<b>Premium</b>	<b>\$1,384.46</b>	<b>\$1,471.96</b>	<b>\$1,492.58</b>	<b>\$1,495.19</b>	<b>\$1,521.49</b>	<b>\$1,547.89</b>
<b>Core Score</b>	<b>95%</b>	<b>100%</b>	<b>98%</b>	<b>97%</b>	<b>97%</b>	<b>95%</b>
<b>Supplementary Score</b>	<b>84%</b>	<b>81%</b>	<b>89%</b>	<b>84%</b>	<b>89%</b>	<b>79%</b>
<b>TPD - Long Term Care</b>						
Long Term Care - sum insured available for TPD cover post age 65 is at least \$1M	X	✓	✓	✓	✓	✓
Long Term Care - TPD cover is available to renew up to the Insured's 100th birthday	X	X	✓	✓	✓	✓
Long Term Care - TPD post age 65 may be assessed on the Insured's cognitive impairment	X	X	✓	✓	✓	✓
Long Term Care - TPD post age 65 may be assessed on the Insured's inability to complete at 2 ADLs	X	✓	✓	✓	✓	✓
Long Term Care - TPD post age 65 may be assessed on the Insured's loss of use of limbs and or/sight	X	X	✓	✓	✓	✓

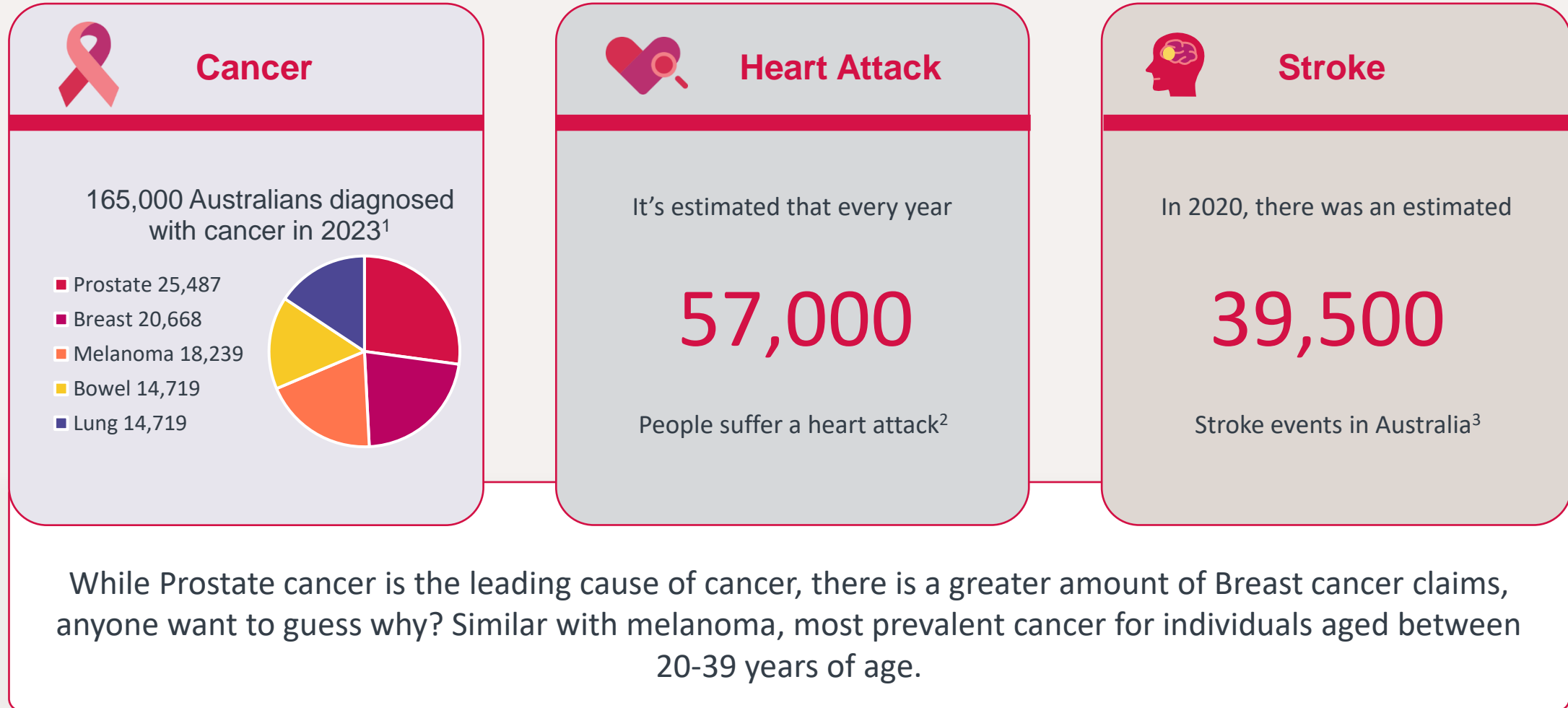


# CRITICAL ILLNESS/TRAUMA/CRISIS

- Focus on most claimed across medical definitions
- Built in features
- Reinstatement, does it include ability to claim again?
- Family Protection



# 75% OF CLAIMS = CANCER, HEART ATTACK, STROKE



1. <https://www.aihw.gov.au/reports/cancer/cancer-data-in-australia/contents/overview-of-cancer-in-australia-2023>  
2. <https://www.hri.org.au/health/learn/cardiovascular-disease/heart-attack-stroke-and-cardiovascular-disease-in-australia-statistics-and-facts>  
3. <https://www.aihw.gov.au/reports/heart-stroke-vascular-diseases/hsvd-facts/contents/all-heart-stroke-and-vascular-disease/stroke>

# FACE VALUE = EVERYONE GETS AN “A” RATED DEFINITION

Compare Ratings - Trauma (Stand Alone)							
* Rating based on optional benefit							
Filter	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Core Score	97%	97%	100%	97%	97%	94%	91%
Supplementary Score	86%	79%	80%	84%	80%	82%	78%
Trauma - Cancer (General)	A	A	A	A	A	A	A
Trauma - Cancer (Melanoma)	A	A	A	A	A	A	A
Trauma - Cancer (Prostate)	A	A	A	A	A	A	B
Trauma - Coronary By-Pass Surgery	A	A	A	A	A	A	A
Trauma - Heart Attack	A	A	A	A	A	A	A
Trauma - Stroke	A	A	A	A	A	A	A





# IS THE CLIENT GETTING ANYTHING IN RETURN, FOR PAYING PREMIUMS YEAR ON YEAR?



**HEALTH AND  
WELLNESS  
FEATURES AND  
REWARDS**



**ACCESS TO  
INDEPENDENT  
MEDICAL  
ADVICE**



**CLAIMS  
SERVICE /  
FINANCIAL  
PLANNING  
BENEFIT**



**UNDERWRITING  
PROCESS**

**What value do clients see in  
the product while paying  
for premiums?**

# DISCOUNTS – ERODING OVER TIME? SOME CAN BE CONTROLLED/RETAINED



**BUNDLE  
DISCOUNTS**



**INITIAL  
SELECTION  
DISCOUNTS**



**DISCOUNTS  
YOU CAN  
CONTROL  
VS ERODING**



**PREFERRED  
LIVES**

# KEY TAKEAWAY

Nuances exist from insurance contract to insurance contract

Pricing will generally reflect this

A small price to pay for the extra protection/certainty afforded?

BDMs are supported by technical teams

Ask for the product technical intel

To support recommendations

# TECHNICAL ADVICE AND RESOURCES



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**National Technical Manager**  
M. 0401 117 949



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AIA Australia has prepared a Target Market Determination which describes the class of consumers that comprise the target market for this product. The Target Market Determination can be sourced at [aia.com.au/tmds](http://aia.com.au/tmds)



**Allianz** Retire+

What is your  
**retirement income  
philosophy?**

**Justine Marquet**  
Head of Technical Services

March 2025



# What is your retirement income philosophy?

## Agenda

- What is a Retirement Income Philosophy?  
Key elements and factors to consider
- Beliefs, myths and facts
- What else? Risks in retirement
- Retirement income strategy choices
- Developing a product toolkit
- Questions, support and tools

## Learning outcomes

- Outline the critical elements that should form the foundation of any retirement income philosophy
- Identify processes for assessing and quantifying the unique financial risks and emotional challenges faced by retirees and pre-retirees
- Explain methodologies for designing and implementing retirement income strategies and portfolios
- Develop a toolkit of product solutions that can be called upon to bring these strategies to life

# POLL:

Currently I use the following philosophies in my practice:

a) Insurance

b) Retirement income

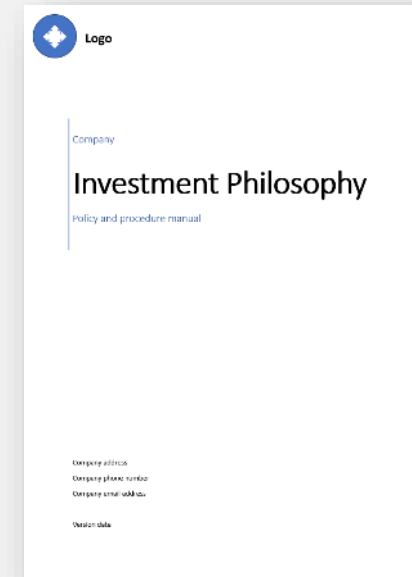
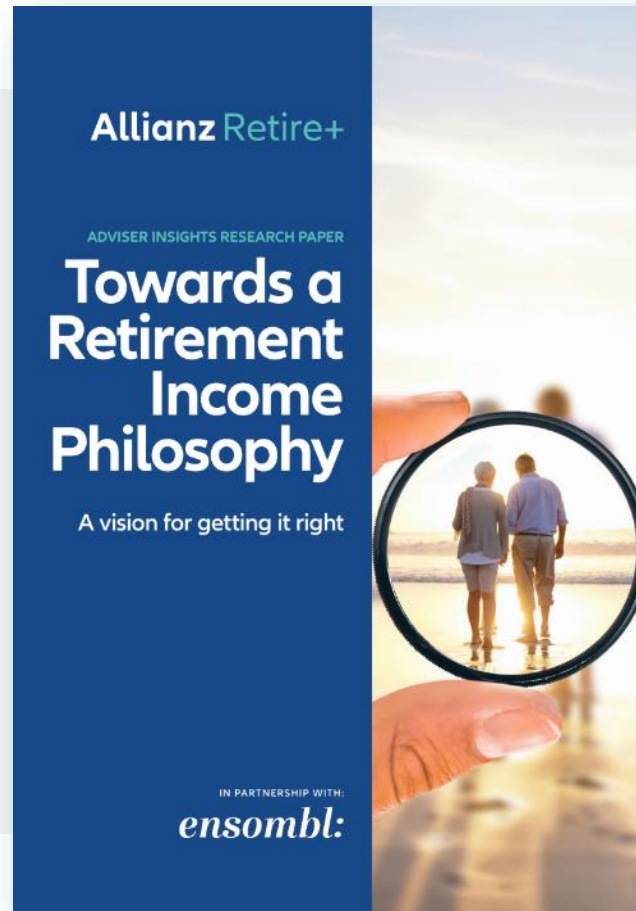
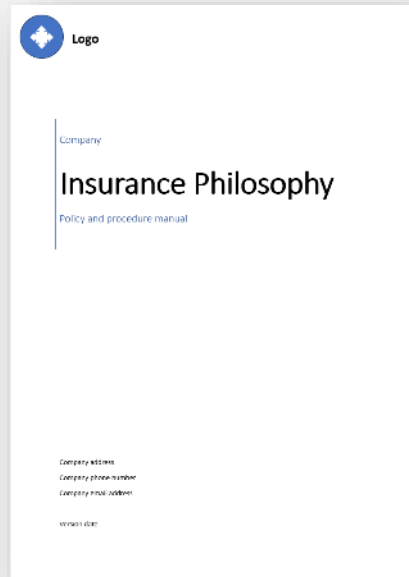
c) Investment

d) Other



# Retirement income philosophy

Why now?



# What is a retirement income philosophy?

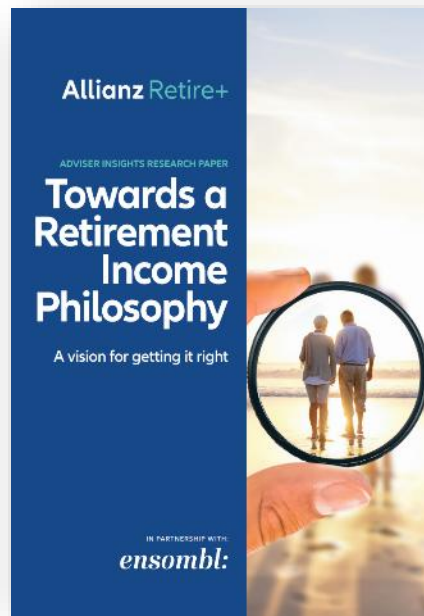
Agreed practice beliefs, principles and methodologies

## Policy and procedure

- Keeps everyone on the same page
- Helps ensure best practice recommendations target specific objectives
- Identify compliance considerations
- Reviewed at least annually

## Client facing

- Communicate your approach to retirement planning and the benefits of seeking advice
- May include general information about retirement landscape, risks and opportunities
- Information for prospective and existing clients



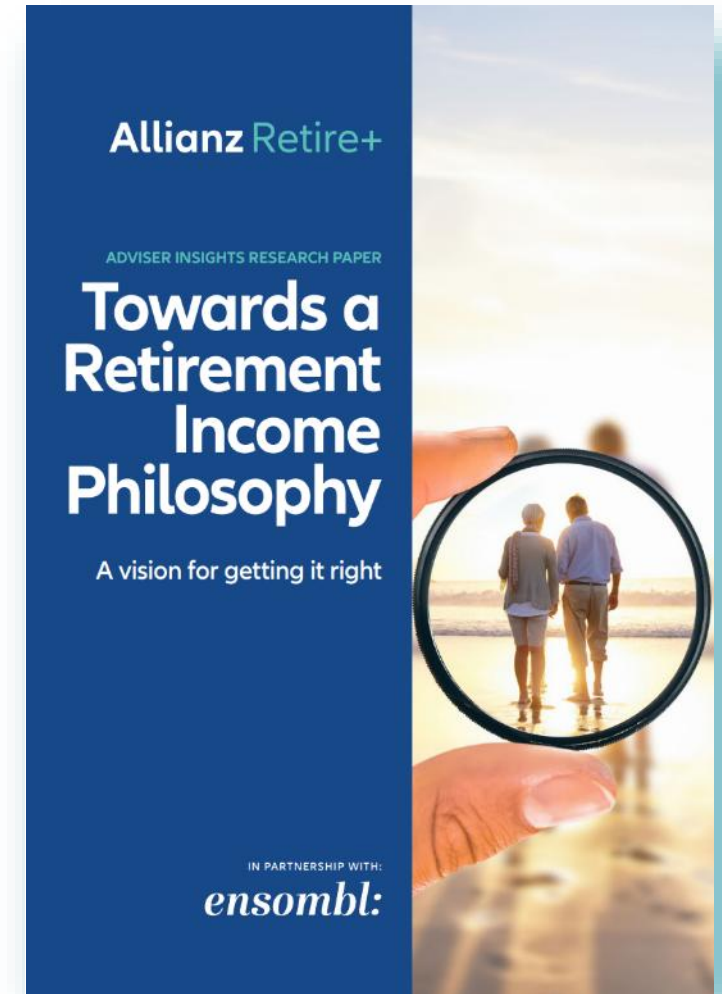
# Key elements of a retirement income philosophy

## It is informed by the need for:

- Steady income to replace salary and wages
- Asset growth to make sure that retirees' money lasts/doesn't run out
- Flexibility, as things change
- An understanding of the risks faced by retirees, both financial and emotional

## It should address:

- Processes or tools for assessing and quantifying the risks pre/retirees face
- Methodologies or approaches the practice uses for managing those risks
- Methodologies for designing and implementing retirement income strategies
- Toolkit of product solutions that can be called upon



# Retirement income philosophy - Policy and Procedures manual

## Objectives

- What is the philosophy trying to achieve?

## Governance

- Definitions, boundaries and exceptions

## Retirement income philosophy

- Values and beliefs

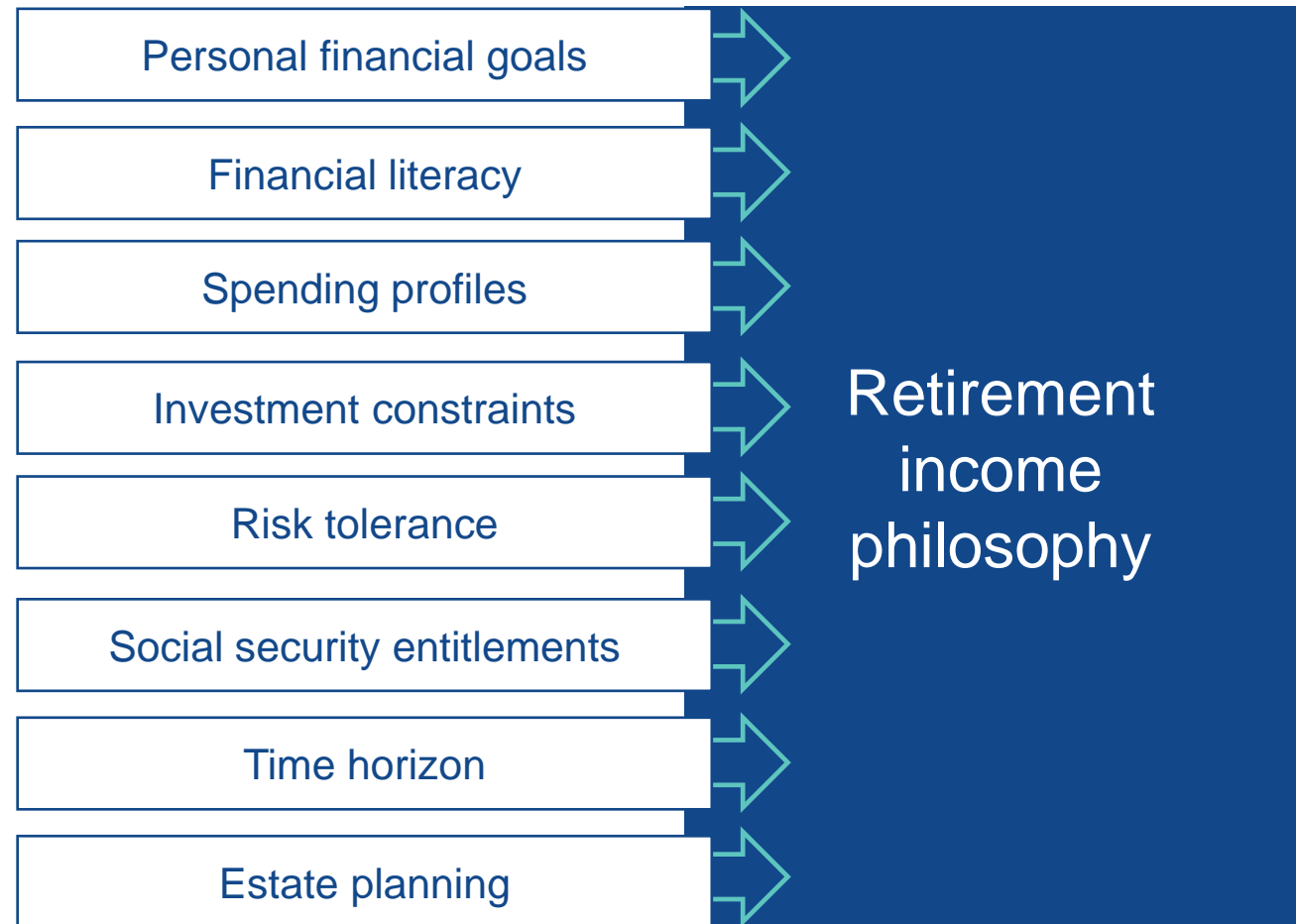
## Strategies and implementation

- Tools and resources

## Ongoing management

- Ongoing review and refinement

# Factors to consider when developing a retirement income philosophy



# The importance of defining your beliefs

## Examples

- *It's never too early to start thinking about retirement planning — the earlier the better*
- *We believe in a proactive approach, engaging clients early to ensure you're on track to achieve the retirement you've worked so hard for*
- *We are primarily focused on helping you maximise your age pension*
- *We are primarily focused on helping you secure reliable income so you have the confidence to enjoy your retirement*

# Common client retirement planning myths

How does your retirement income philosophy solve for these?

**Myth #1:** I'll die before I run out of money

**Myth #2:** I can rely on social security

**Myth #3:** I can work for as long as I need to

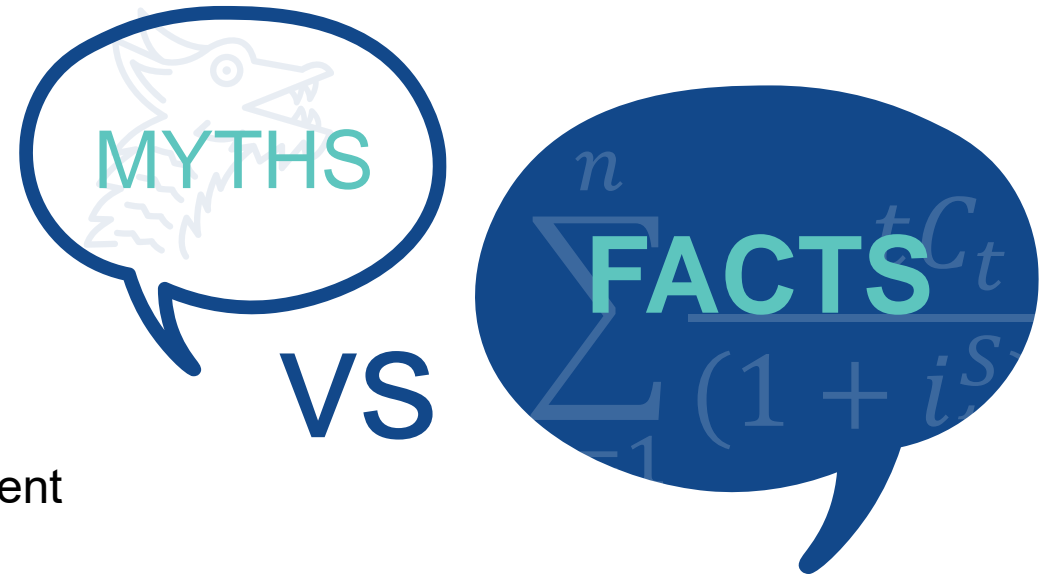
**Myth #4:** Medicare will cover all my health care costs

**Myth #5:** If things get tough, I'll spend less

**Myth #6:** I'm going to live in the same place through retirement

**Myth #7:** I don't need to revisit my withdrawal rate –  
my income is not going to change in future

**Myth #8:** I'm willing to sell my primary home to fund my retirement

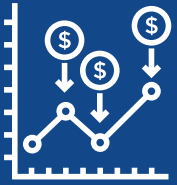


What else informs  
your retirement income  
philosophy?





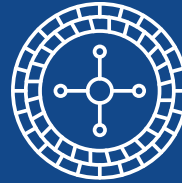
# Decumulation is not accumulation in reverse



Dollar cost averaging



Liquidity considerations



The stakes are higher



Less opportunities to recover



Behavioural risks

# Financial risks faced in retirement



Sequencing risk

Market risk

Longevity risk

Tax and legislative risk

Inflation risk

Spiking expenses risk

# Emotional risks faced in retirement



Grey divorce is on the rise

Loss of certainty

Being too conservative

Shift to defensiveness

# Design and implementation - considerations



Risks specific to pre-retirees and retirees



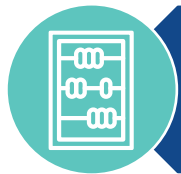
Investment uncertainty



Longevity

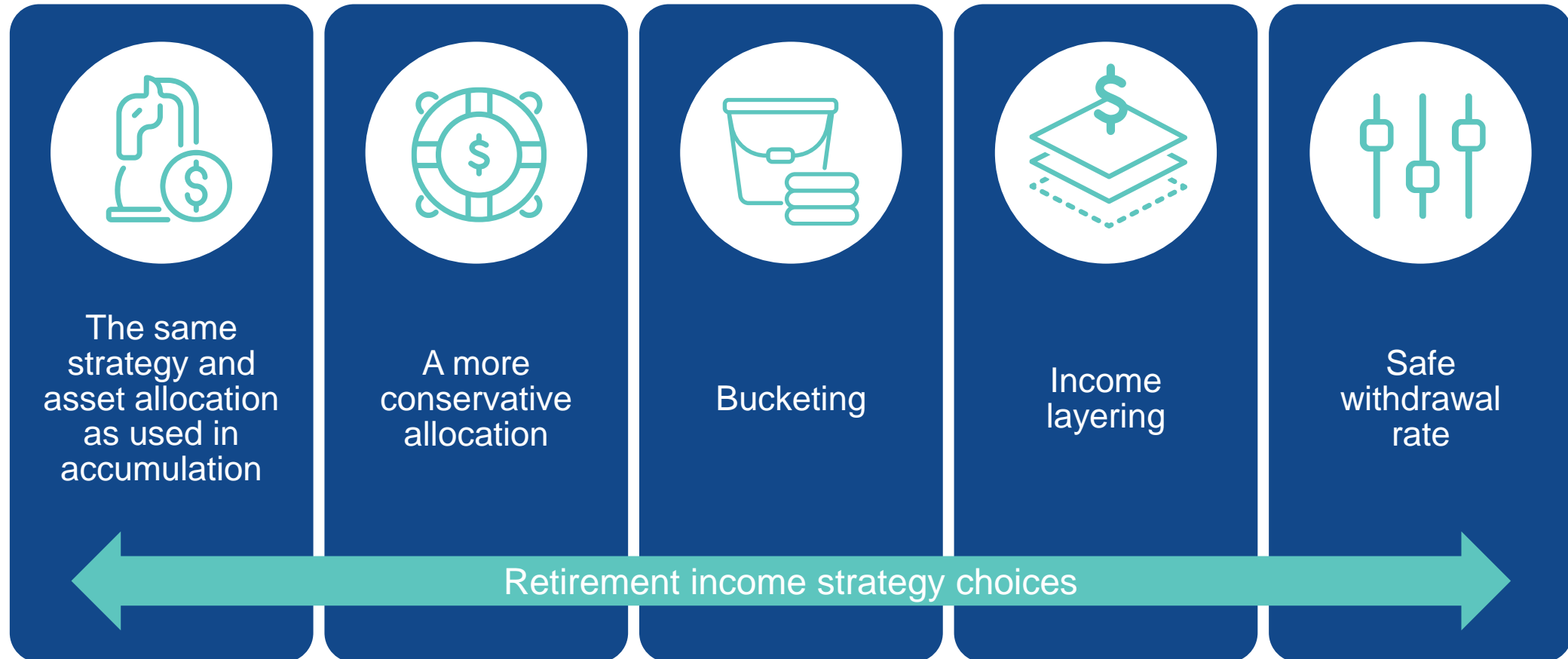


Trade-offs and values



High vs low priority preferences

# Retirement income strategy choices



# POLL:

I use the following retirement income strategies:

a) Conservative allocation

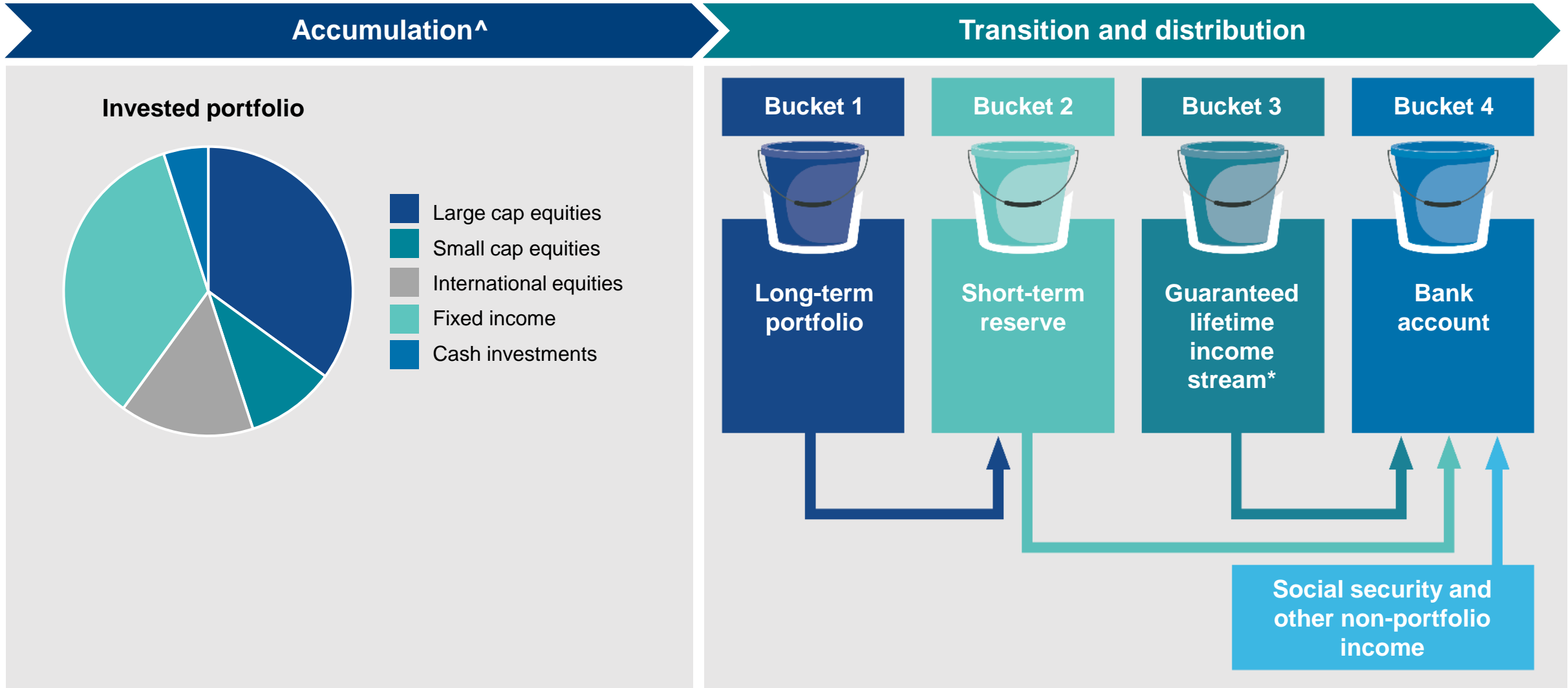
b) Bucketing

c) Income layering

d) Safe drawdown rate

e) Other

# Bucketing example

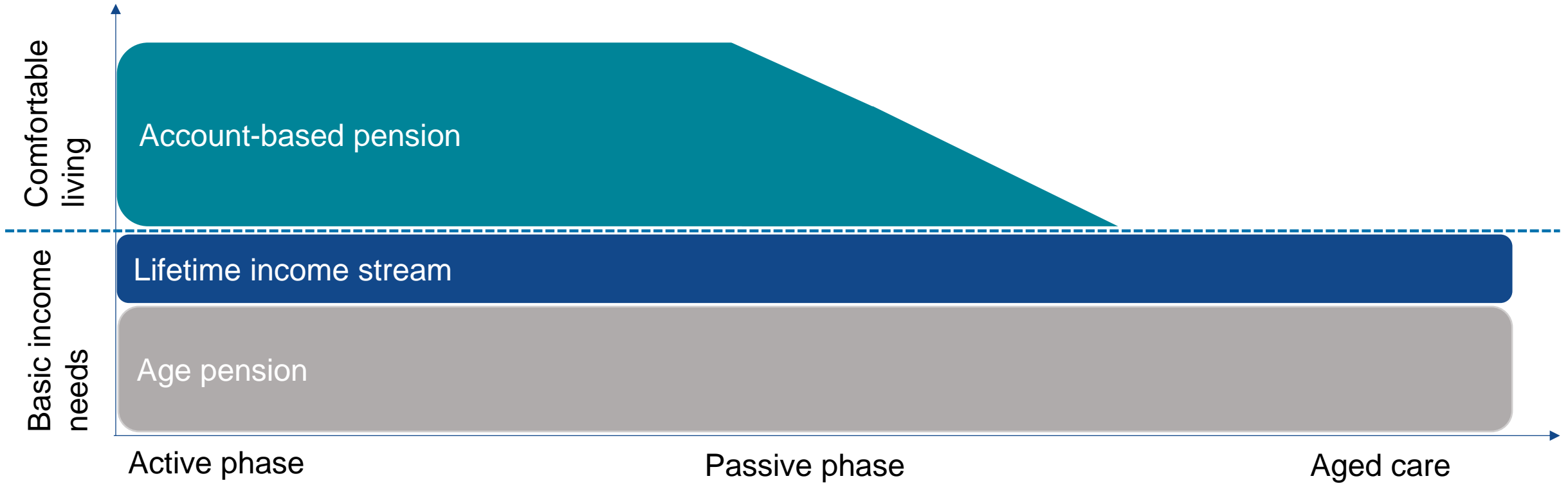


Source: Schwab Center for Financial Research

<sup>^</sup> Accumulation allocation assumes a Moderate Portfolio Allocation of 35% large cap equity, 10% small cap equity, 15% international equity, 35% fixed income and 5% cash investments. For illustrative purposes only.

\* Guarantees are subject to the financial strength of the issuing life company.

# Income layering example



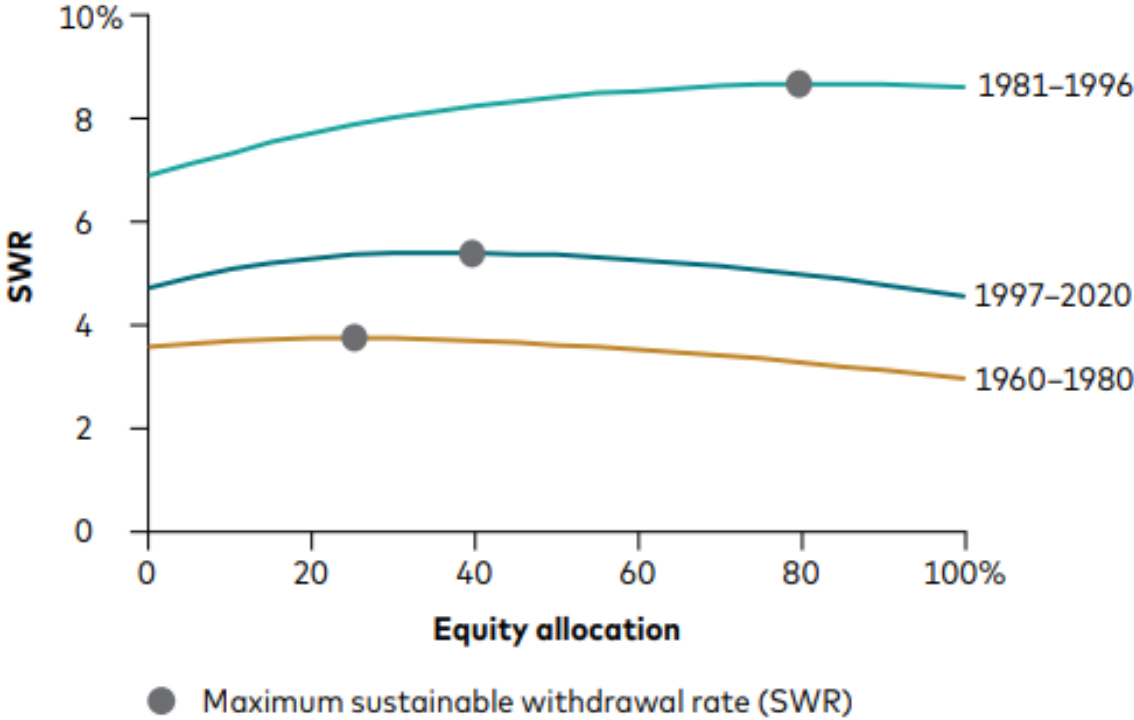


# Safe withdrawal rate

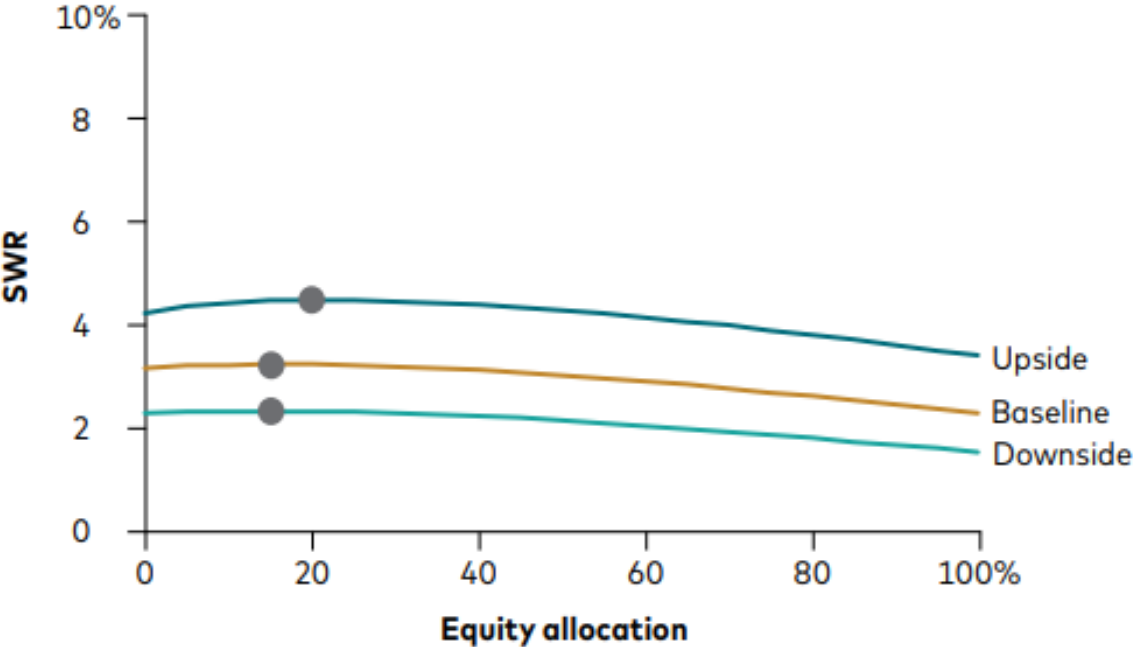
Also known as 4% rule

## Asset allocation and the safe withdrawal rate

Historical environments: 1960-2020



Prospective scenarios



Note: the calculations assume a 30-year time horizon, an 85% success threshold and 0% bequest motive.  
Source: Vanguard, Sustainable withdrawal rates in retirement: The importance of customisation.

# Developing a product toolkit

## Example product comparison

Product example	Flexibility Ability to access capital drawdowns when needed (excl. min/max regs)	Longevity protection Income that lasts as long as a retiree's lifetime	Investment protection Protection against sequencing / market risk
Group self annuitisation	Potential access to capital depending on design	May not last a lifetime, variable income	Typically no protection
Account-based pension	Full access. Drawdown limited only by account balance / investment option liquidity	Only through asset allocation and managing withdrawals. Variable.	No investment protection
Downside-protected lifetime income stream	Drawdowns at any time, possibly net of surrender penalty	Income will last a lifetime. Rising or fixed income, never decreases.	APRA regulated life company backed product. Choice in downside protection
Traditional lifetime annuity	Drawdowns only allowed within withdrawal period, net of surrender penalty	Income will last a lifetime. Variable or fixed income	APRA regulated life company backed product. Depends on product features

# Previous vs new-era retirement solutions

After 30 years of not much retirement innovation, the new world is looking completely different

	Previous	New-era
Access to capital	! Limited as per Capital Access Schedule	✓ Flexible access to capital
Guaranteed income for life	! Yes, however with trade-offs	✓ Guaranteed income for life without trade-offs
Market-linked returns	! Fully exposed to market losses	✓ Reduced exposure to market risk with downside protection
Investment balance growth	! Yes, however with no downside protection	✓ Exposure to market growth with downside protection
Death benefit payable	! Limited as per Capital Access Schedule	✓ Investment value payable upon death
Age pension uplift	! One size fits all	✓ Tailor to individual circumstances and Age Pension needs
Accessible within super/ABP	! Not accessible	✓ Accessible – super fund can own investment
Accessible via Platform	! Annuities sit off-platform via rollout of super or as non-super	✓ Solution on-platform, within super fund or as non-super
Choice and flexibility	! Features locked in at commencement	✓ Change options and choose features along the way
Portable	! Not portable	✓ In-specie transfers possible

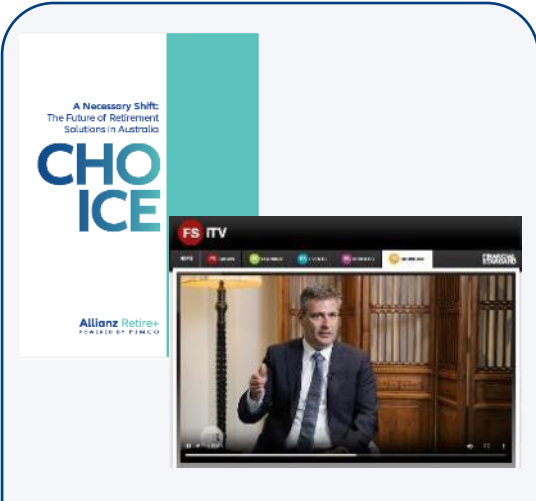
# Support – adviser education-led approach

Access a library of materials and tools to support strategy enablement and education



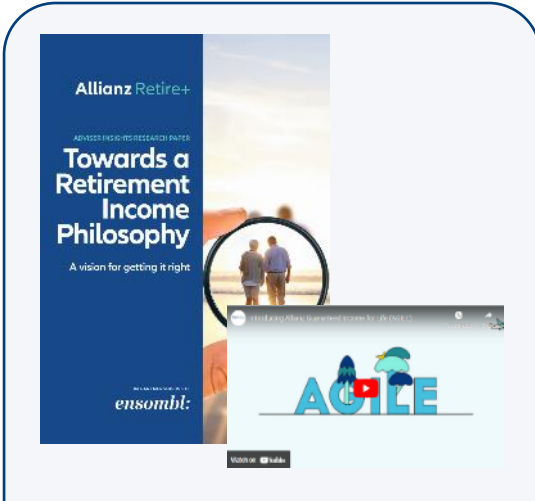
## Product information

Helping advisers and investors understand how new era income solutions work and the value they provides in a simple and easy to understand manner



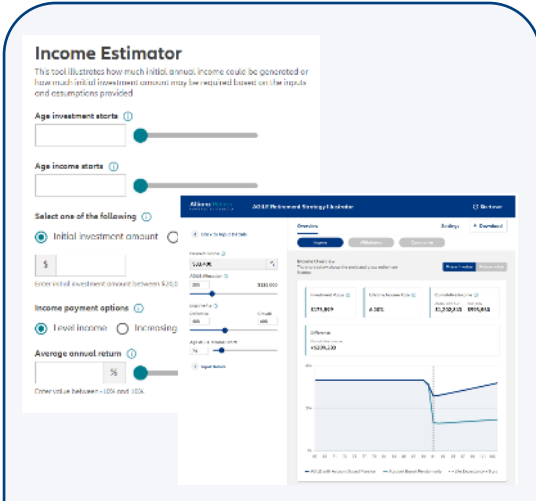
## Retirement & education support

Library of materials (i.e. CPD, thought leadership, explainer videos, podcasts) to provide leading insights on retirement



## Advice and practice tools

Utilise research reports, advice and practice templates, client guides and videos to streamline advice proceses



## Digital tools

Providing user-friendly calculators that give a clear picture of how next-generation income solutions can play a key role in today's portfolios

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ADVISER INSIGHTS RESEARCH PAPER

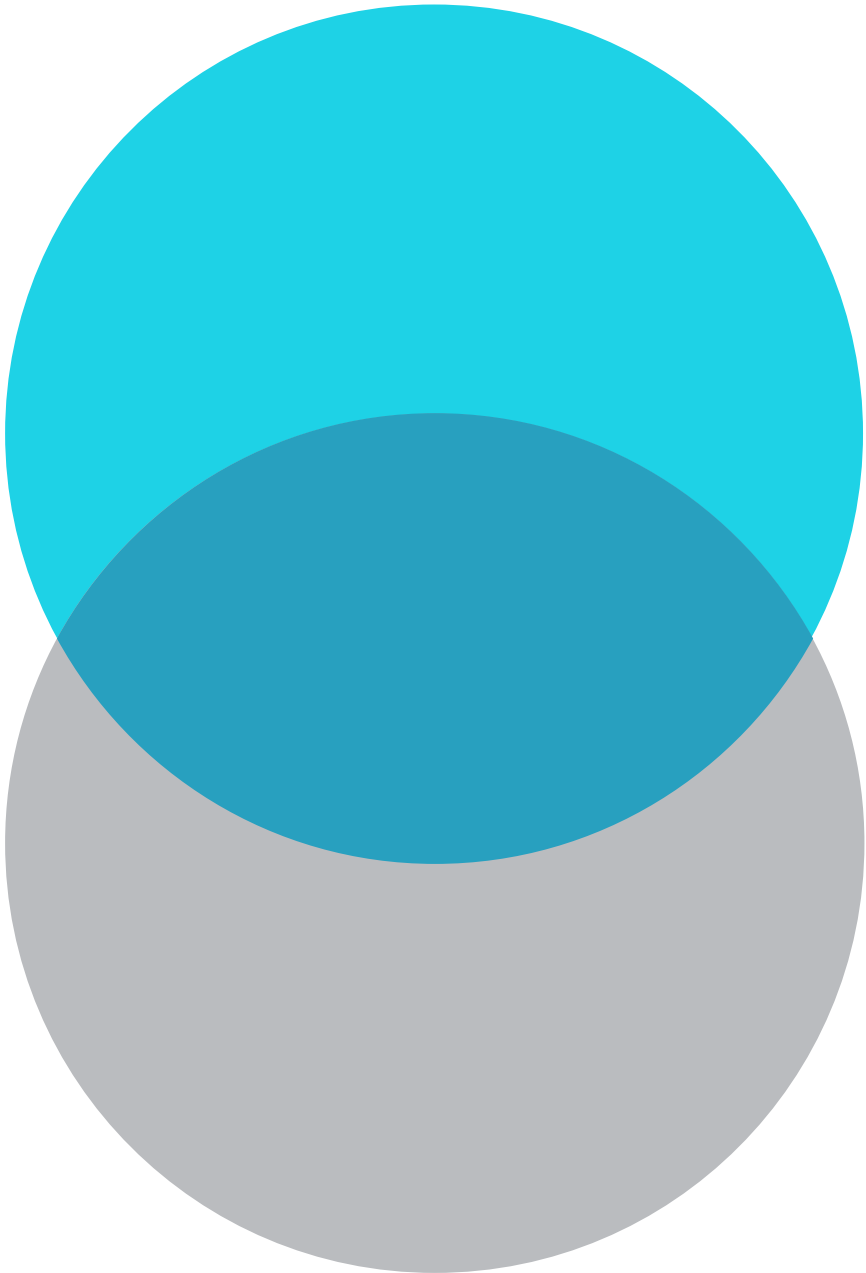
## Towards a Retirement Income Philosophy

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# LUNCH







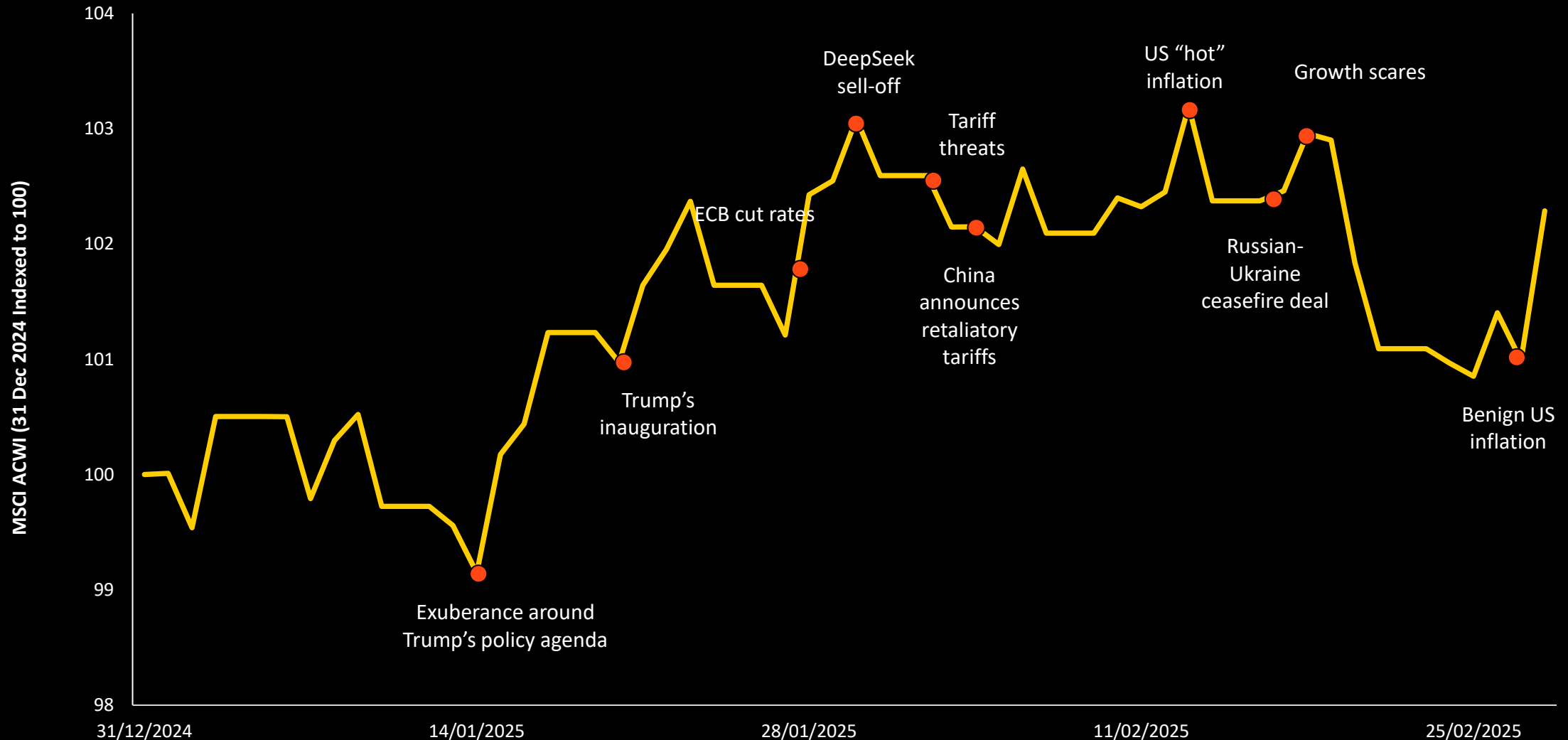
# Rethinking Defensive Allocations in Multi-Asset Portfolios

**Michael McCorry, PHD**

CIO of BlackRock Australia, Managing Director  
BlackRock Multi-Asset Strategies & Solutions

# 2025 - A bumpy start to the new year

Action-packed with a barrage of market-moving events



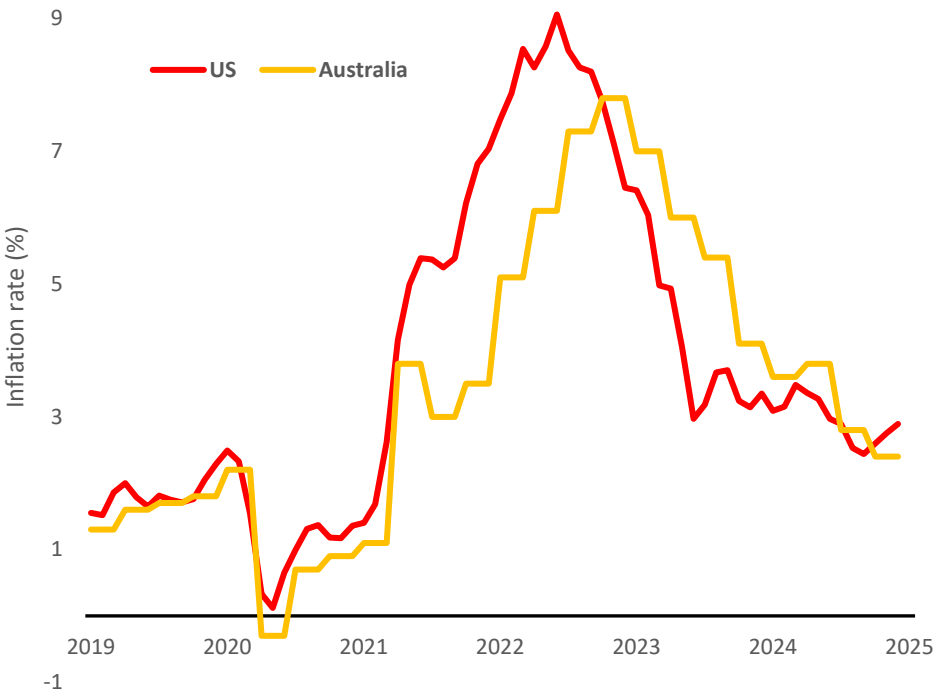
Source: BlackRock, as of 28 February 2025. Index refers to the MSCI ACWI Index in AUD. For illustrative purposes only. Past performance is not a reliable indicator of future performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.



# We are in a structurally different world now

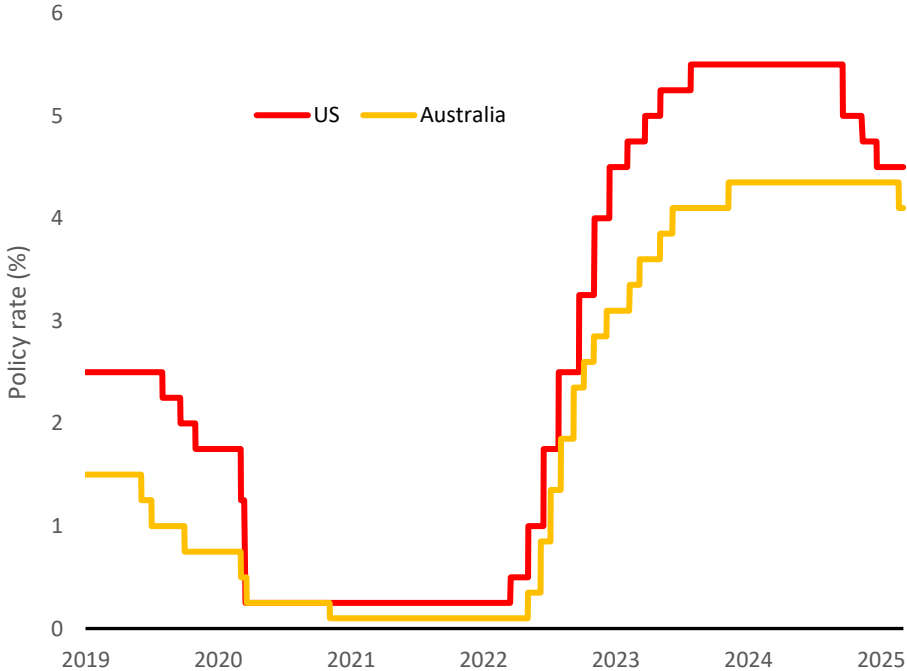
We still see structural supply shocks keeping inflation above policy targets in the long term, compelling central banks to keep policy rates restrictive.

### Headline inflation, 2019-2024



Source: LSEG Datastream and BlackRock Investment Institute, as of March 2025. Lines show annual change in consumer price indexes.

### Central bank policy rates, 2019-2024

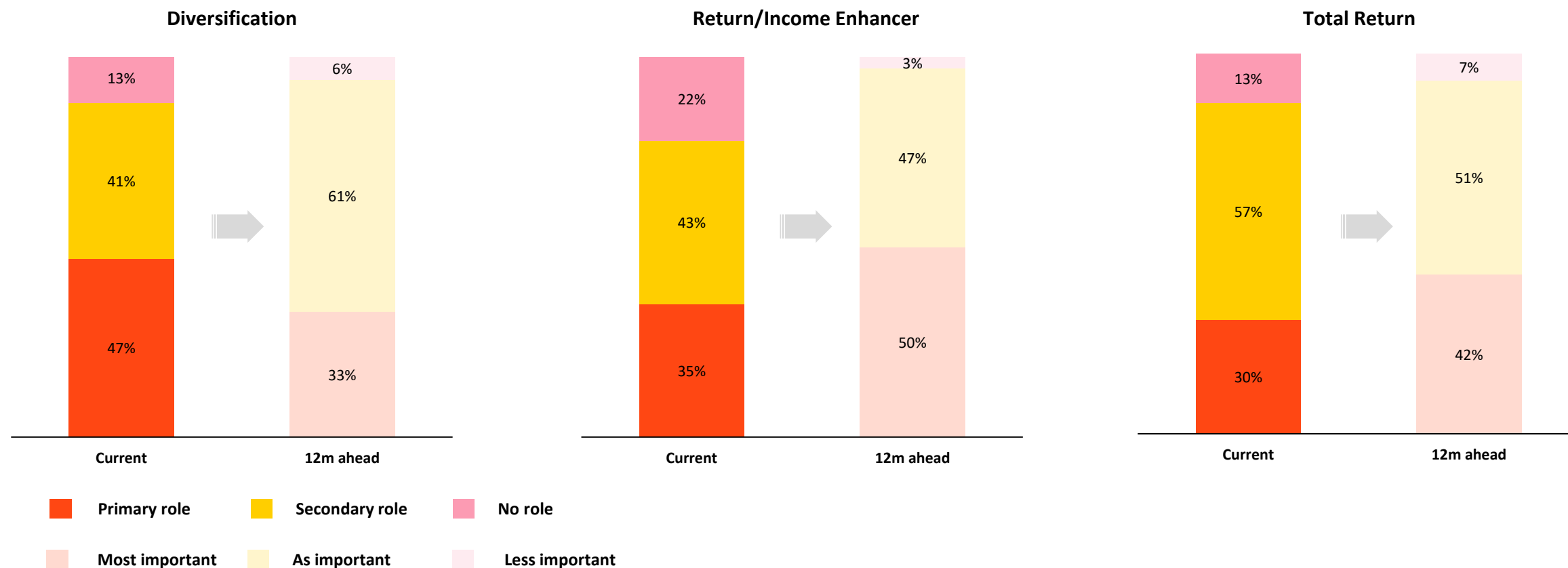


Source: LSEG Datastream and BlackRock Investment Institute, as of March 2025.

# The role of bonds have evolved and broadened

In addition to portfolio ballast objectives, fixed income is increasingly being sought for return and income enhancement.

Survey on the role of fixed income in portfolios (Current vs 12M forward)

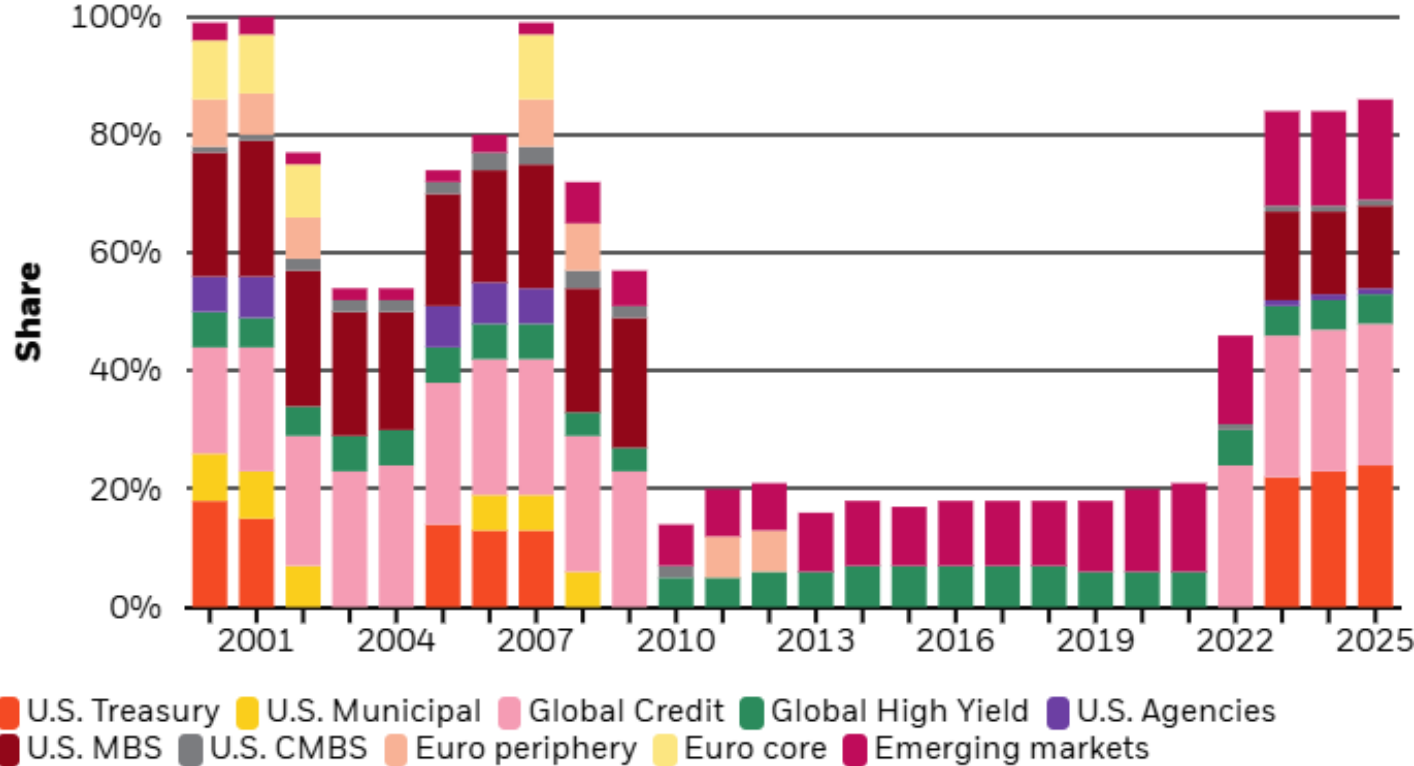


Source: Illuminas, as of December 2023.

# Higher yields have created new opportunities for fixed income

More than 85% of global fixed income securities are yielding over 4% today, compared to less than a quarter in 2021.

## Fixed income assets yielding over 4%

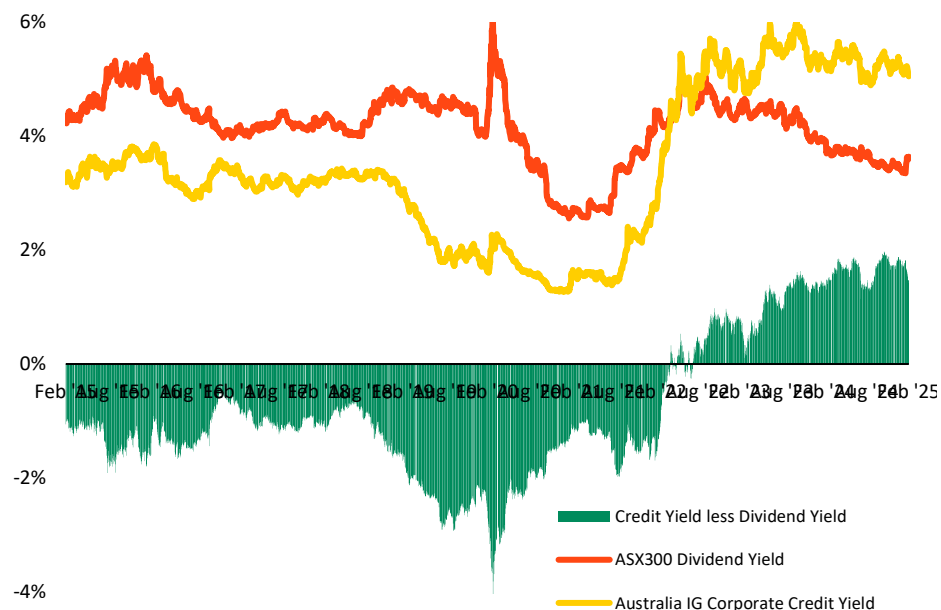


Sources: BlackRock Investment Institute, with data from LSEG Datastream, data as of January 2025. Note: For full calendar years, the bars show market capitalization weights of assets with an average annual yield over 4% in a select universe that represents about 70% of the Bloomberg Multiverse Bond Index. Euro Core is based on French and German government bonds indexes. Euro periphery is based on an average of government debt indexes for Italy, Spain and Ireland. Emerging markets combine external and local currency debt. Current calendar year data is not averaged and reflects month-end yield for the month indicated only.

# Australian corporate credit is attractive on a relative basis

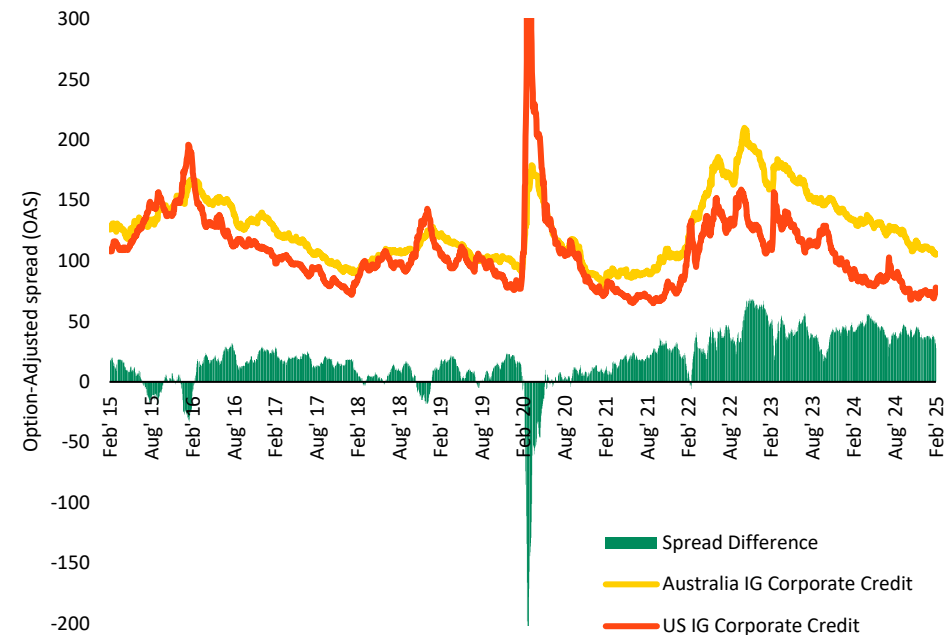
We see pockets of value in particular fixed income markets.

Australian investment grade credit yields are now higher than equity dividend yields



Source: ICE BofA, Bloomberg. As of 28 February 2025. For illustrative purposes only. Past performance is not a reliable indicator of future performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. ASX300 Dividend Yield refers to the trailing 12-month gross dividend on the S&P/ASX 300 Accumulation Index. Australia IG Corporate Credit Yield refers to the Yield-To-Maturity (YTM) on the ICE BofA Australia Corporate Index.

While spreads have tightened, Australian credit is attractive compared to the US

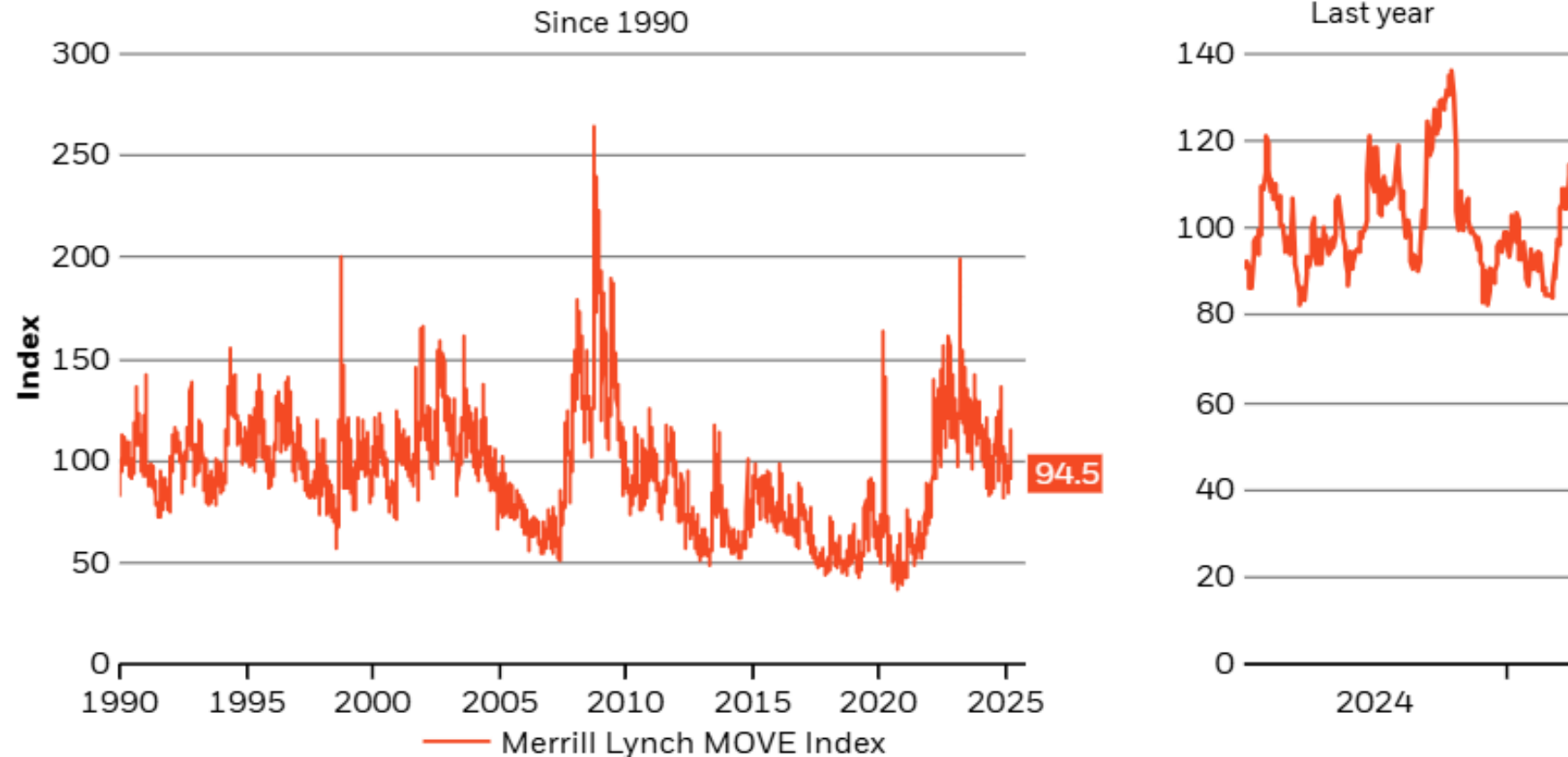


Source: ICE BofA, Bloomberg. As of 28 February 2025. For illustrative purposes only. Past performance is not a reliable indicator of future performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Australia IG Corporate Credit refers to the ICE BofA Australia Corporate Index. US IG Corporate Credit refers to the ICE BofA 1-10 Year US Corporate Index.

# Still high bond market volatility dampens diversification benefit

Interest rate volatility remains elevated compared with the past few decades

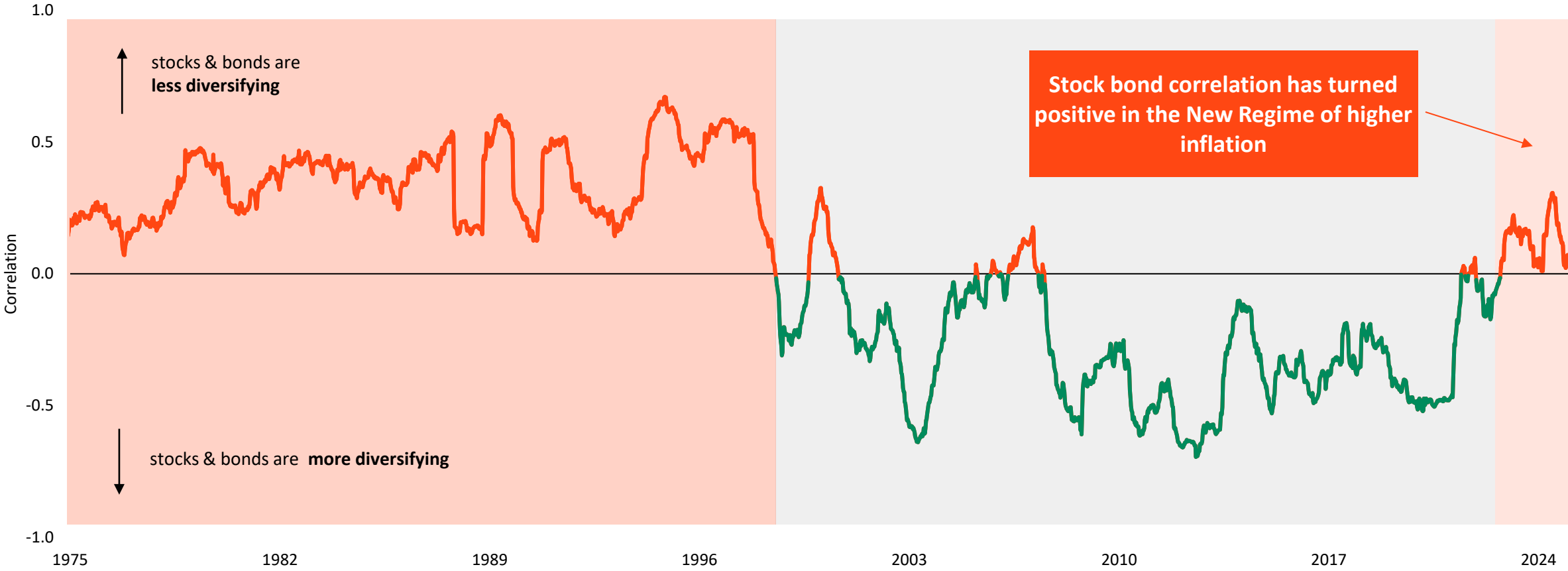
## U.S. Treasury Volatility



Sources: LSEG Datastream, Merrill Lynch and BlackRock Investment Institute. Data as of March 2025. Note: The MOVE Index is a measure of implied volatility on 1-month U.S. Treasury options.



# A new regime demands a broader toolkit



**Stocks and bonds have tended to move together when inflation is above target <sup>1</sup>**

Past performance is not indicative of future results.

Source: LSEG Datastream, chart by BlackRock with data as of 31 December 2024. Notes: the line shows the correlation of daily U.S. 10y Treasury returns and S&P 500 over a rolling 252-day period.

# Consider alternatives for diversification

## Alternative asset classes

Asset classes other than the traditional stocks, bonds, or cash, often illiquid.

Hedge Funds

Private Equity

Infrastructure

Private Credit

Real Estate

Commodities

## Hedge Fund strategies

Investment strategies that go beyond traditional methods. Many strategies aim to provide low correlation to directional market moves, targeted protection during selloffs, or unique sources of alpha, often highly liquid.

Equity Long / Short

Credit Long/short

Event driven

Multi-strategy

Market neutral

Global macro

Relative value/arbitrage

Fund of funds

Source: BlackRock, as of March 2025. For illustrative purposes only. Subject to change. This is not a recommendation to invest in any particular financial product.

# Hedge Fund strategies can fill the gap

## Hedge

Designed to increase in value when core exposures are falling

## Diversify

Low/moderate correlation to core equities with different return drivers

## Modify

Less volatility than core equities with similar return drivers

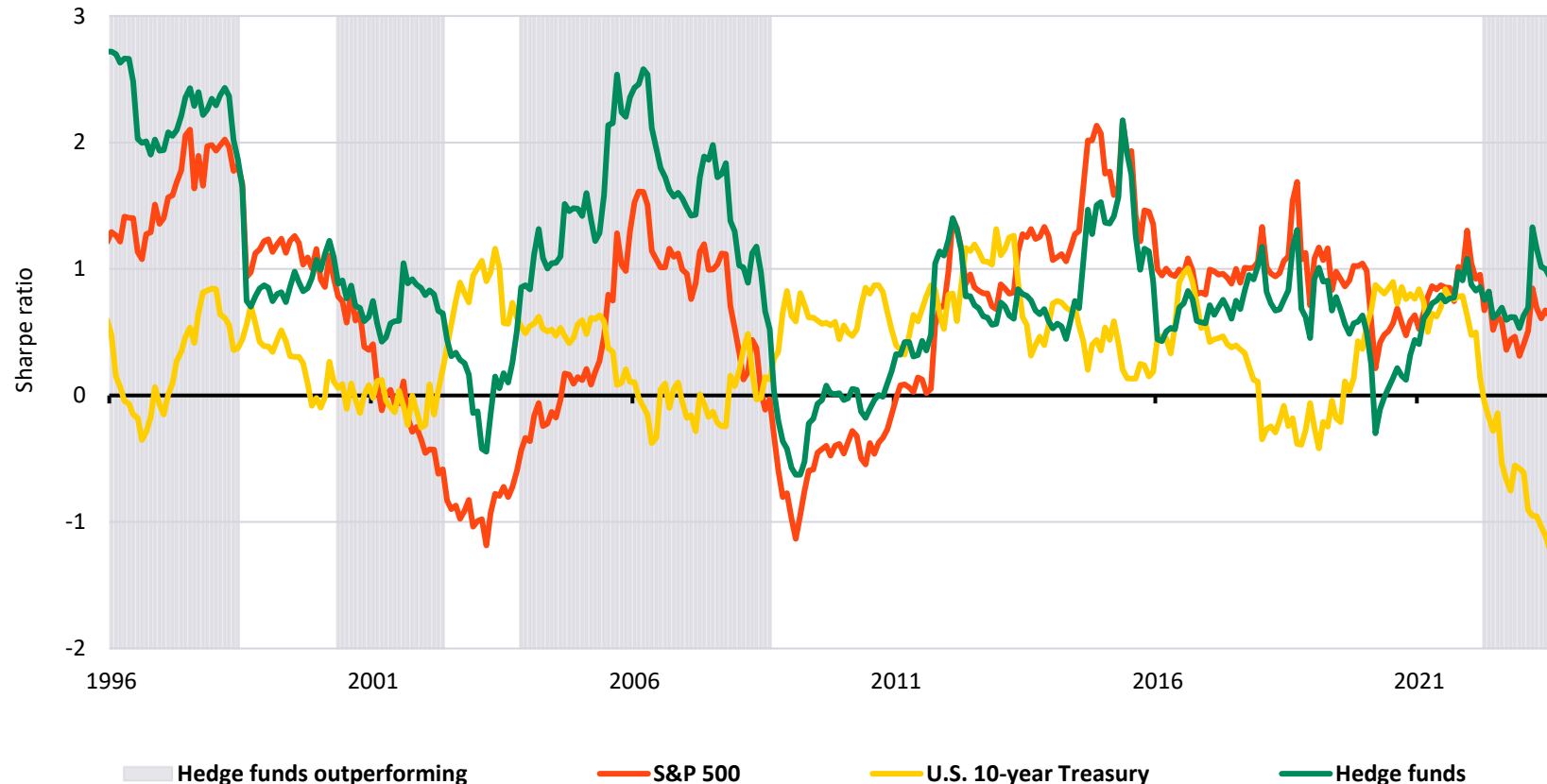
## Amplify

Seek higher returns than core equities in less liquid markets

Source: BlackRock, March 2025. For illustrative purposes only. Subject to change. This is not a recommendation to invest in any particular financial product.

# Hedge Funds have a long history of strong risk adjusted returns

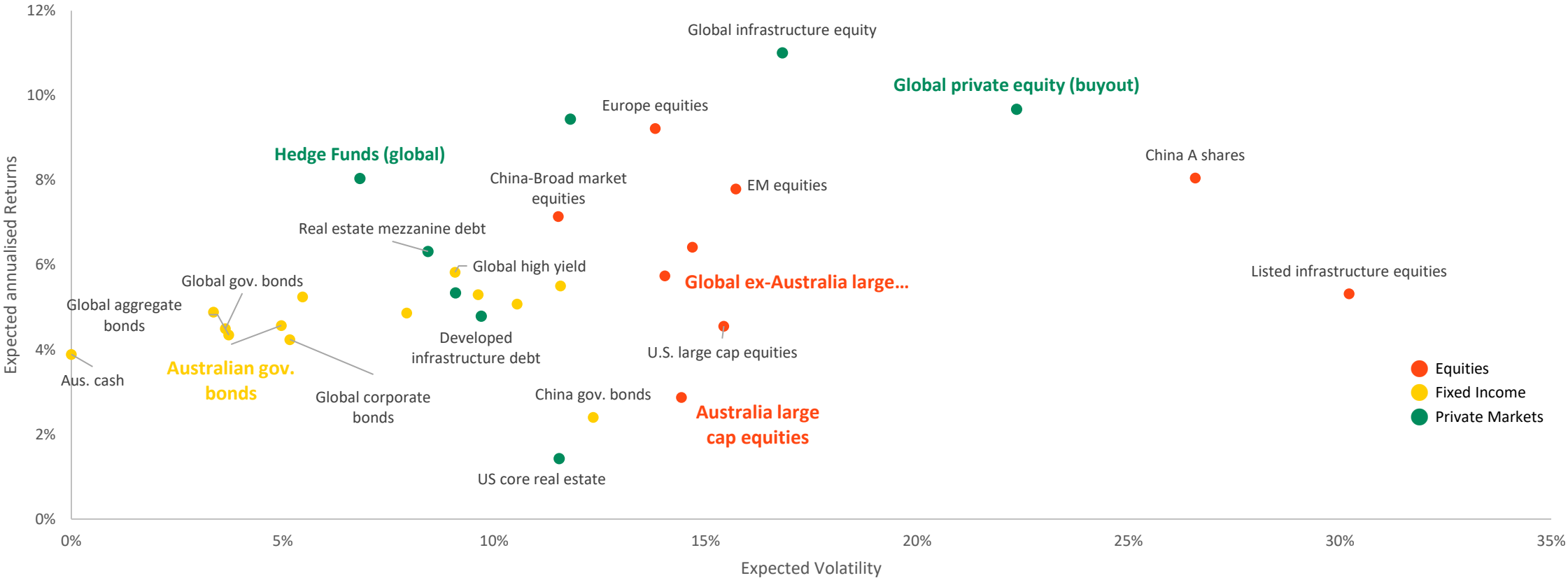
Sharpe ratios for equities, bonds and Hedge Fund strategies



Past performance is not a reliable indicator of future performance. Index returns do not account for fees. It is not possible to invest directly in an index. This information should not be relied upon by the reader as research or investment advice regarding any funds, strategy or security in particular. Source: BlackRock Investment Institute, HFRI with data from LSEG Datastream, December 2023. Notes: The chart shows the Sharpe ratios for the S&P 500, U.S. 10-year Treasury and hedge funds. The index proxy used for hedge funds is the HFRI Weighted index. The Sharpe ratio measures an asset's risk-adjusted returns. It is calculated by dividing the asset's excess returns (typically over cash) by its standard deviation, which represents its risk.

# Hedge Fund strategies offer improved risk reward expectations

5-year AUD asset return and volatility expectations



This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance.

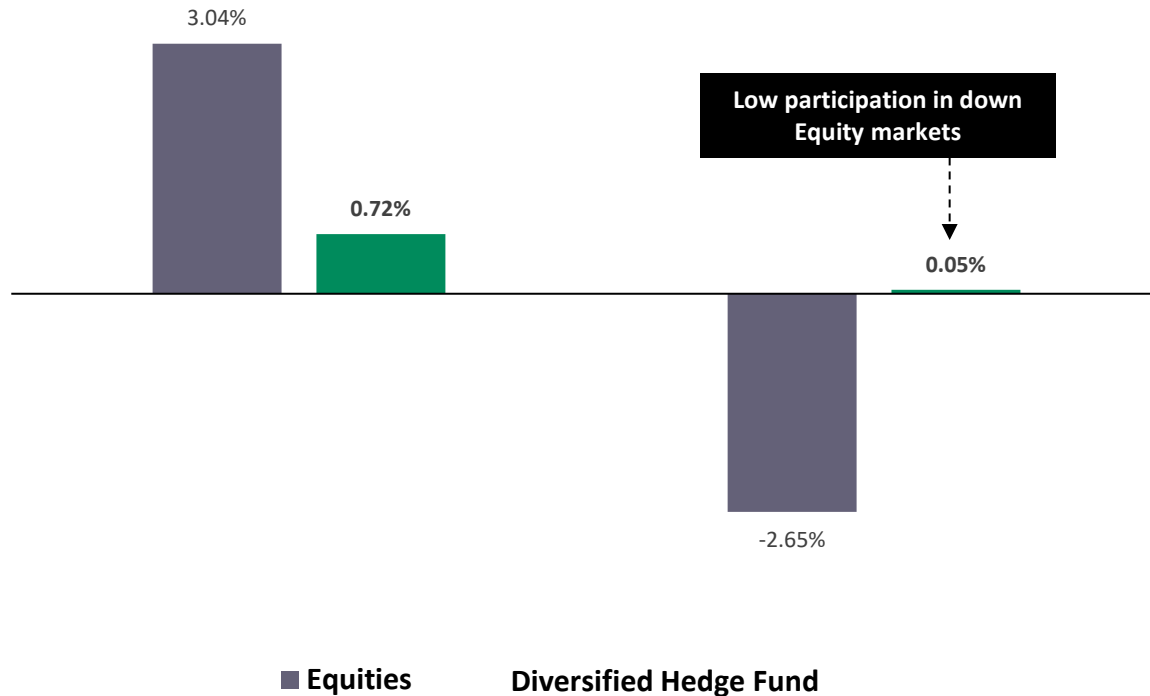
Source: BlackRock Investment Institute, February 2025. Data as of 31 December 2024.

Notes: Return assumptions are total nominal returns. Our CMA's generate market, or beta, geometric return expectations. Asset return expectations are gross of fees. We use long-term volatility assumptions. We break down each asset class into factor exposures and analyse those factors' historical volatilities and correlations over the past 20 years. We combine the historical volatilities with the current factor makeup of each asset class to arrive at our forward-looking assumptions. This approach takes into account how asset classes evolve over time. Example: Some fixed income indices are of shorter or longer duration than they were in the past. Our forward-looking assumptions reflect these changes, whereas a volatility calculation based only on historical monthly index returns would fail to capture the shifts. Expected return estimates are subject to uncertainty and error. Expected returns for each asset class can be conditional on economic scenarios; in the event a particular scenario comes to pass, actual returns could be significantly higher or lower than forecasted. Australian dollar return expectations for all asset classes are shown in unhedged terms, with the exception of global corporate bonds, hedge funds, global aggregate bonds and global government bonds.

# Seek durable alpha through capital preservation

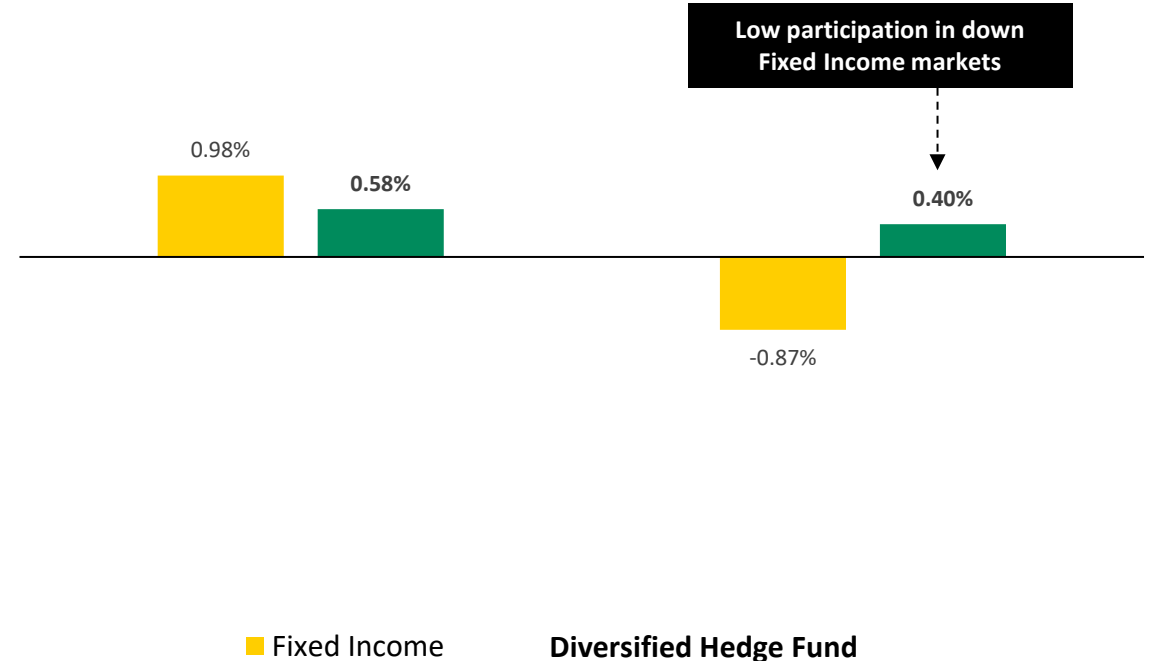
## Alpha in both up and down equity markets

Average monthly return during 63 positive months    Average monthly return during 33 negative months



## Alpha in both up and down fixed income markets

Average monthly return during 51 positive months    Average monthly return during 45 negative months



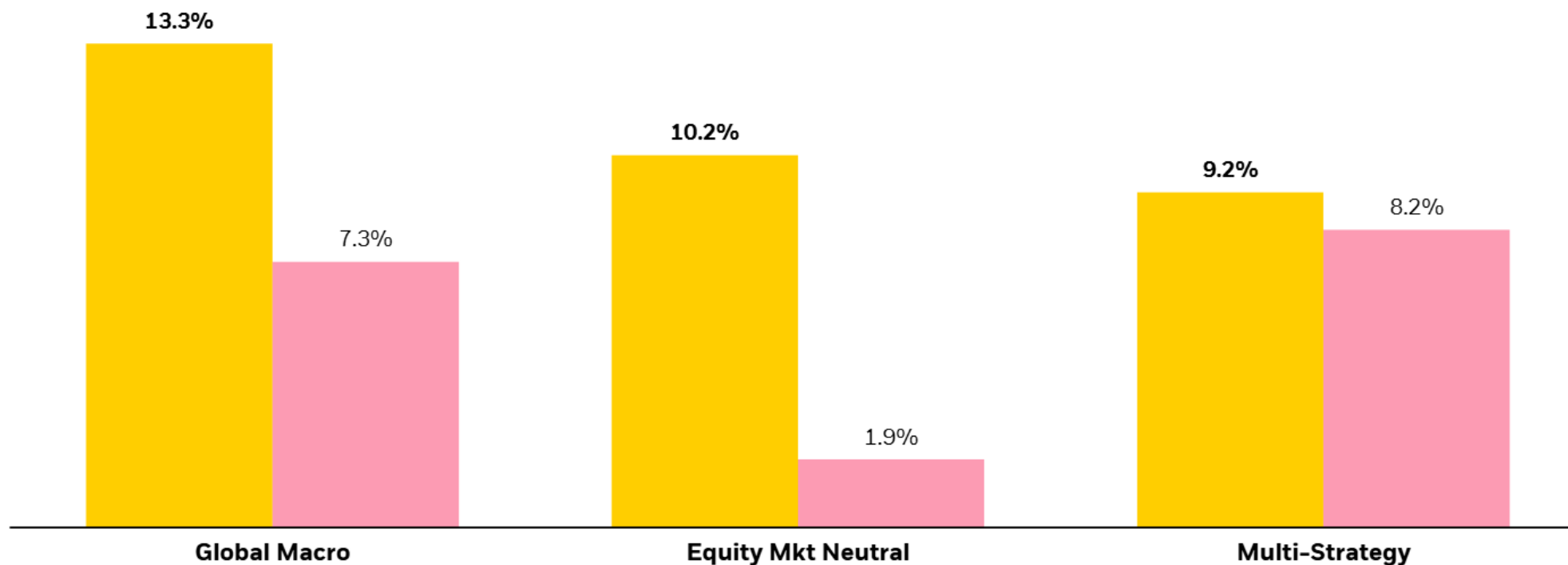
Figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole consideration when selecting a product or strategy.

Data from 31 January 2017 to 31 December 2024. Source: BlackRock. Equity represented by the MSCI World Net TR (AUD) Index; Hedge Fund represented by the BlackRock Global Liquid Alternative Fund; and Fixed Income represented by the Bloomberg Global Aggregate (AUD Hedged) Index. Indices are unmanaged and used for illustrative purposes only and are not intended to be indicative of any fund's performance. It is not possible to invest directly in an index. Material differences may exist between products being compared, such as, investment objectives, fees and expenses, types of investments made, countries or markets covered. Average Monthly Return during positive and negative months represents periods when the MSCI World or the Bloomberg Global Aggregate Hedged Index monthly performance was positive or negative.

# Taking advantage of a higher interest rate environment

Hedge Fund strategies have delivered higher returns in higher cash rate environments

Alternative index median returns (1994 to 2024) cash is: ● Greater than 2% ● Less than 0.5%



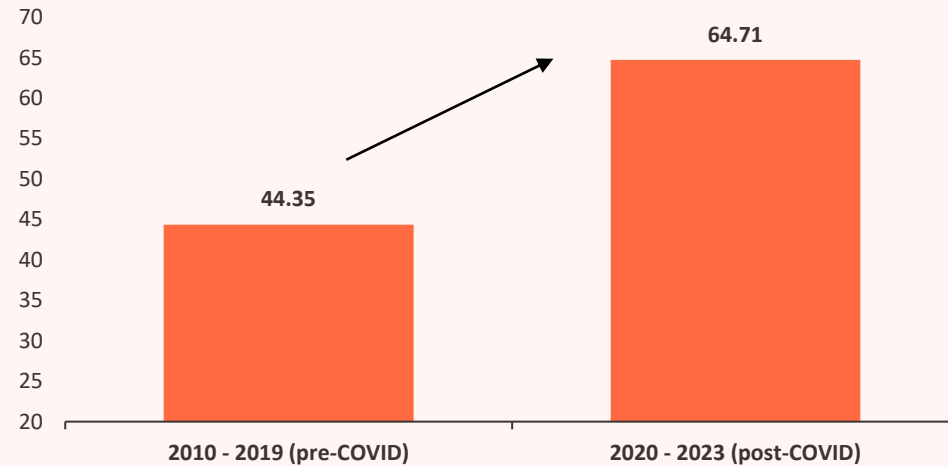
Source: Morningstar of 12/31/2024. Hedge Funds are represented by the Credit Suisse Hedge Fund Index, Equity Market Neutral by the Credit Suisse Equity Market Macro Index, and Multi Strategy by the Credit Suisse Multi Strategy Index. Index performance is for illustrative purposes only. You cannot invest directly in the index. Past performance does not guarantee or indicate future results.

# Dispersion drives alpha opportunity for hedge fund strategies

Elevated stock and country dispersion rewards high skill hedge fund managers

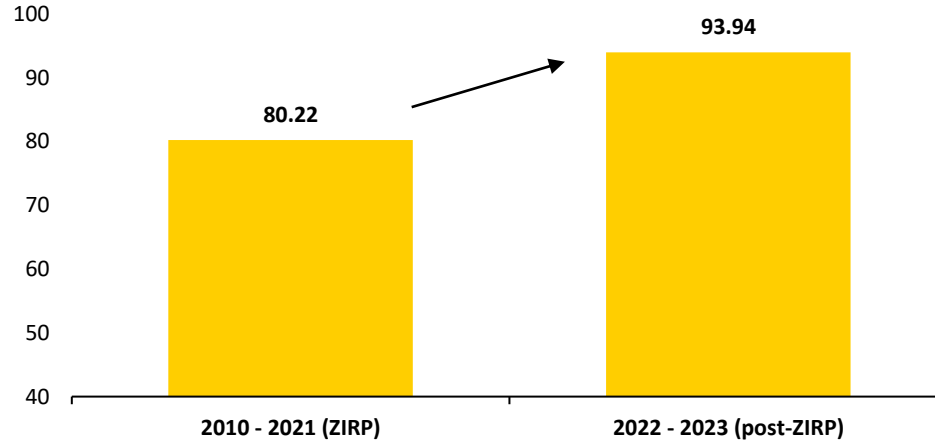
## Stock dispersion

Average annual total return difference between top half and bottom half of MSCI ACWI Index (%)



## Country dispersion

Average annual total return difference between the best and worst performing country in the MSCI ACWI Index (%)



**Past performance is not a reliable indicator of future returns. For illustrative purposes only.** Source: BlackRock, with data from FactSet as of 12/31/2023. Annual stock dispersion is calculated by taking the average total return of the top half performers of the MSCI ACWI Index (above or equal to the median) and subtracting the average of the bottom half. The stock dispersion chart shows the average of the annual dispersion observations across each period. Annual country dispersion is calculated by taking the top performing country and subtracting the bottom performing country. The country dispersion chart shows the average difference across the defined periods. **It is not possible to invest directly in an index.**

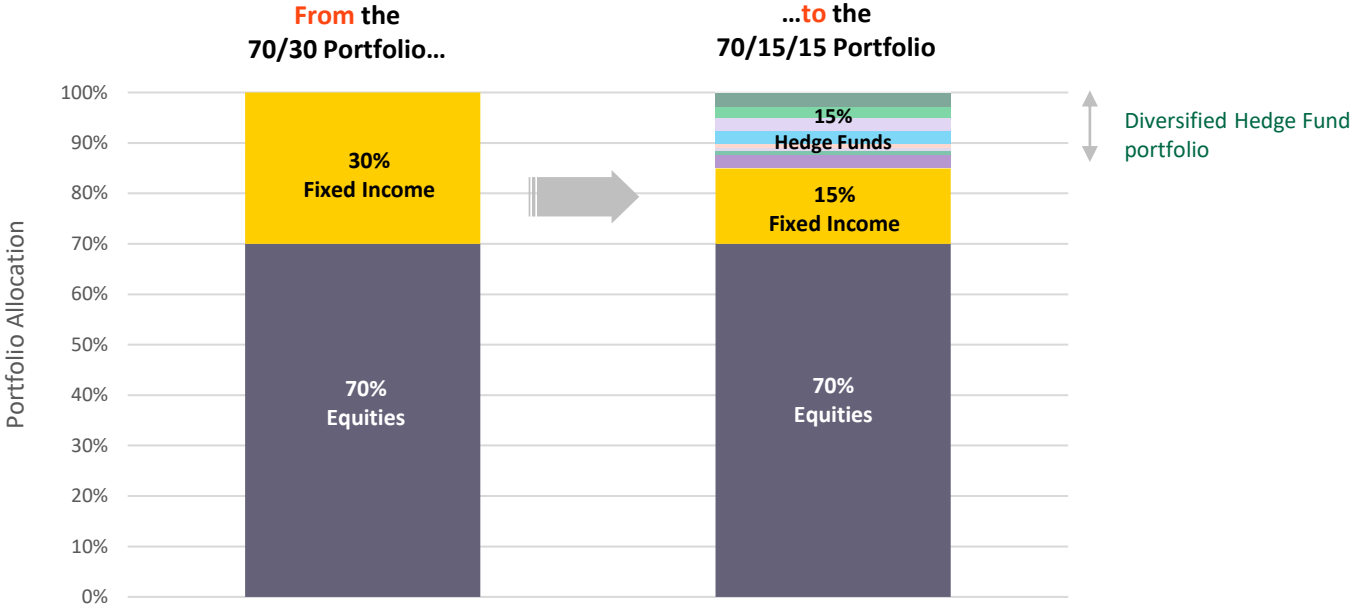


# Enhance Portfolio Outcomes with the 70/15/15



**Diversify your diversifiers**

Investors looking to incorporate more portfolio ballast as well as compelling expected returns could consider funding an allocation to Hedge Fund Strategies from their fixed income bucket



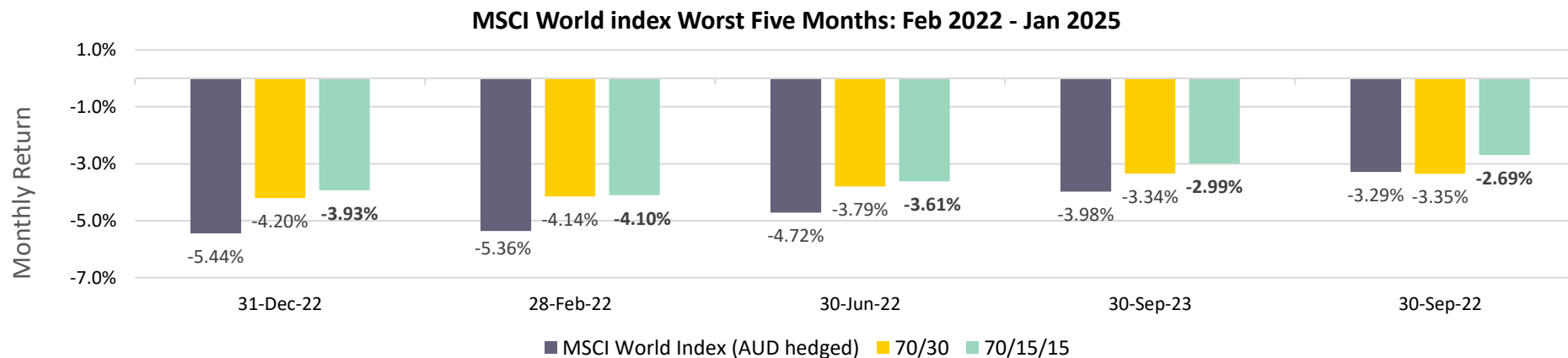
**Achieve**

Lower Risk	9.5%	9.1%	↓
Higher Return	9.4%	11.0%	↑
Higher Sharpe Ratio	0.64	0.84	↑

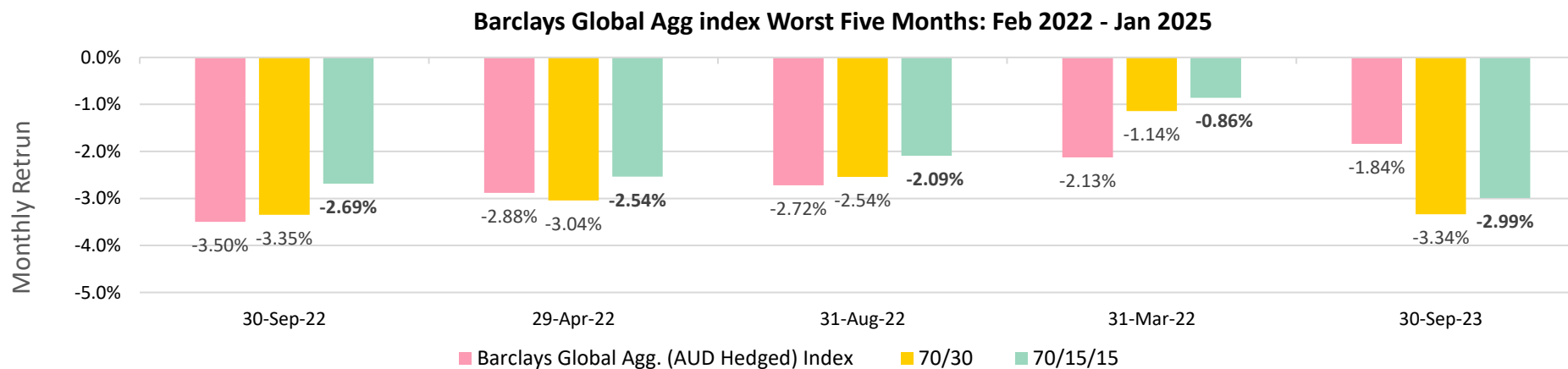
For illustrative purposes only. Diversification does not guarantee a profit or eliminate the risk for potential loss. Past performance is not a reliable indicator of current or future results and should not be the sole consideration when selecting a product or strategy. Source: BlackRock, as of 31 January 2025. Risk and return is calculated using 3-year historical performance. Stylized allocation to Hedge Fund Strategies is represented by the Global Liquid Alternatives Fund as of end of December 2024. Equities represented using MSCI World (AUD) Index, Fixed Income represented using Barclays Global Agg. (AUD Hedged) Index returns and Hedge Fund Strategies represented using the Global Liquid Alternatives Fund (GLAF). GLAF was inception as of September 2023, however, the figures shown relate to simulated performance from Dec 2021 - Aug 2023 and live performance from Sept 2023 onwards.

# Building Resilience for Periods of Market Stress

## Fund performance when Global Equities sold off



## Fund performance when Global Fixed Income sold off



Source: BlackRock, as of 31 January 2025. Returns are shown per month, not annualized. Stylized allocation to Hedge Fund Strategies is represented by the Global Liquid Alternatives Fund. Equities represented using MSCI World (AUD) Index, Fixed Income represented using Barclays Global Agg. (AUD Hedged) Index returns and Hedge Fund Strategies represented using the Global Liquid Alternatives Fund (GLAF). GLAF was inceptioned as of September 2023, however, the figures shown relate to simulated performance from February 2022 - Aug 2023 and live performance from Sept 2023 onwards. Past performance is not a reliable indicator of future results. Material differences may exist between product, service or performance being compared. Index returns are for illustrative purposes only.

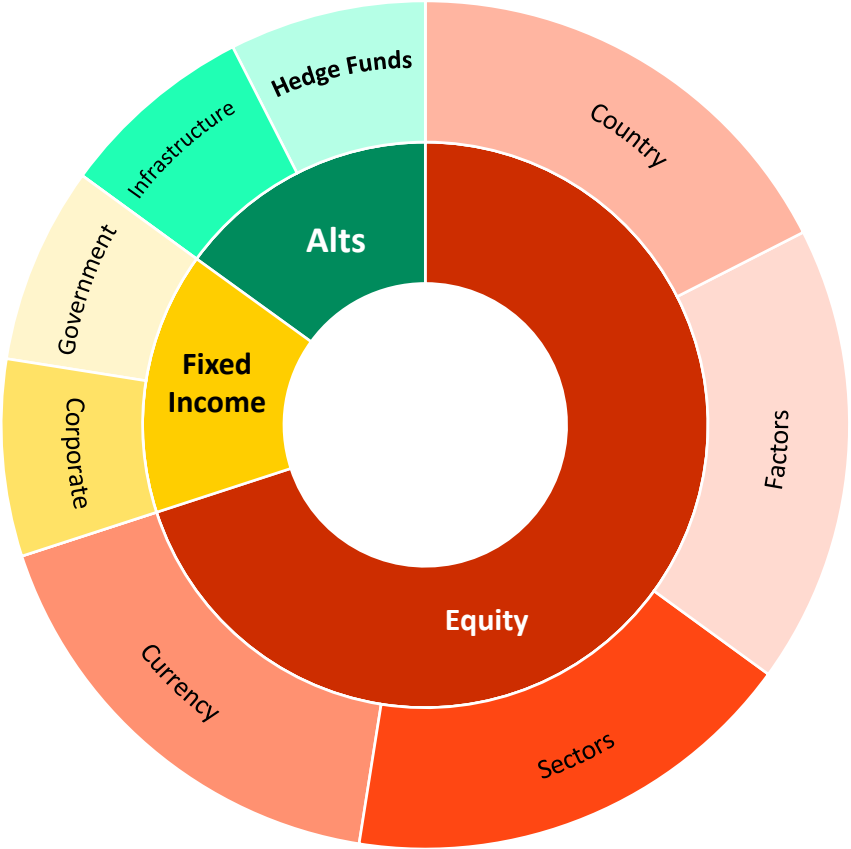
# Selecting Hedge Fund strategies can be daunting

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
HFRI Macro 4.83%	HFRI RV: ConvertArb 60.17%	HFRI RV: ConvertArb 13.35%	HFRI ED: Merger Arb 1.50%	HFRI Relative Value 10.59%	HFRI Equity Hedge 14.28%	HFRI Macro 5.58%	HFRI EH: EqM rkt Ntrl 4.27%	HFRI ED: Distressed 15.15%	HFRI Emerging Markets 19.36%	HFRI ED:Merger Arb 3.29%	HFRI Equity Hedge 13.71%	HFRI Equity Hedge 17.89%	HFRI ED: Distressed 15.61%	HFRI Macro 9.00%	HFRI Equity Hedge 11.37%	HFRI ED: Distressed 12.05%
HFRI ED: Merger Arb -5.27%	HFRI Emerging Markets 40.25%	HFRI ED: Distressed 12.12%	HFRI Relative Value 0.15%	HFRI Emerging Markets 10.37%	HFRI ED: Distressed 14.05%	HFRI Relative Value 4.02%	HFRI ED: Merger Arb 3.32%	HFRI Event- Driven 10.57%	HFRI Equity Hedge 13.29%	HFRI Relative Value -0.47%	HFRI Emerging Markets 11.77%	HFRI Emerging Markets 12.86%	HFRI Event- Driven 12.41%	HFRI ED: Merger Arb 2.80%	HFRI Event- Driven 10.42%	HFRI Equity Hedge 11.87%
HFRI EH: Eq M rkt Ntrl -5.92%	HFRI ED: Distressed 28.14%	HFRI Event- Driven 11.86%	HFRI ED: Distressed -1.79%	HFRI ED: Distressed 10.12%	HFRI Event- Driven 12.51%	HFRI FOF Composite 3.37%	HFRI RV: ConvertArb 1.92%	HFRI RV: ConvertArb 8.10%	HFRI FOF Composite 7.77%	HFRI EH:Eq M rkt Ntrl -0.98%	HFRI RV: ConvertArb 10.35%	HFRI RV: ConvertArb 12.84%	HFRI Equity Hedge 11.67%	HFRI EH: EqM rkt Ntrl 1.20%	HFRI Emerging Markets 8.59%	HFRI RV: ConvertArb 10.90%
HFRI Relative Value -18.04%	HFRI Relative Value 25.81%	HFRI Emerging Markets 11.44%	HFRI EH: Eq M rkt Ntrl -2.13%	HFRI Event- Driven 8.89%	HFRI FOF Composite 8.96%	HFRI EH: EqM rkt Ntrl 3.06%	HFRI FOF Composite -0.27%	HFRI Relative Value 7.67%	HFRI Event- Driven 7.59%	HFRI ED: Distressed -1.70%	HFRI FOF Composite 8.39%	HFRI ED: Distressed 11.82%	HFRI ED:Merger 10.63%	HFRI Relative Value -0.70%	HFRI ED: Distressed 7.86%	HFRI EH:Eq Mkt Neutral 10.48%
HFRI FOF Composite -21.37%	HFRI Event- Driven 25.04%	HFRI Relative Value 11.43%	HFRI Event- Driven -3.30%	HFRI RV: ConvertArb 8.58%	HFRI RV: ConvertArb 8.02%	HFRI Equity Hedge 1.81%	HFRI Relative Value -0.29%	HFRI Emerging Markets 7.03%	HFRI ED: Distressed 6.25%	HFRI Event- Driven -2.13%	HFRI Event- Driven 7.49%	HFRI FOF Composite 10.88%	HFRI Macro 7.72%	HFRI RV: ConvertArb -1.00%	HFRI Relative Value 6.95%	HFRI Event- Driven 9.76%
HFRI Event- Driven -21.82%	HFRI Equity Hedge 24.57%	HFRI Equity Hedge 10.45%	HFRI Macro -4.16%	HFRI Equity Hedge 7.41%	HFRI Relative Value 7.07%	HFRI ED:Merger Arb 1.69%	HFRI Equity Hedge -0.97%	HFRI Equity Hedge 5.47%	HFRI RV:ConvertArb 5.95%	HFRI RV:ConvertArb -3.08%	HFRI Relative Value 7.42%	HFRI Event- Driven 9.26%	HFRI RV: ConvertArb 7.71%	HFRI ED: Distressed -4.30%	HFRI FOF Composite 6.32%	HFRI FOF Composite 9.40%
HFRI ED: Distressed -25.20%	HFRI ED: Merger Arb 11.65%	HFRI Macro 8.06%	HFRI RV: ConvertArb -5.16%	HFRI FOF Composite 4.79%	HFRI EH:EqM rkt Ntrl 6.46%	HFRI RV: ConvertArb 1.55%	HFRI Macro -1.26%	HFRI ED:Merger Arb 3.63%	HFRI Relative Value 5.14%	HFRI FOF Composite -4.03%	HFRI ED:Merger Arb 6.81%	HFRI Macro 5.38%	HFRI Relative Value 7.59%	HFRI Event- Driven -4.80%	HFRI EH: EqM rkt Ntrl 5.97%	HFRI Emerging Markets 9.24%
HFRI Equity Hedge -26.55	HFRI FOF Composite 11.47%	HFRI FOF Composite 5.70%	HFRI FOF Composite -5.72%	HFRI EH:Eq M rkt Ntrl 2.98%	HFRI Emerging Markets 5.47%	HFRI Event- Driven 1.08%	HFRI Emerging Markets -3.28%	HFRI EH: EqM rkt Ntrl 2.23%	HFRI EH: EqM rkt Ntrl 4.88%	HFRI Macro -4.10%	HFRI Macro 6.50%	HFRI ED:Merger Arb 5.20%	HFRI EH: EqM rkt Ntrl 7.05%	HFRI FOF Composite -5.30%	HFRI ED:Merger Arb 5.07%	HFRI Relative Value 8.65%
HFRI RV: ConvertArb -33.73%	HFRI Macro 4.34%	HFRI ED: Merger Arb 4.60%	HFRI Equity Hedge -8.38%	HFRI ED:Merger Arb 2.76%	HFRI ED:Merger Arb 4.74%	HFRI ED: Distressed -1.39%	HFRI Event- Driven -3.55%	HFRI Macro 1.03%	HFRI ED:Merger Arb 4.31%	HFRI Equity Hedge -7.14%	HFRI ED: Distressed 2.94%	HFRI Relative Value 3.35%	HFRI Emerging Markets 6.86%	HFRI Equity Hedge -10.10%	HFRI RV: ConvertArb 5.00%	HFRI ED:Merger Arb 5.60%
HFRI Emerging Markets -37.26%	HFRI EH: EqM rkt Ntrl 1.43%	HFRI EH: EqM rkt Ntrl 2.85%	HFRI Emerging Markets -14.01%	HFRI Macro -0.06%	HFRI Macro -0.44%	HFRI Emerging Markets -2.56%	HFRI ED: Distressed -8.06%	HFRI FOF Composite 0.51%	HFRI Macro 2.20%	HFRI Emerging Markets -10.94%	HFRI EH: EqM rkt Ntrl 2.33%	HFRI EH: EqM rkt Ntrl -0.11%	HFRI FOF Composite 6.17%	HFRI Emerging Markets -13.00%	HFRI Macro -0.34%	HFRI Macro 5.45%

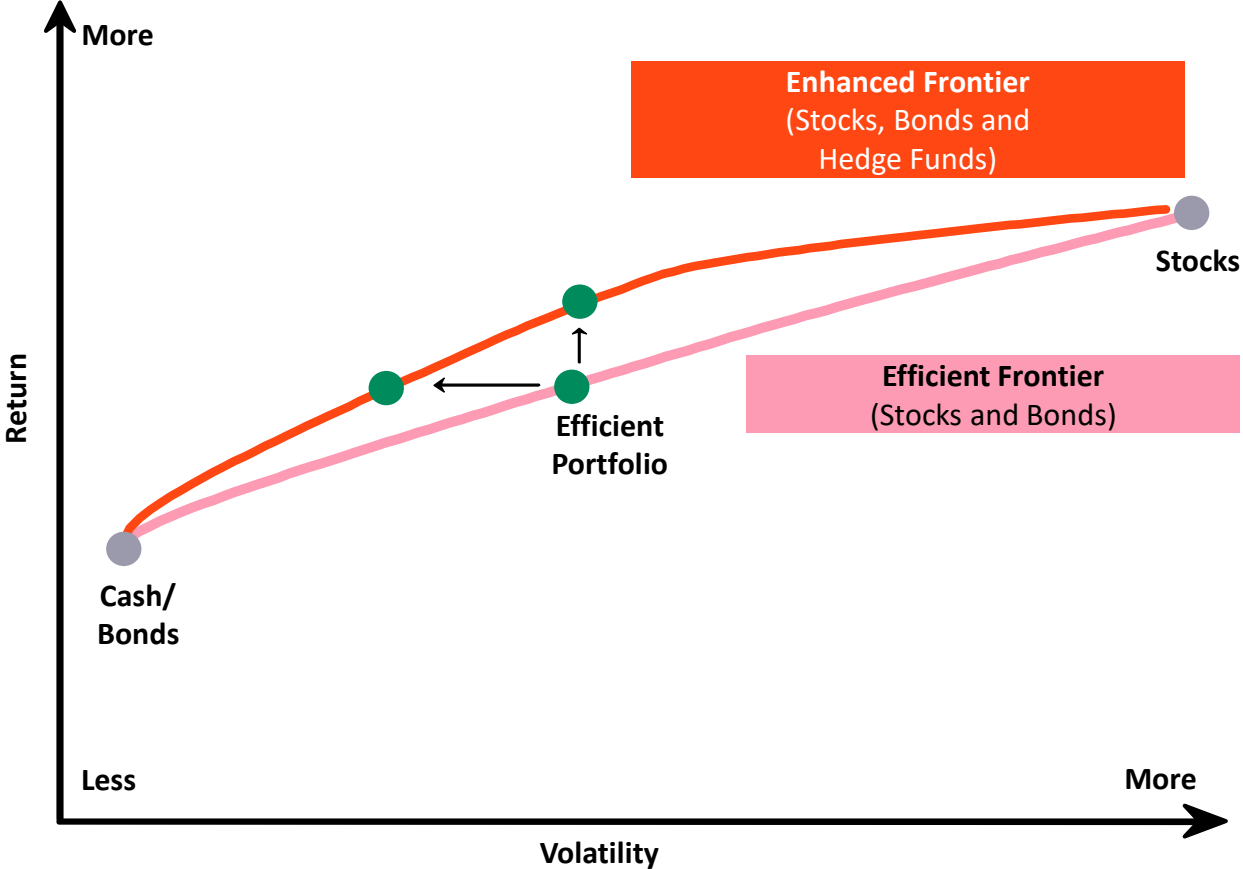
Source: HFRI, as of 31 December 2024. Overall portfolio returns are shown gross of fees and expenses. Past performance is not a reliable indicator of future returns. For illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.

# Bringing it all together in a multi-asset portfolio

Enhance portfolio outcomes with defensive allocations



Improve the efficient frontier



For illustrative purposes only. Subject to change. Source: BlackRock, March 2025

Source: BlackRock, as of March 2025. For illustrative purposes only.

# In summary



**Re-thinking portfolio  
construction in the new  
regime**



**Fixed income may play an  
important role in portfolios**



**Hedge Funds can embed  
ballast without sacrificing  
returns**



**Enhance the efficient  
frontier through defensive  
allocations**

For illustrative purposes only. Subject to change.

# IMPORTANT INFORMATION

## PERFORMANCE DATA

Performance figures represent past performance and are not indicative of future performance. Current performance may be higher or lower than that shown. Net performance figures are calculated after fund management fees and expenses, and assume reinvestment of distributions. Gross performance figures are calculated gross of ongoing fees and expenses. Unless otherwise stated, performance for periods greater than one year is annualised and performance calculated to the last business day of the month.

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# **"THE US INNOVATES, CHINA REPLICATES, AND THE EU REGULATES"**

Daniel Stojanovski – Chief Investment Officer (CIO) Ventura FM and Asset  
Consultant to Centrepoint Alliance





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For more information, refer to the Financial Services Guide (FSG) for Ventura Investment Management Limited (available at <https://venturafm.com.au/media/1729/ventura-fsg-update-nov.pdf>).

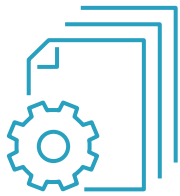
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# LEARNING OUTCOMES

By participating in this session, you will:



Understand the key themes driving markets today

Investment process is key in driving a strong portfolio



Learn how institutional investors are adapting their strategies

What components from the past can relate to the environment now



Exploring how best to navigate risks in the market and outlook going forward

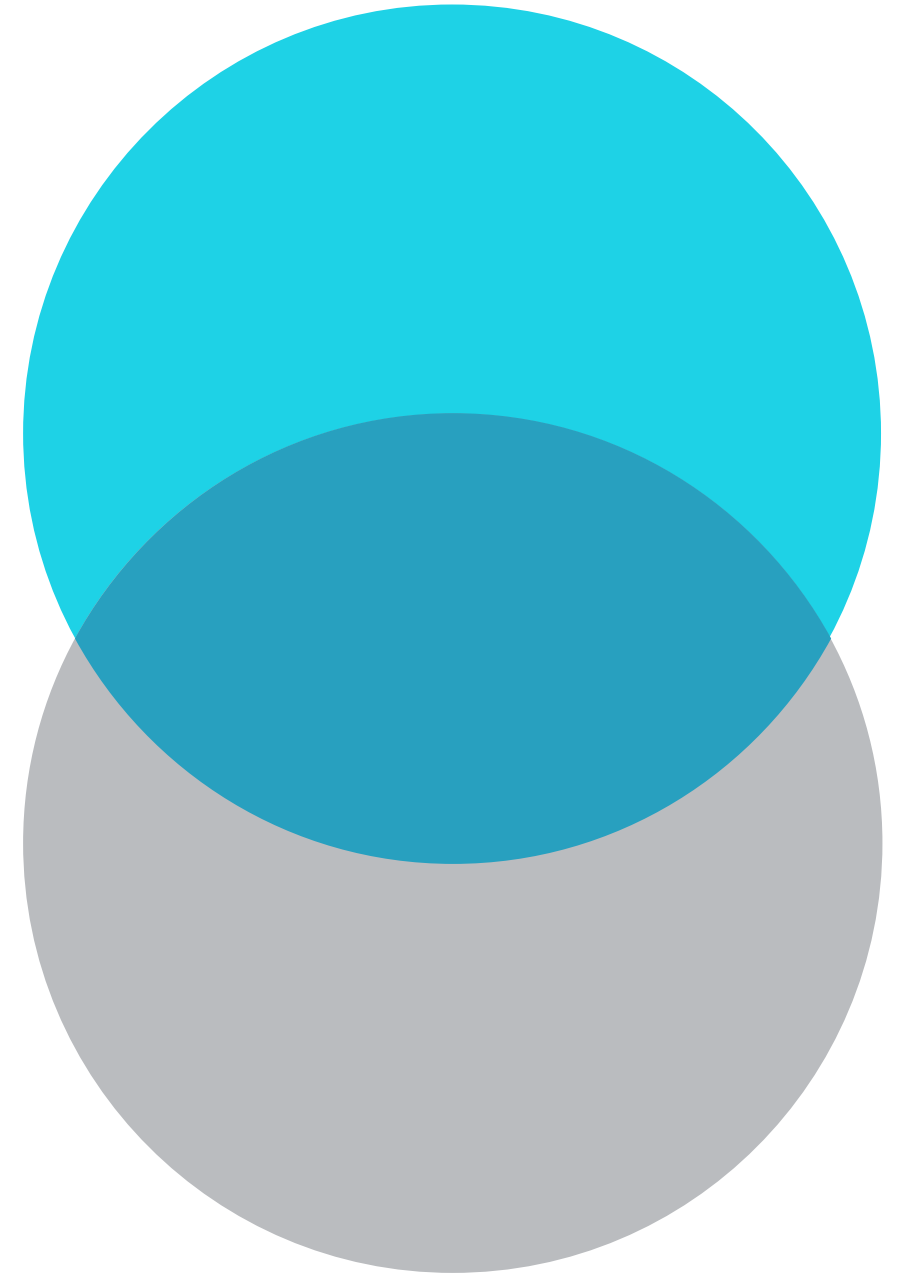
Macro economic themes

A background image showing a group of people in a modern office or conference setting. In the foreground, a woman with blonde hair in a ponytail, wearing a black blazer and a grey skirt, is seen from behind. To her left, an older woman with short grey hair, wearing a grey and white checkered dress and carrying a black handbag, is walking. In the background, a man with short grey hair is partially visible. The scene is brightly lit, suggesting an indoor environment with large windows or skylights.

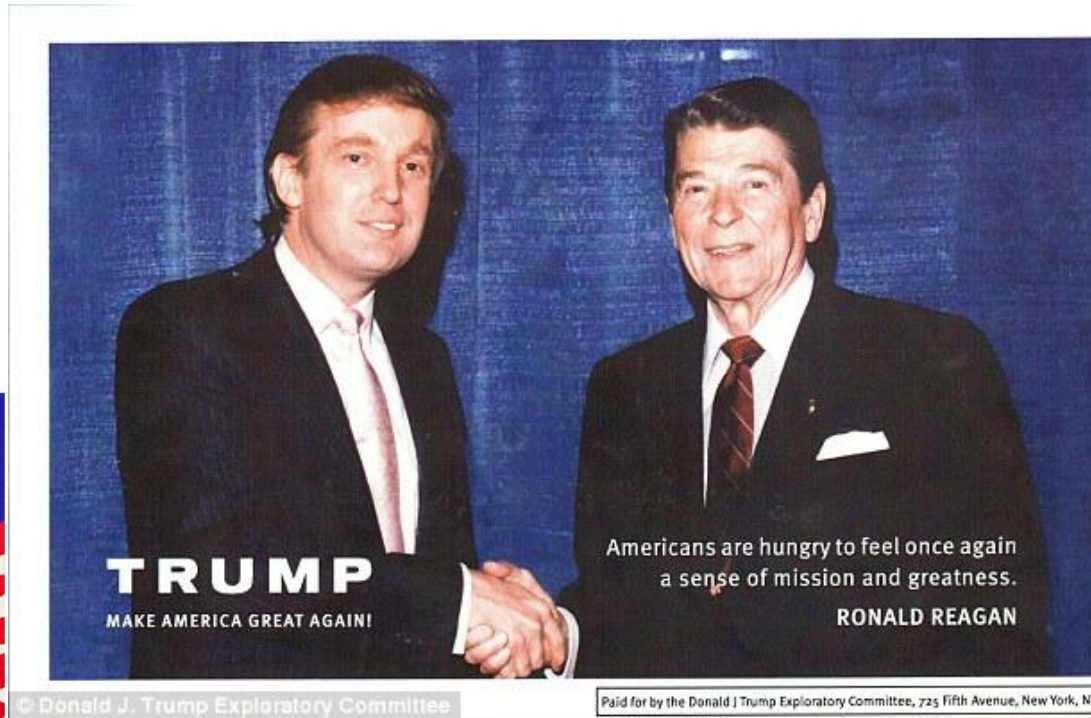
# AGENDA

1. Introduction & Context Setting
2. Historical Echoes
3. China's Evolution: Imitation to Innovation
4. EU Regulatory Leadership
5. Global Conflict - Geopolitical & Economic Impact
6. US Innovates, China Replicates, and the EU Regulates
  - AI Race: Global Tech Leadership
7. Navigating these themes and risks in portfolios - Future Power Shifts
8. Conclusion & Interactive Q&A

# HISTORICAL ECHOES



# WHY ARE THERE SIMILARITIES AND DIFFERENCES?



# HISTORICAL ECHOES: REAGANOMICS TO TRUMP'S TARIFFS



'The nine most terrifying words in the English language are: I'm from the Government, and I'm here to help.' – Ronald Reagan

## Reaganomics & Trumponomics

Deregulation

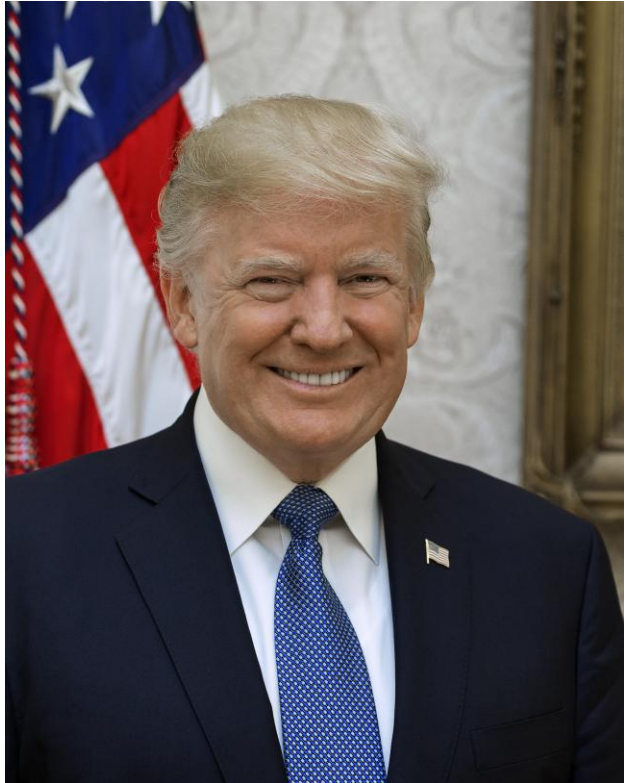
Protectionism

'Morning in America'  
Tax Cuts

'America First'  
Tax Cuts

Free Trade

Tariffs



'One of the key problems today is that politics is such a disgrace, good people don't go into government.' Donald J. Trump

# NEW POLICIES UNDER DONALD TRUMP

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Interfering with global conflicts

Trump declared a national emergency at the US-Mexico border

Leaving the World Health Organisation (WHO)

Banning paper straws



Tariffs on Mexico, Canada, China. Threats to numerous other countries

Reducing income tax

Expanding government efficiency

Withdrew from the Paris Climate Accord

# THE GLOBAL IMPACT OF TRUMP'S POLICIES

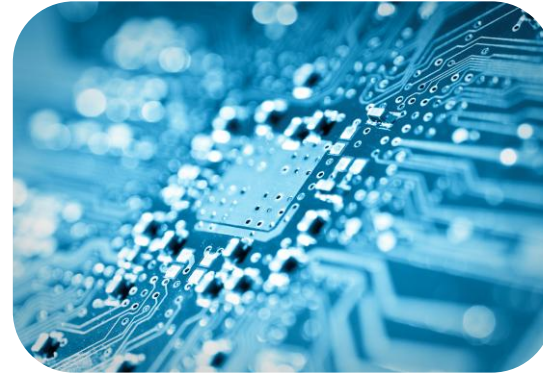
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Supply chain  
disruptions



Tensions with  
close allies



Semiconductor  
shortages



Reshoring of  
production facilities

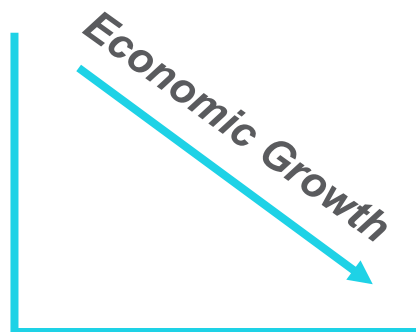
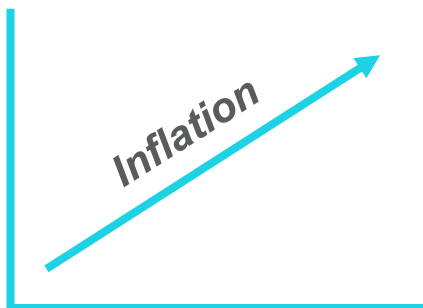




*Trump has already introduced:*

- **25%** tariff on all steel and aluminium imports from around the world
- **25%** tariffs on other imports from Mexico and Canada (with some exemption)
- **20%** levy on Chinese goods
- **25%** automobile tariffs

*The key risks of tariffs on the economy are:*



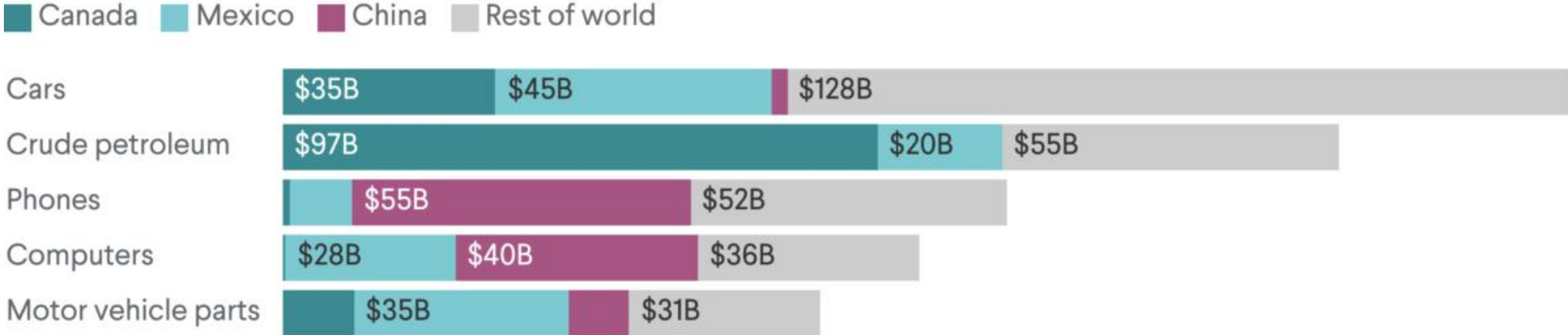


# How much is Trump's recently announced tariff on automobiles?

# LOOKING AT THESE TARIFF'S CLOSER

## Which U.S. Imports Could Be Most Affected?

Top five U.S. import products by origin country, 2023



Note: Products are classified using the HS4 designation.

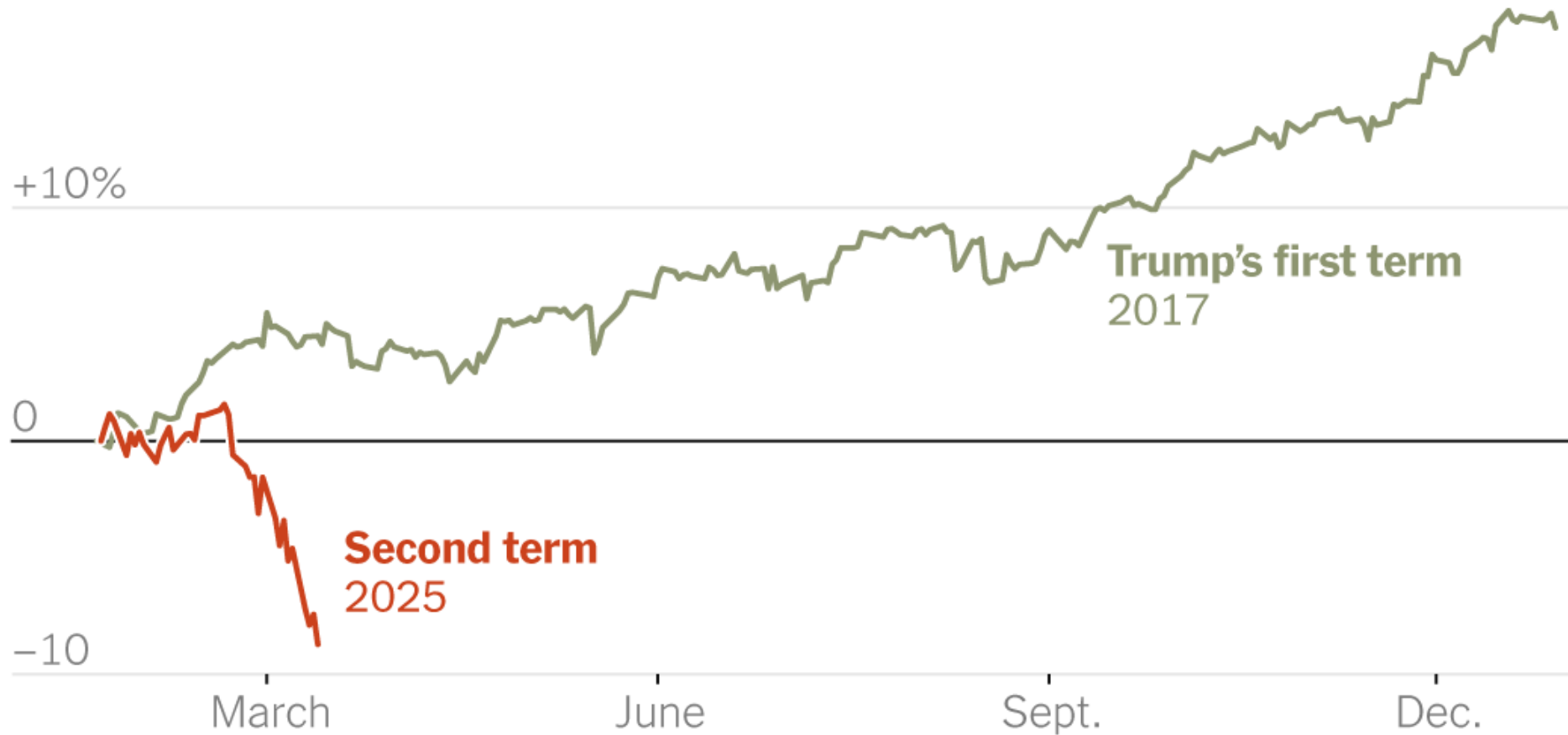
Source: UN Comtrade.

COUNCIL *on*  
FOREIGN  
RELATIONS

Gas prices could also surge as much as 50 cents per gallon as Canada and Mexico supply more than 70% of crude oil imports to U.S. refineries (Crude oil is the primary raw material used to produce gasoline)

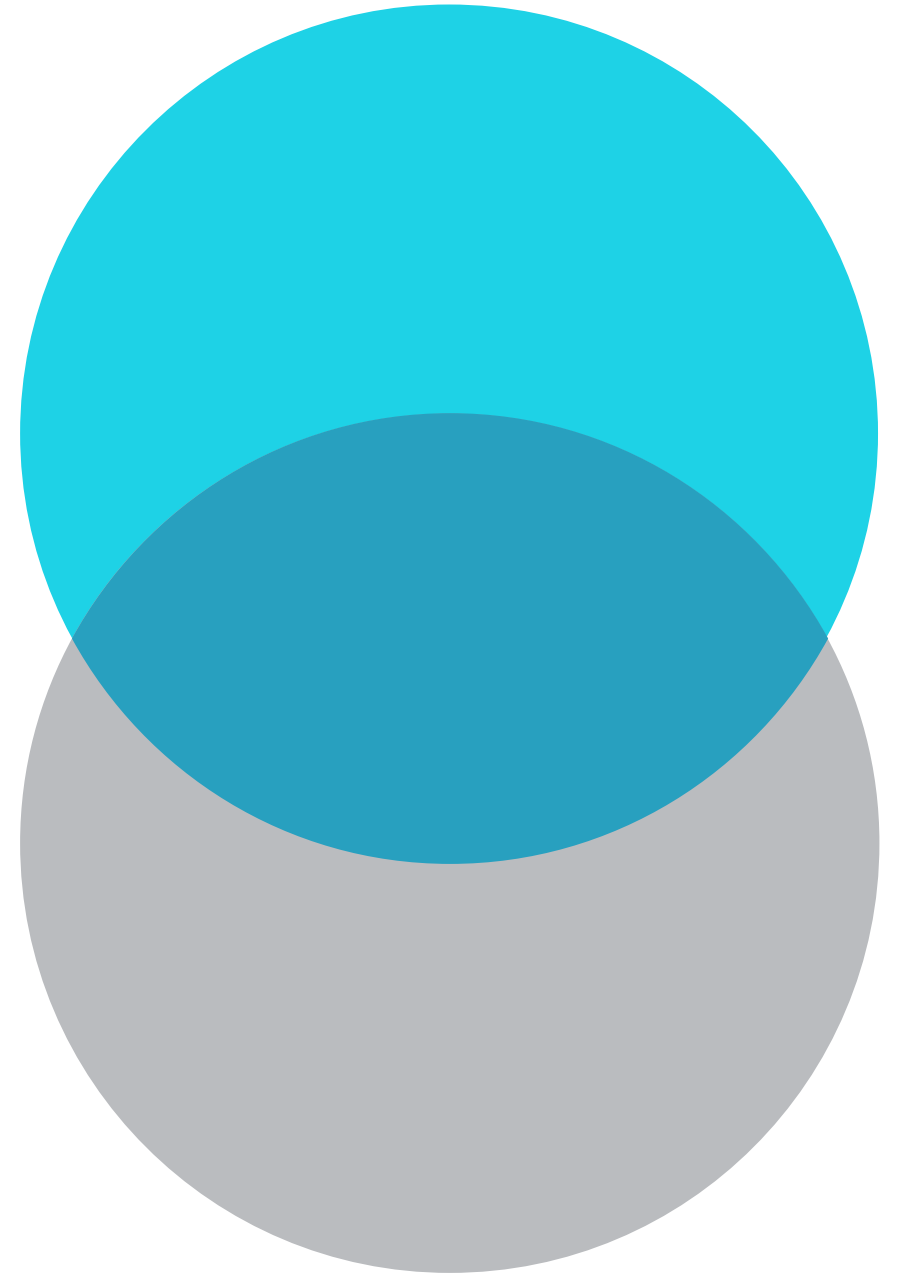
# TRUMP AND THE STOCK MARKET - A LOVE HATE RELATIONSHIP?

How the S&P 500 has moved at the start of each Trump presidency



Source: NY Times

# CHINA'S EVOLUTION: IMITATION TO INNOVATION?



## HISTORICAL PARALLELS: 1980'S JAPAN VS 2020'S CHINA

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During the 1980s Japan was seen as the major global competitor to US economic domination, becoming a leader in developing technology and automobiles.

This economic boom for Japan was eventually hindered by the crash in the Japanese property market and the inability of Japanese companies to make the adjustment to being truly global companies.

China is currently in a very similar position, becoming a global leader in technology and automobiles and currently facing a property slump.

What could set apart China and Japan is the ability of Chinese companies to become global companies.

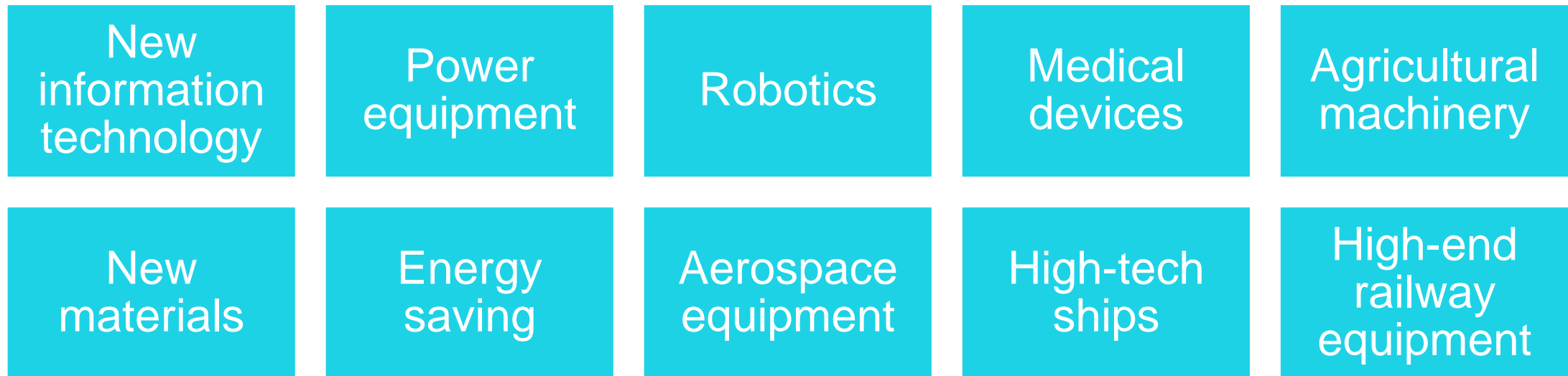
# MADE IN CHINA 2025 – CHINA’S PLAN TO BECOME A LEADER IN HIGH-TECH INDUSTRIES

---

In 2015 Li Keqiang, then Prime Minister of China, launched the Made in China initiative which was a 10-year plan to move China from the low-cost manufacturing centre for developed countries to a leader in developing high-end technologies.

This would not only improve China’s standing in the global economy but also reduce their reliance on importing technology from foreign countries.

The 10 sectors that have been targeted by this initiative are:



# THE RESULTS OF THE MADE IN CHINA 2025 INITIATIVE

## Huawei 5G



Early 2024, Huawei reported that the number of global 5G users has exceeded **1.5 billion**

## Electric vehicles and batteries



Over **\$230 billion** in subsidies from 2009 to 2023 have been directed towards the EV sector

## DeepSeek AI



In January 2025 DeepSeek launched their AI model and shocked their competitors and the market.

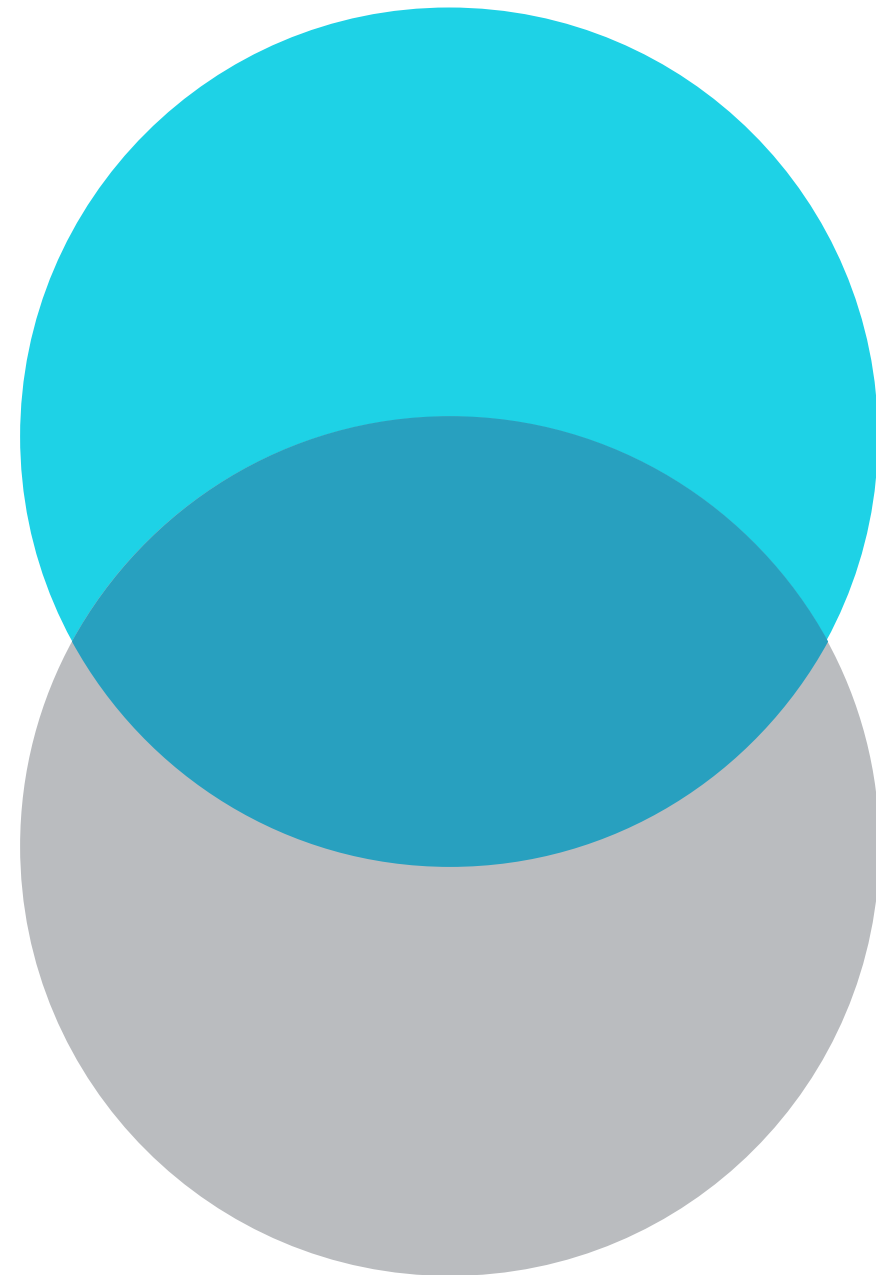
## Quantum Computing



China has invested heavily in quantum research, with state funding estimated to exceed **\$15 billion**



# EU REGULATORY LEADERSHIP



# EXAMPLES OF EU REGULATION

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## General Data Protection Regulation

Implemented in 2018, is one of the most comprehensive data privacy laws globally.

It sets strict guidelines on data protection and privacy for all and has influenced data protection laws worldwide

## MiFID II

Came into effect in 2018, regulates financial markets by setting standards for investor protection, transparency, and market integrity.

## Consumer Rights Directive

This directive enhances consumer protection by ensuring clear information, fair contract terms, and the right to withdraw from contracts.

## European Climate Law

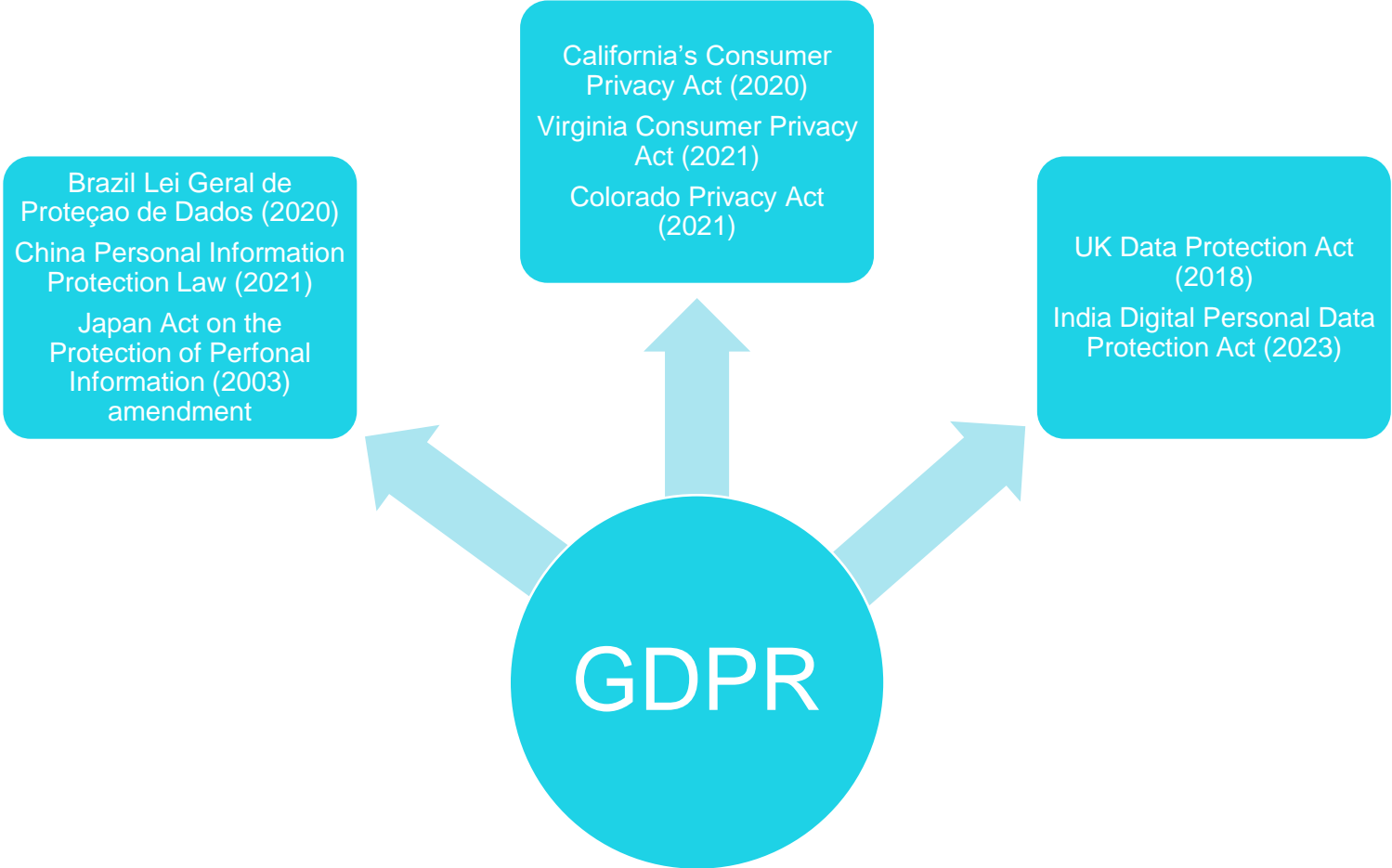
This law enshrines the goal of climate neutrality by 2050 into legislation. It sets an intermediate target of reducing net greenhouse gas emissions by at least 55% by 2030



**Which of the following is the name of the EU's financial markets regulation?**

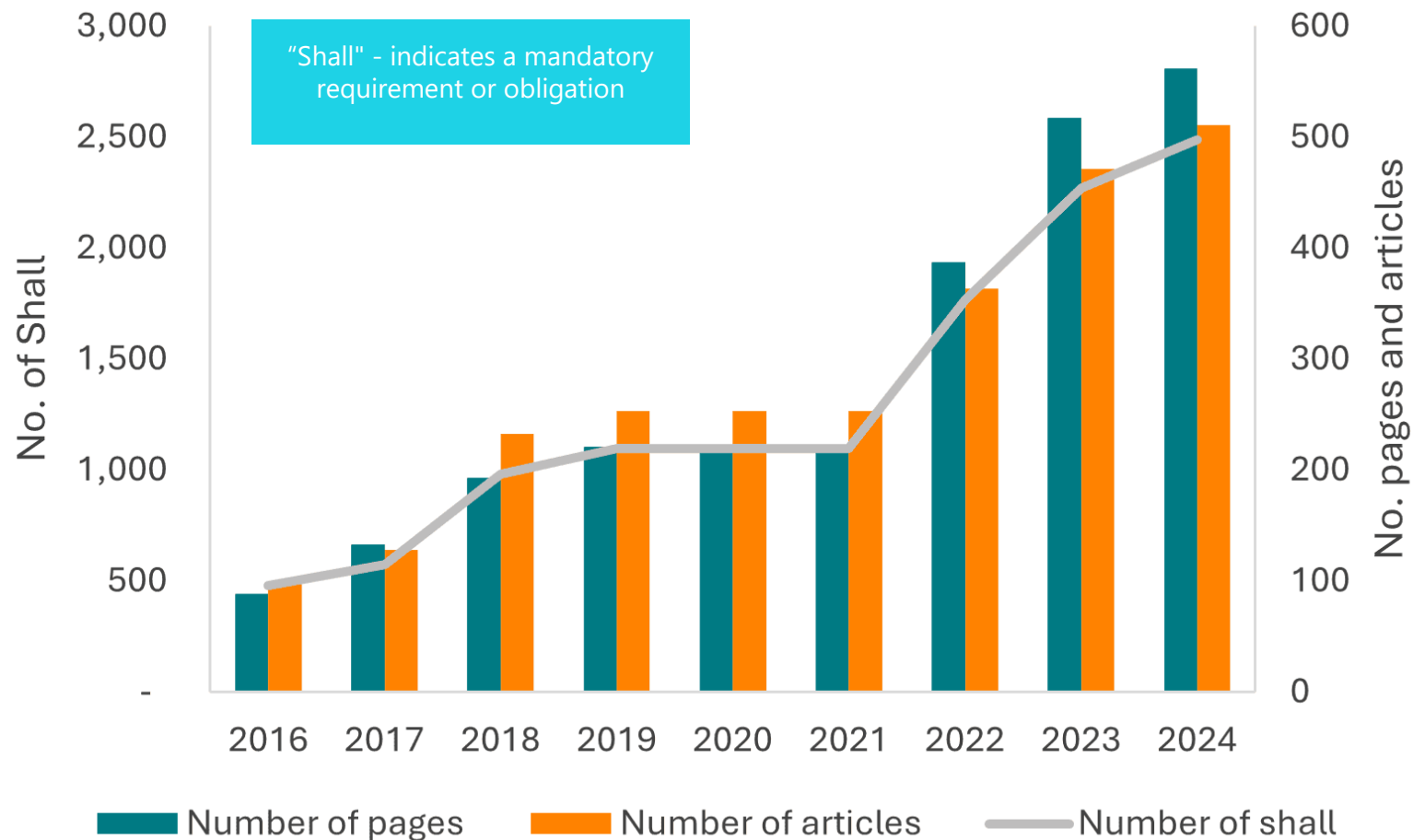
# THE POSITIVE IMPACT OF GENERAL DATA PROTECTION REGULATION (GDPR)

The GDPR has had a major positive impact on the data protection and privacy standards of global companies and has influenced similar regulation across the globe:



# EU REGULATION SETS THE GLOBAL STANDARDS AND CONTINUES TO INCREASE

The EU has a continually growing rate of regulation, setting the global standard.



# CASE STUDIES – META AND OPEN-AI ADAPTING TO EU REGULATION

---



Meta has implemented various measures to comply with the **GDPR**.

The EU's Digital Markets Act (DMA) imposes stringent rules on major tech companies to ensure **fair competition**

Meta regularly publishes **compliance reports** to demonstrate its efforts in adhering to EU regulations.

**Yet to join the EU AI pact**



OpenAI has signed up to the three core commitments in the **EU AI Act**

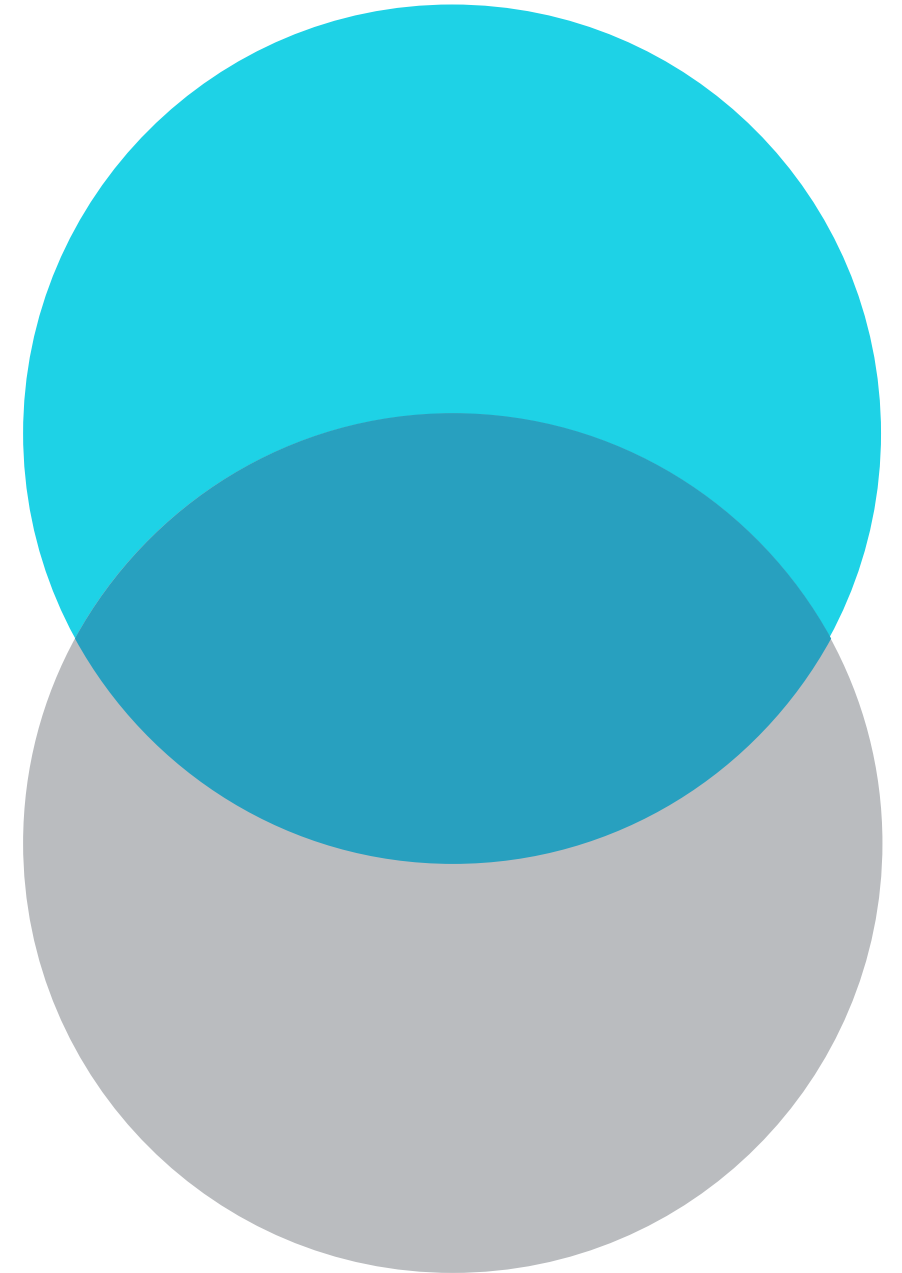
OpenAI ensures that its AI technologies **do not engage in prohibited practices** as outlined by the EU AI Act.

OpenAI regularly publishes **compliance reports** and engages with EU regulators



‘With great power comes great responsibility’ - Voltaire

# GLOBAL CONFLICTS





# CONFLICTS AROUND THE GLOBE CONTINUE

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*Palestine vs Isreal*

*Ukraine vs Russia*

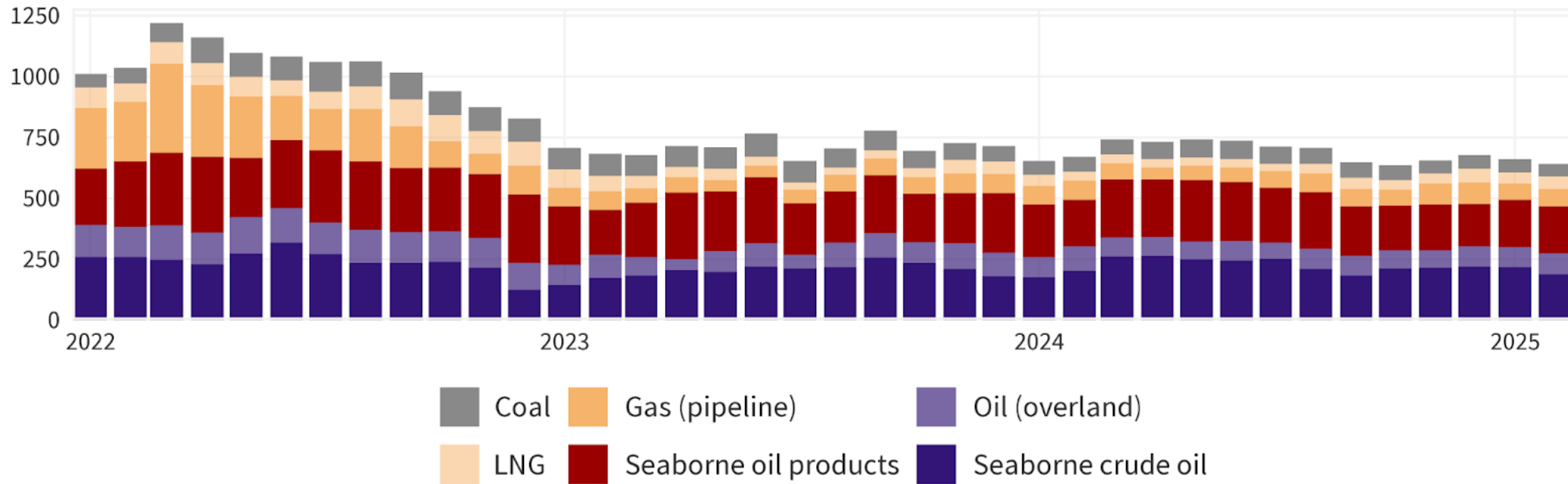
*China vs Taiwan*



# THE IMPACT OF EACH WAR IS DIFFERENT AND WILL DEPEND ON HOW COUNTRIES FIT INTO GLOBAL SUPPLY/DEMAND. FOR RUSSIA, MUCH OF THE GLOBAL IMPACT IS THROUGH MATERIALS

## Russia's fossil fuel export revenue

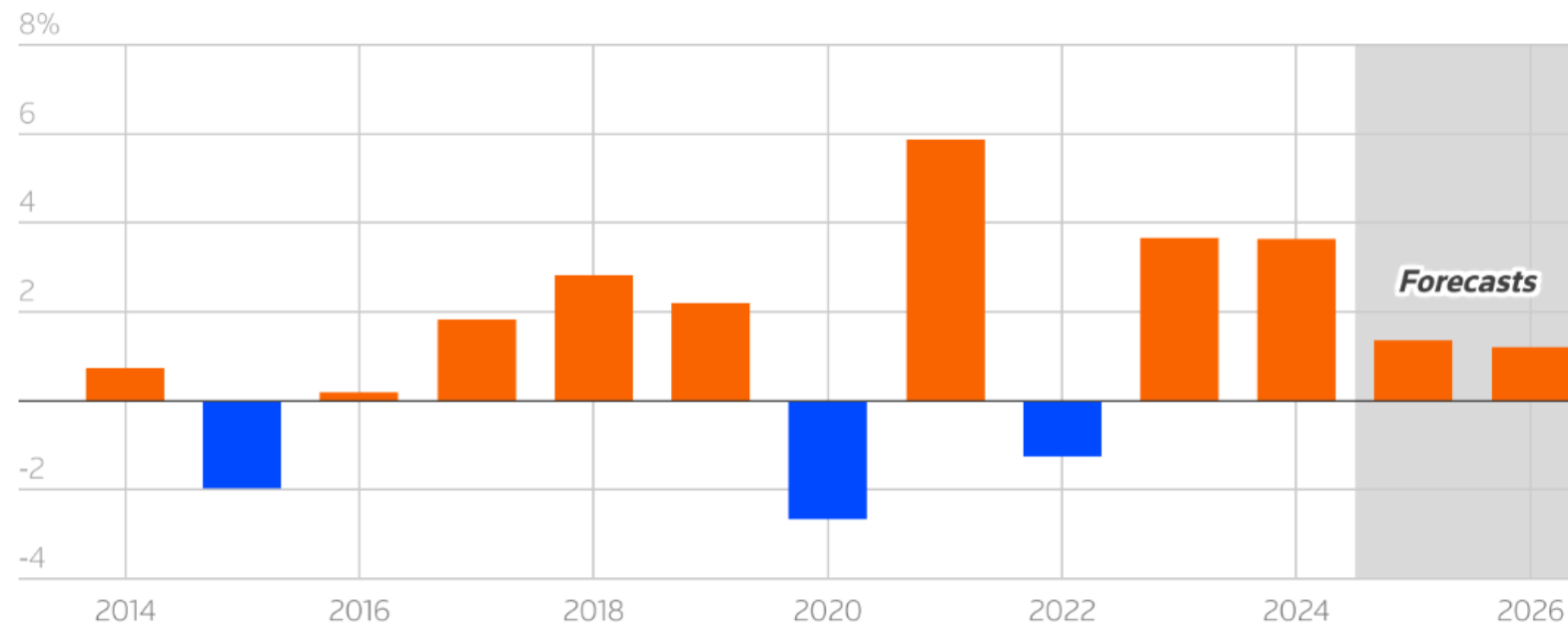
Million EUR per day



Source: CREA analysis based on Kpler, Marine Traffic, ENTSOG and customs data.

# RUSSIAN GROWTH FORECASTS ARE WORSENING WITH THE POTENTIAL FOR PEACE – “PUTIN'S FALL WILL START SLOW AND END FAST”

## Russia's growth is slowing down



Note: Russian GDP growth rate since the annexation of Crimea. Estimates from 2024

Source: IMF | P. Briançon | March 14, 2025

Russian GDP growth rates since 2014; negative values are expressed in blue

 Reuters Breakingviews

# TAILWINDS FOR THE END OF THE RUSSIA UKRAINE WAR

---



- **Construction and Infrastructure**

Benefit from increased demand for rebuilding infrastructure and reconstruction.

- **Energy and Utilities**

Growth opportunities in rebuilding and modernizing energy supply chains.

- **Travel and Tourism**

Global stability and lower oil prices mean travel companies are likely to benefit.

- **Financial institutions**

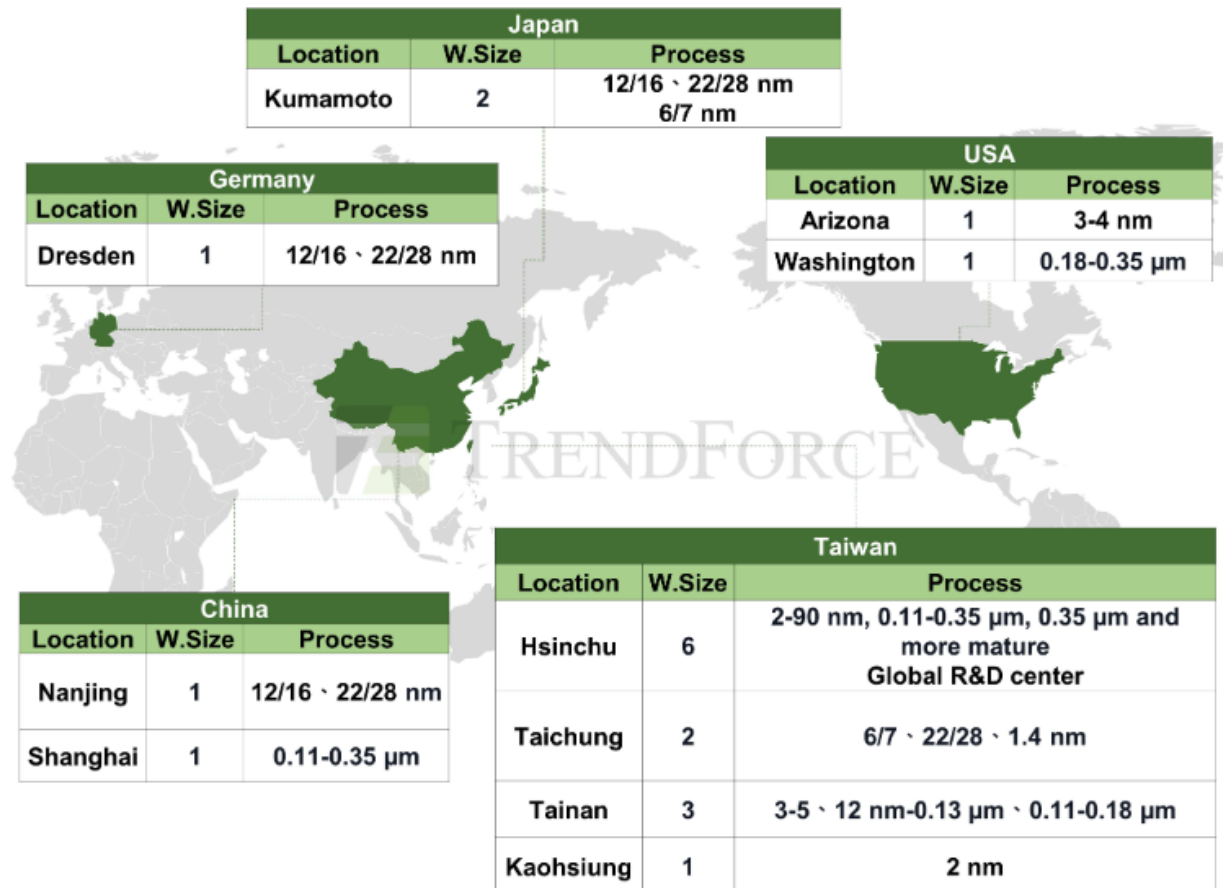
Benefit from increased economic activity, investment and financing reconstruction projects.

- **Lower material prices:**

An oversupply of Russian materials, as reduced trade with other countries has caused a significant buildup of inventory.

# THE MAJORITY OF TSMC'S PRODUCTION FACILITIES (FABS) ARE IN TAIWAN, INCLUDING THE ONLY FAB WHICH CAN CURRENTLY MAKE THEIR 3NM SEMICONDUCTOR CHIP.

## TSMC's Latest Global Production Capacity Layout



# ANY ATTEMPT BY CHINA TO TAKE TAIWAN COULD BE DETRIMENTAL TO THE GLOBAL ECONOMY DUE TO IMPORTANCE OF TSMC AND THEIR SEMICONDUCTOR CHIPS IN THE TECHNOLOGY INDUSTRY AND AI.

Scenario	Modeling Assumptions (Year One)	GDP Impact (Year One)
Chinese invasion draws US into local conflict	<b>100%</b> Cut in Taiwan trade	<b>-40%</b> Taiwan
	<b>Near 100%</b> Cut in US-China trade	<b>-16.7%</b> Mainland China
	<b>50%</b> Tariffs between US allies and China	<b>-6.7%</b> US
	<b>40 point</b> Spike in VIX	<b>-10.2%</b> World
China blockades Taiwan	<b>80%</b> Cut in trade to and from Japan, Korea, ASEAN	
	<b>100%</b> Cut in Taiwan trade	<b>-12.2%</b> Taiwan
	<b>50%</b> Tariffs between US and China	<b>-8.9%</b> Mainland China
	<b>25%</b> Tariffs between US allies and China	<b>-3.3%</b> US
	<b>16 point</b> Spike in VIX	<b>-5%</b> World

Source: Bloomberg Economics

Bloomberg

# DON'T FEAR: MINUS THE GULF WAR, VOLATILITY IN THE STOCK MARKET WAS LOWER DURING PERIODS OF WAR.

<b>Capital Market Performance During Times of War</b>							
	<b>Large-Cap Stocks</b>	<b>Small-Cap Stocks</b>	<b>Long-Term Bonds</b>	<b>Five-Year Notes</b>	<b>Long-Term Credit</b>	<b>Cash</b>	<b>Inflation</b>
<b><u>1926-2013</u></b>							
<u>Return</u>	10.0%	11.6%	5.6%	5.3%	5.9%	3.5%	3.0%
<u>Risk</u>	19.0%	27.2%	8.4%	4.4%	7.6%	0.9%	
<b><u>All Wars</u></b>							
<u>Return</u>	11.4%	13.8%	2.2%	3.7%	2.8%	3.3%	4.4%
<u>Risk</u>	12.8%	20.1%	6.4%	3.5%	5.5%	0.7%	
<b><u>World War II</u></b>							
<u>Return</u>	16.9%	32.8%	3.2%	1.8%	3.0%	0.3%	5.2%
<u>Risk</u>	13.8%	21.0%	1.9%	0.8%	1.1%	0.0%	
<b><u>Korean War</u></b>							
<u>Return</u>	18.7%	15.4%	-1.1%	0.7%	0.3%	1.5%	3.8%
<u>Risk</u>	11.1%	12.7%	3.0%	1.7%	3.2%	0.1%	
<b><u>Vietnam War</u></b>							
<u>Return</u>	6.4%	7.3%	1.9%	4.7%	2.7%	4.9%	4.1%
<u>Risk</u>	12.1%	21.1%	8.1%	4.4%	6.9%	0.3%	
<b><u>Gulf War</u></b>							
<u>Return</u>	11.7%	-1.2%	12.5%	12.5%	12.1%	7.0%	4.7%
<u>Risk</u>	19.4%	27.5%	8.4%	3.8%	6.7%	0.2%	

Source: Mark Armbruster/CFA Institute.

## EQUITY MARKET PERFORMANCE IS NOT CONTINUING AS HOPED

Index	2024 Return	YTD Return
<i>S&amp;P 500</i>	25.0%	-3.2%
<i>NASDAQ</i>	29.6%	-7.80%
<i>ASX 200</i>	7.5%	-1.97%
<i>Nikkei 225</i>	10.6%	-7.27%
<i>FTSE 100</i>	9.7%	6.03%

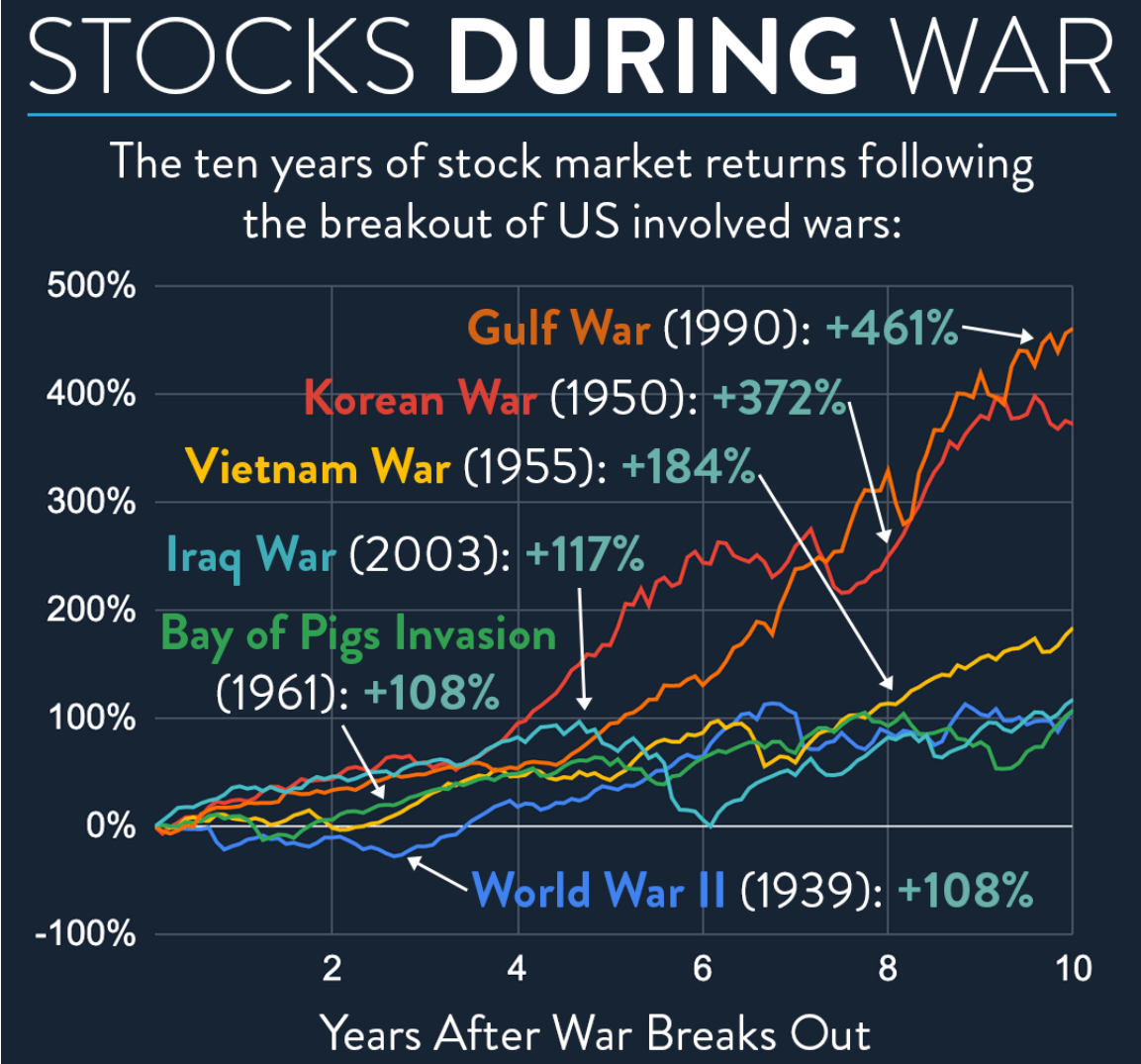
Source: Market Watch – 28/03/2025





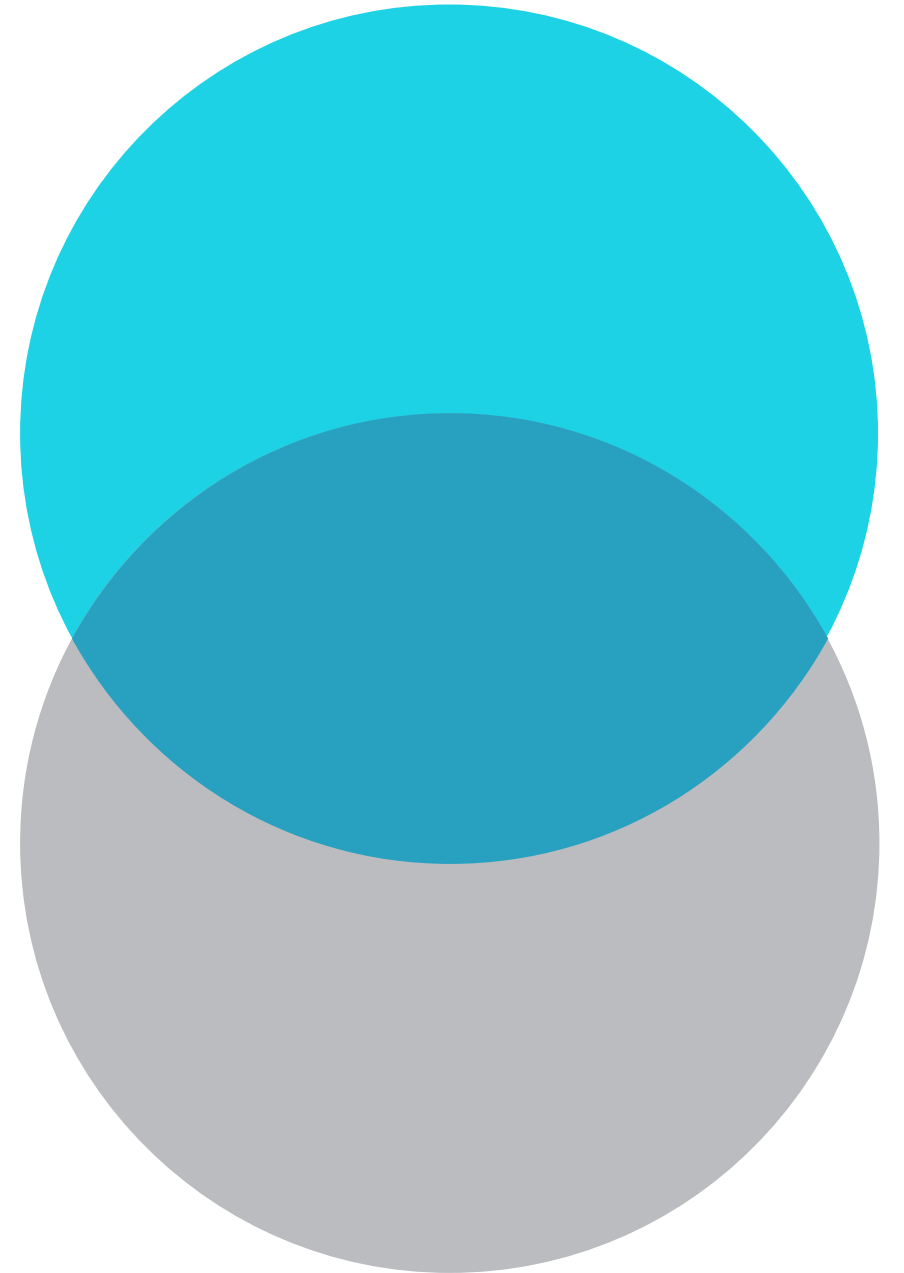
**Which market had the highest returns in 2024 out of the following options?**

# DON'T GET CAUGHT UP IN THE HEADLINES, FOCUS ON LONG-TERM RETURNS

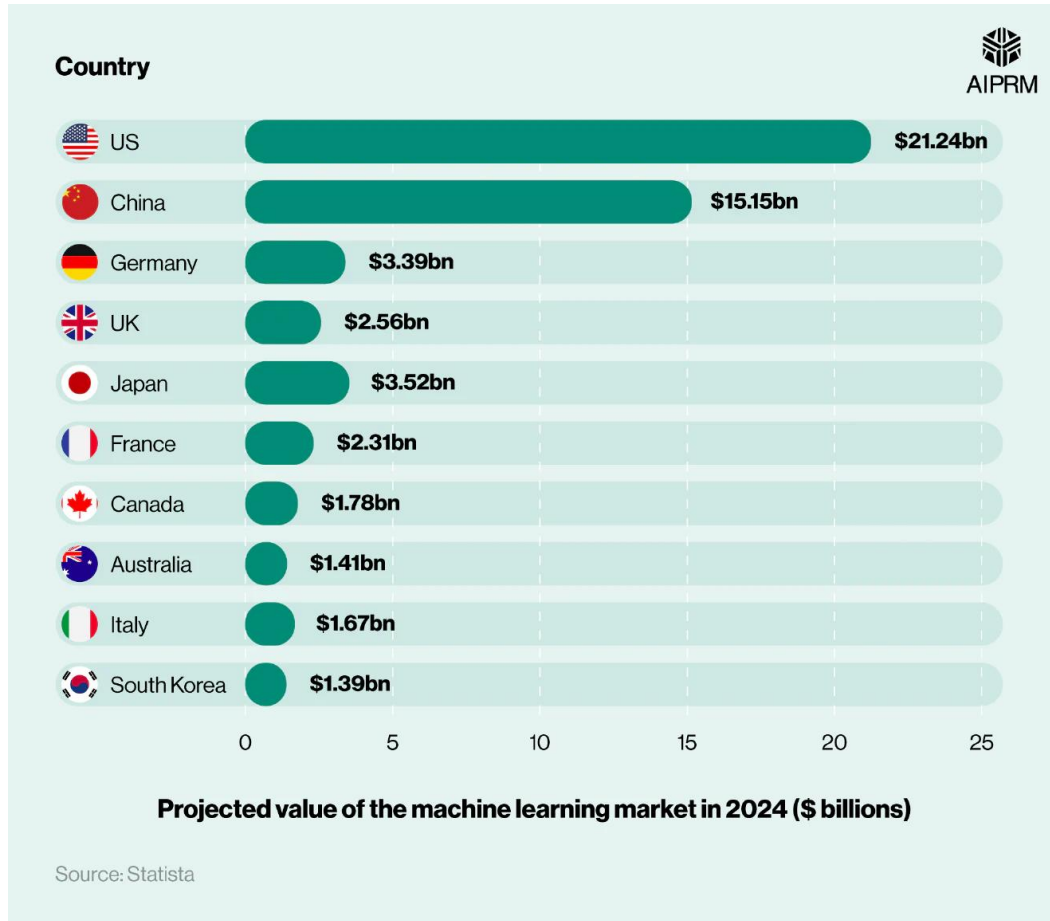


Source: Personal Finance Club

# THE US INNOVATES, CHINA REPLICATES, AND THE EU REGULATES



# THE NEW SPACE RACE – CHINA IS CATCHING UP WITH THE US IN AI



## EV CASE STUDY - INNOVATE: TESLA

---

- **Tesla** was the first to develop **self-driving software** with the first version being released in 2014.



Tesla's system uses cameras to capture images and process them to identify objects and predict their movements.



The stock price of Tesla has gone higher and higher over the years, partly due to the possibility of Tesla's self driving cars taking over the roads.



The cost-efficient cameras have several issues including poor performance in sub-optimal conditions

## EV CASE STUDY - REPLICATE: BYD/WAYMO LIDAR

---

Tesla's use of cameras for self driving has led to several issues and criticism, a recent comedic example being a viral video in which they were able to trick a Tesla car into driving in to a wall by painting it to look like the road ahead.



Source: Mark Rober video

**BYD and Waymo** (Tesla competitors) in China are looking to rival Tesla in the self-driving space.



BYD and Waymo instead use a combination of cameras and **LiDAR** - a system using laser detection which is able to detect the surrounding area much better than Tesla's cameras can.



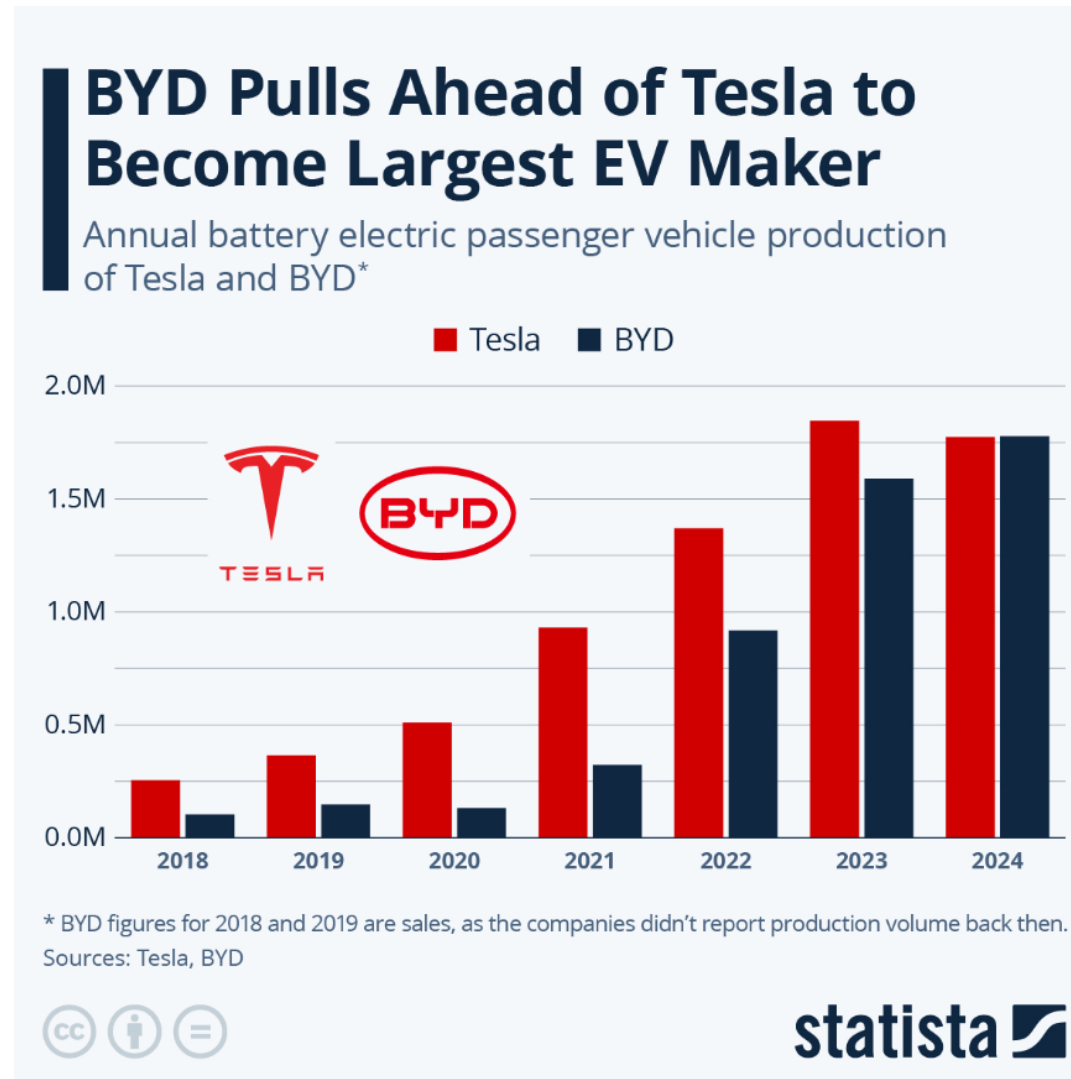
## EV CASE STUDY – REGULATION: EU



### Zero-Emission Mandate:

*Starting in 2035, all new cars and vans sold in the EU must be zero-emission vehicles. This regulation aims to drastically reduce greenhouse gas emissions from road transport, which accounts for a significant portion of the EU's total emissions.*

# IN 2024 BYD BECAME THE LARGEST MAKER OF ELECTRIC VEHICLES, OVERTAKING TESLA. THIS COMBINED WITH TESLA SALES TANKING SHOW A NEW KING IN ELECTRIC VEHICLES.





# AI CASE STUDY – INNOVATE: UNITED STATES HAS INVESTED HEAVILY INTO AI, BOTH EXPLORATION AND USE

## Global AI Leaders:

- 
- 1 United States
  - 2 China
  - 3 United Kingdom
  - 4 India
  - 5 United Arab Emirates
  - 6 France
  - 7 South Korea
  - 8 Germany
  - 9 Japan
  - 10 Singapore

Data from 2023



# AI CASE STUDY – REPLICATE: CHINA’S DEEPSEEK

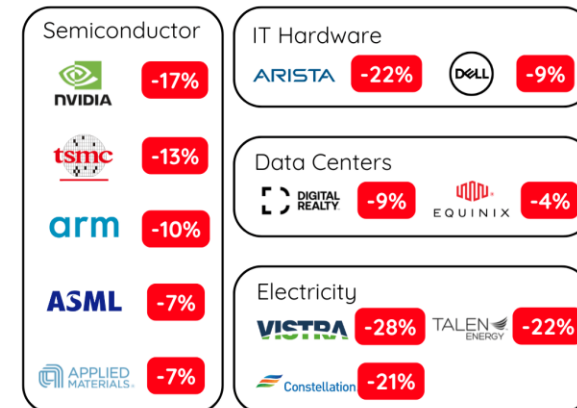


DeepSeek unveiled an AI model that achieves similar performance to Western models at a **significantly lower cost**, raising concerns about future demand for NVIDIA's high-performance AI chips.

The announcement led to a dramatic sell-off, with NVIDIA's stock falling 17% and erasing nearly \$600 billion in market value.

## The DeepSeek Impact

1-day price move 27 Jan 2025



## AI CASE STUDY – REGULATION: EU AI ACT

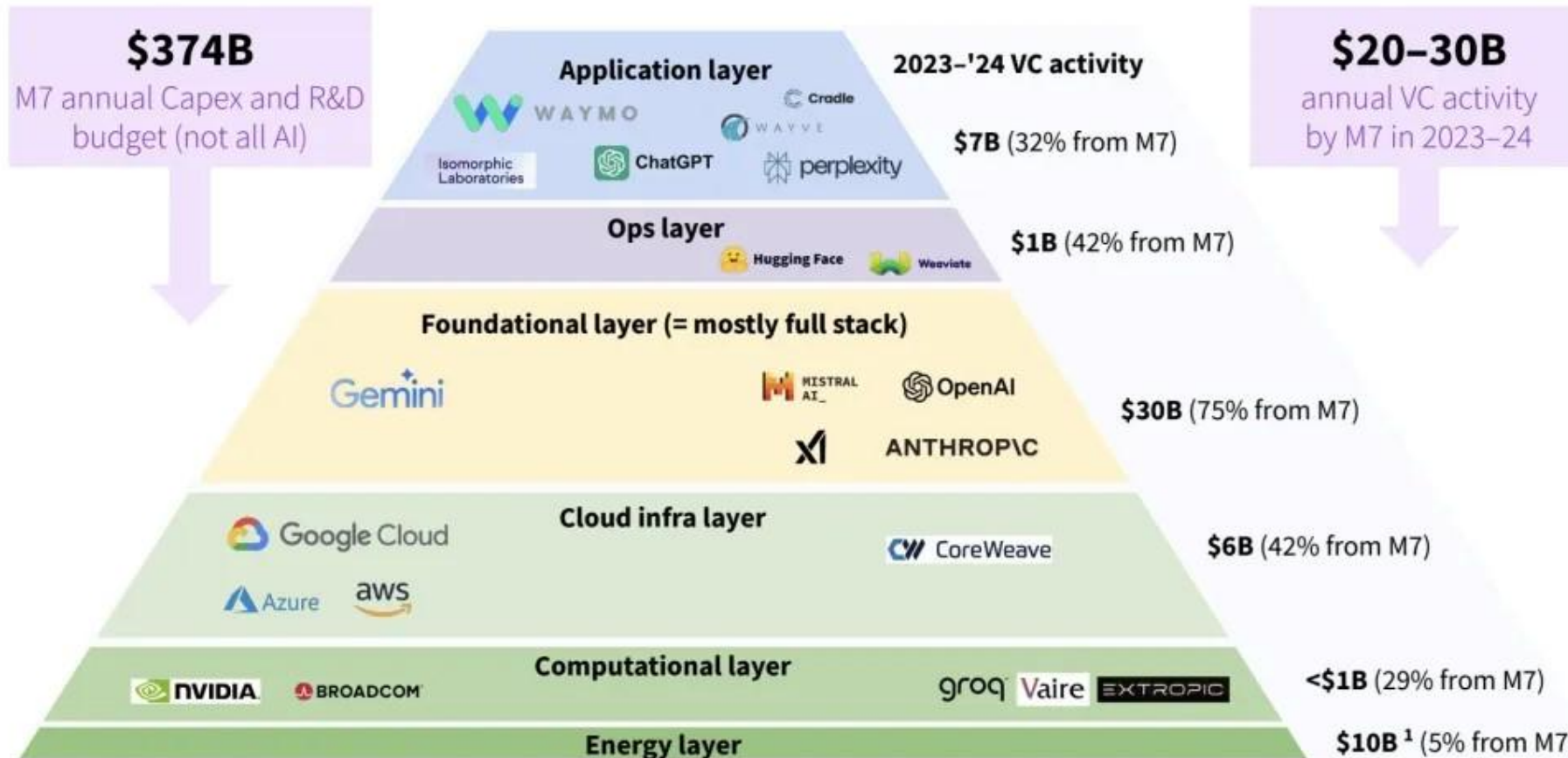


### *Comprehensive AI Regulation:*

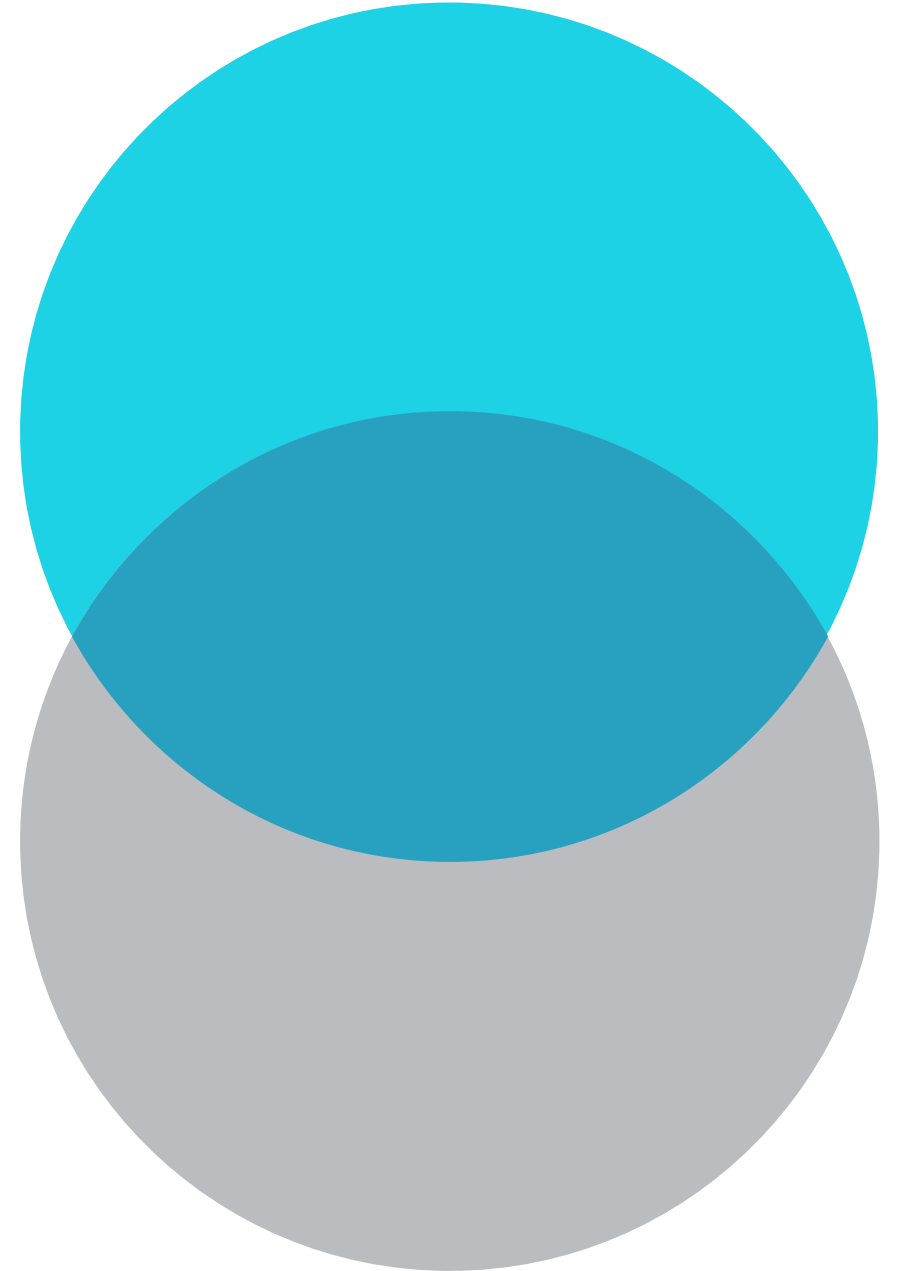
*The **EU AI Act** is the world's first comprehensive law regulating artificial intelligence, establishing a risk-based classification system for AI applications.*

# MOST INVESTMENT HAS BEEN INTO THE FOUNDATIONAL LAYER OF AI, GOING FORWARD THE MOST OPPORTUNITY WILL BE IN APPLYING AI IN NEW FORMATS

So far, vast majority of AI investment has been going into foundational layer.

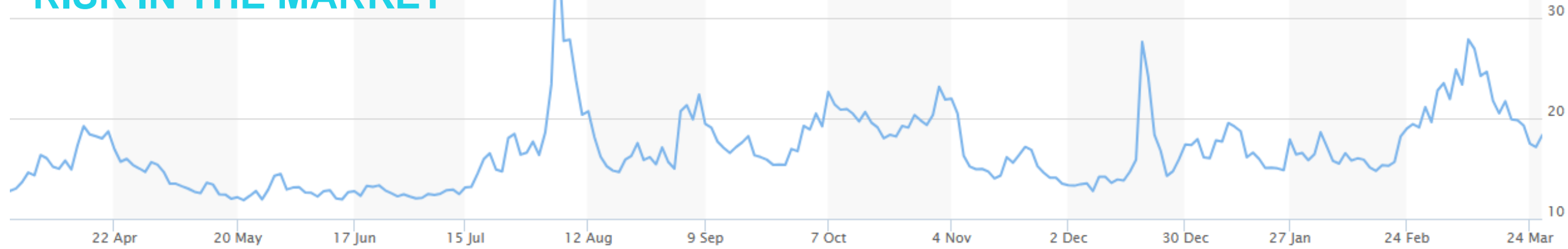


# NAVIGATING THESE THEMES AND RISKS IN PORTFOLIOS



# RISK IN THE MARKET

Source: MarketWatch



Conflicts / Wars

Trump causing volatility

Inflation

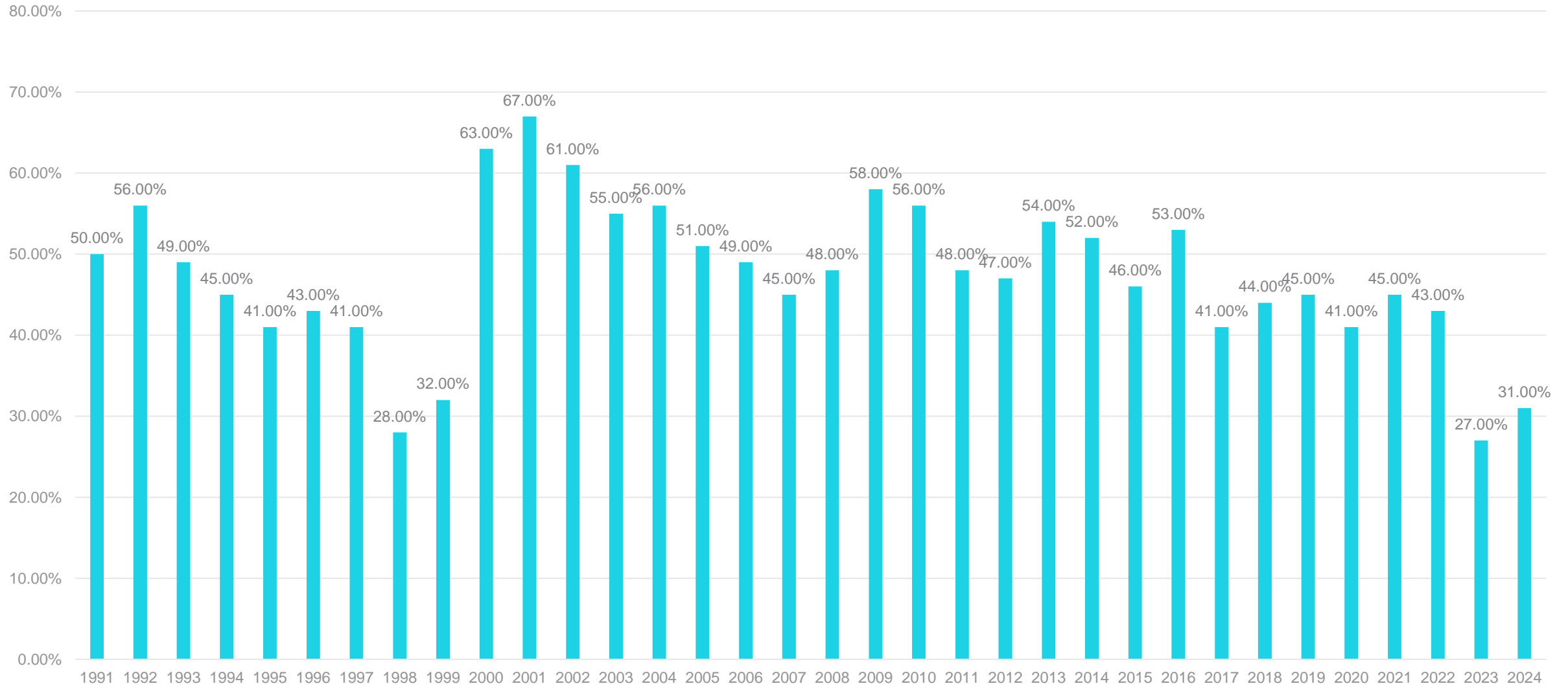
Recession

High Valuations – AI

Interest Rate Shocks

# THE LAST TIME WE SAW THIS LEVEL OF MARKET CONCENTRATION WAS IN THE DOT COM BUBBLE

% of S&P 500 Companies Outperforming the Market Each Year

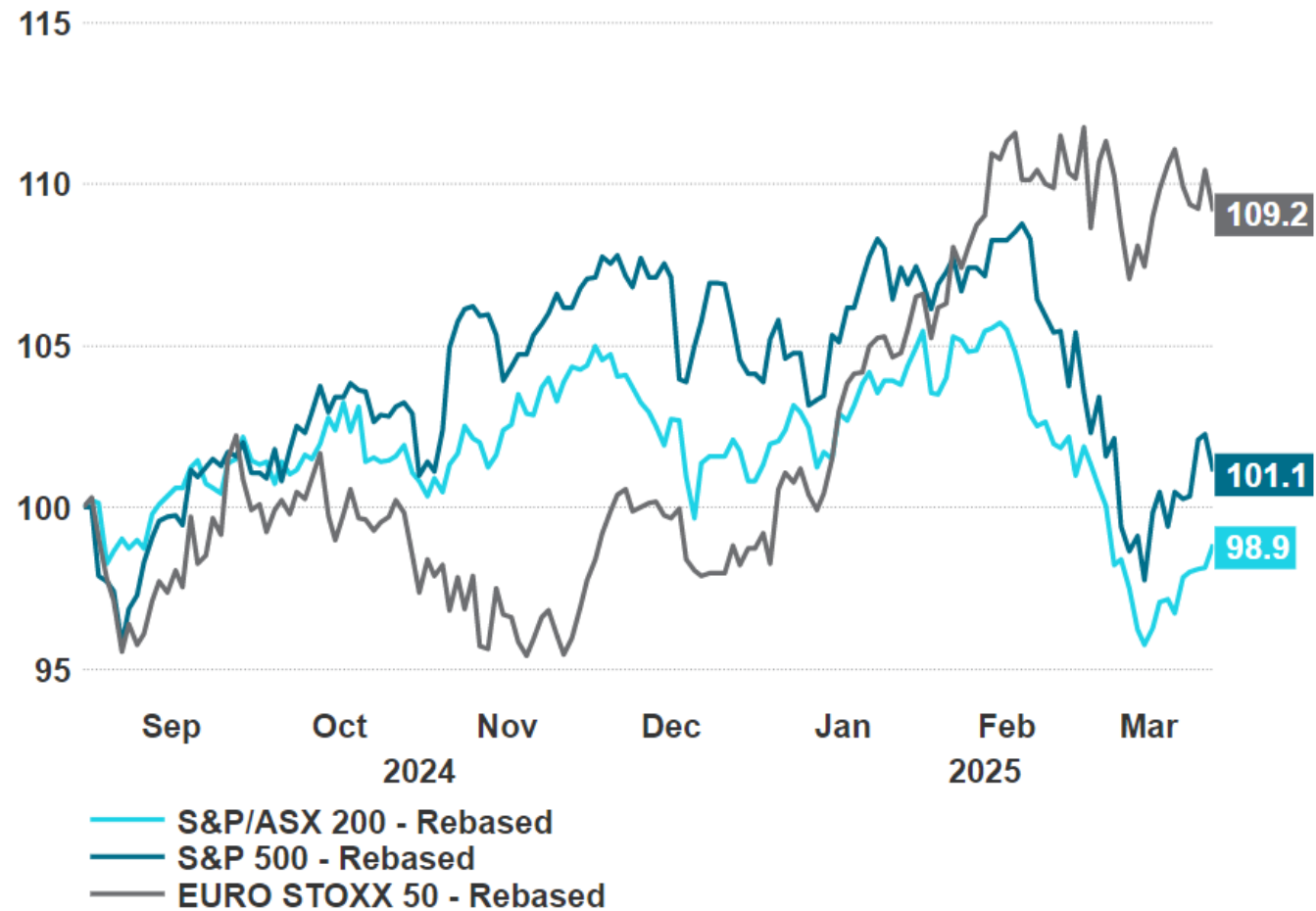




**When was the last time we saw a similar level of market concentration?**

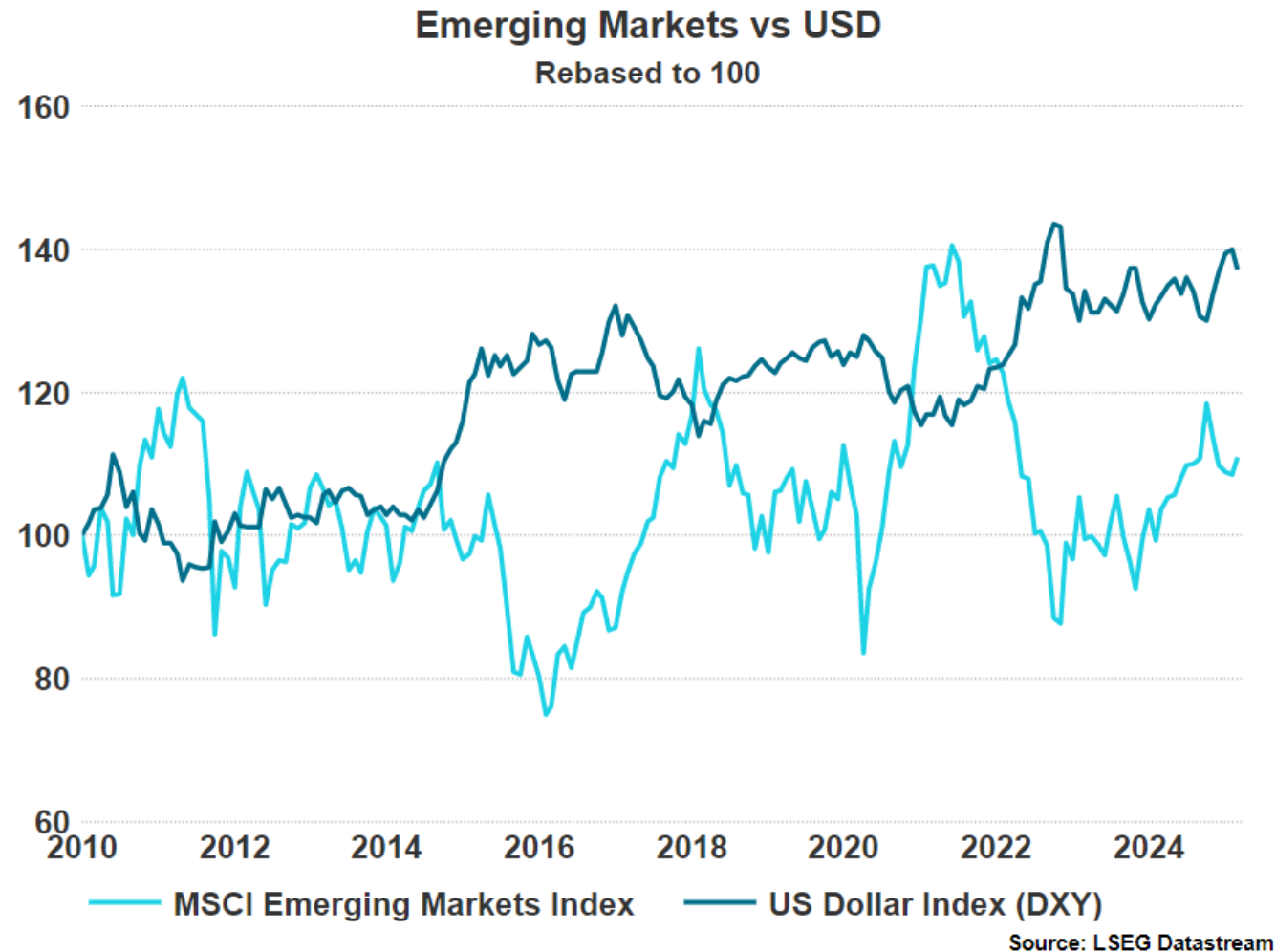


# WHILE US AND AUSTRALIAN MARKETS HAVE SUFFERED, THE EUROPEAN MARKET THAT WAS NEGLECTED IN 2024 SAW RENEWED ENTHUSIASM



Source: LSEG Datastream

# WITH UNCERTAINTY IN THE US ECONOMY LOWERING DEMAND FOR USD IT COULD BE AN OPPORTUNITY FOR EMERGING MARKETS.



# FOLLOW THE MONEY – WHERE ARE INVESTORS FEASTING?

---

Investors are filling their plates with:

What's your top pick?

## AI & Automation

- The transition from exploring AI to deploying it effectively within businesses. Who can make this transition most effectively?

## Green Energy Boom

- Capitalising on the companies that can drive the transition to renewable sources of energy.

## Shifting Supply Chains

- With constantly shifting trade relationships, finding who benefits most from the new supply chains provides opportunity.

# FOLLOW THE MONEY – WHERE ARE WE FEASTING?

---

Investors are filling their plates with:

What's your top pick?

## International Diversification

- With U.S. markets facing headwinds, there's a notable shift towards European and Asian equities.

## Quality Stocks

- Emphasis on companies with strong fundamentals and leading industry positions, particularly in international markets. In manager selection this is why process is key.

## Alternatives

- Increased allocation to alternatives which have specific correlation benefits – Hedges against market volatility.

1. WHERE IS THE  
SMART MONEY  
GOING? 📈

## DESPITE THE RISK IT IS IMPORTANT TO STAY INVESTED

You wouldn't cook without a recipe. Investing without a process is the same.

Recipe for Investment Success:

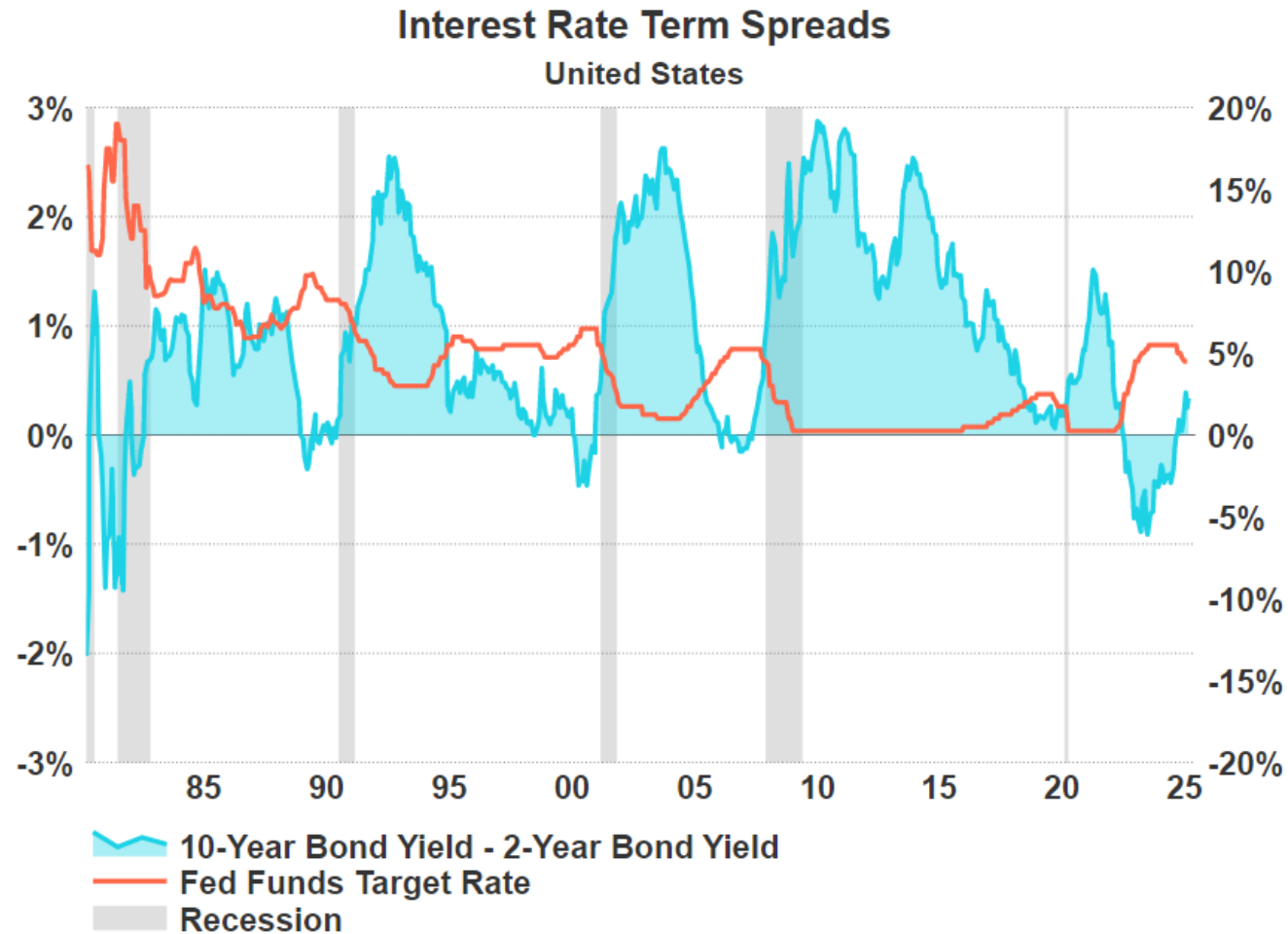


1. Stay Disciplined
2. Ensure Diversification
3. Use Continuous Risk Management

**REMEMBER:**

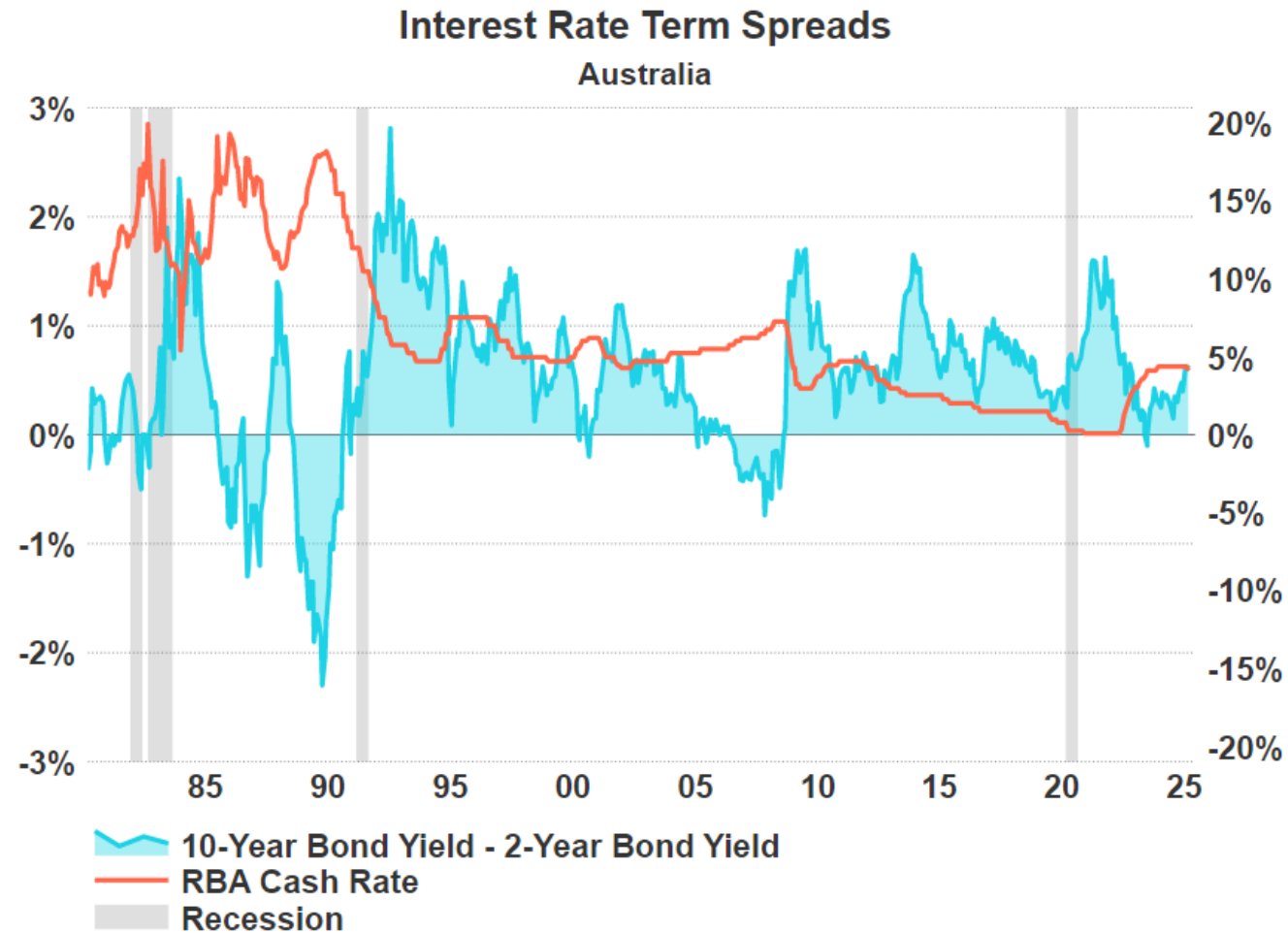
***ITS NOT TIMING THE MARKET ..... ITS TIME IN THE MARKET!***

# COOLING INFLATION AND SLOWING ECONOMY CAUSED THE US FEDERAL RESERVE TO CUT RATES THREE TIMES IN 2024



Source: LSEG Datastream

# AUSTRALIAN ECONOMY LAGGED OTHER COUNTRIES ON THE WAY UP, SO WILL LIKELY LAG ON THE WAY DOWN



Source: LSEG Datastream

# TAKEAWAY THOUGHTS

---

## Historical Echoes and Geopolitical Impact:

- The global impact of Trump's policies
- The evolution of China from imitation to innovation.
- EU's regulatory leadership
- Economic impacts of global conflicts

## AI Race and Technological Leadership:

- Similarities between AI vs Cold War Space Race,
- The strategic implications for global leadership and cybersecurity
- Tesla and BYD/Waymo in the EV sector

The best way to generate consistent returns over the long term is through a diversified portfolio

1. **US:** Will continue to innovate amid strong competition.
2. **China:** Has benefited from replication but will naturally become a direct competitor to the US.
3. **EU:** Must reduce reliance on the US, review its regulatory framework, and adopt a pro-growth stance.



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'The future belongs to those who prepare for it  
today.' - Malcolm X

# THANK YOU FOR LISTENING

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Please contact the team if there is anything you need...



**Chief Investment Officer Ventura**

**Daniel Stojanovski**

**Over 12 Years Industry experience**

Master of Finance

Bachelor of Commerce (Majoring in Economics and Business Law)



**Investment Analyst**

**Thomas McLeod**

First Class Honors in Economics BSc (Bachelor of Science)



**Investment Analyst**

**Callum Daly**

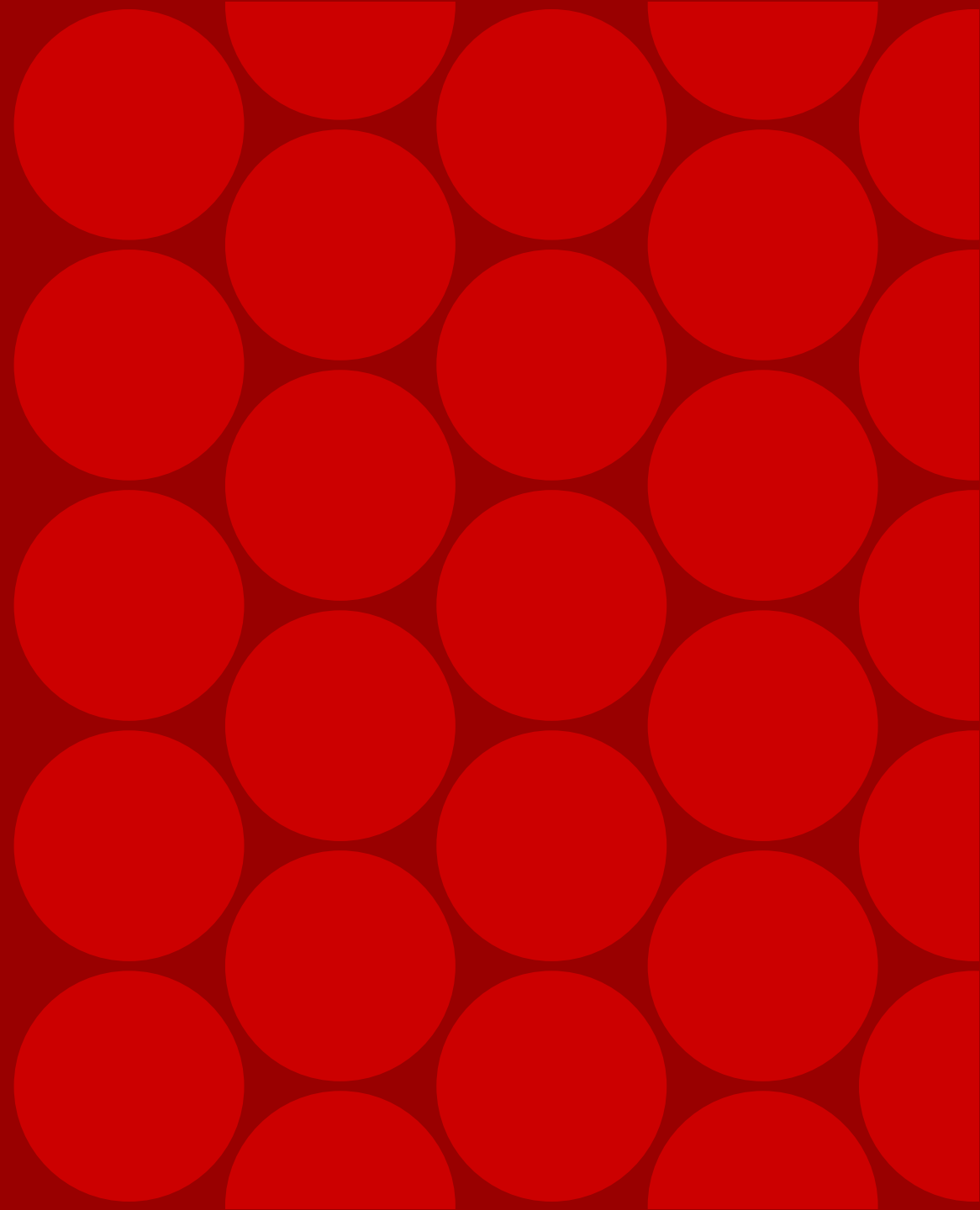
Bachelor of Economics (Majoring in Economics and Econometrics)



# Mind the gap – Where finance gets behavioural

Ross Cassidy, Investment Specialist

April 2025



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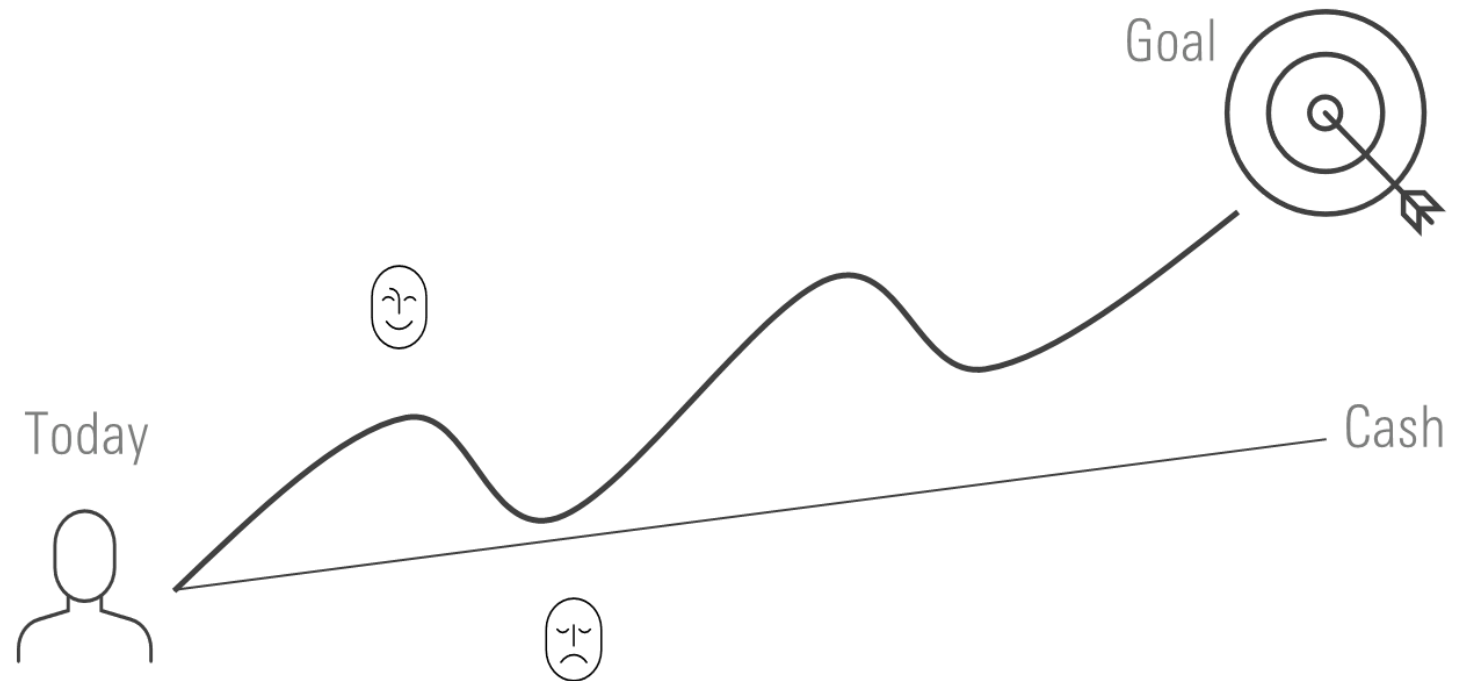
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# Investment is all about the investor

## To be successful clients must:

- Have clear goals
- Take on some risk to help achieve those goals
- Overcome the emotional challenges of the journey



The doyens of investing knew intuitively about the psychology of it...

**“The investor’s chief problem—and even his worst enemy—is likely to be himself.”**

Benjamin Graham (1894-1976)



## We all suffer from behavioural biases



Confirmation




Hindsight



Herd

...and there are many, many more.



**“Our minds tend to take shortcuts when making decisions, some of which lead us to the wrong conclusions and actions. These shortcuts may sound harmless, but they can have a drastic impact on our finances. To make things worse, today’s current market environment can further exacerbate our biases, making them even more dangerous.”**

Samantha Lamas, Senior Behavioural Researcher, Morningstar

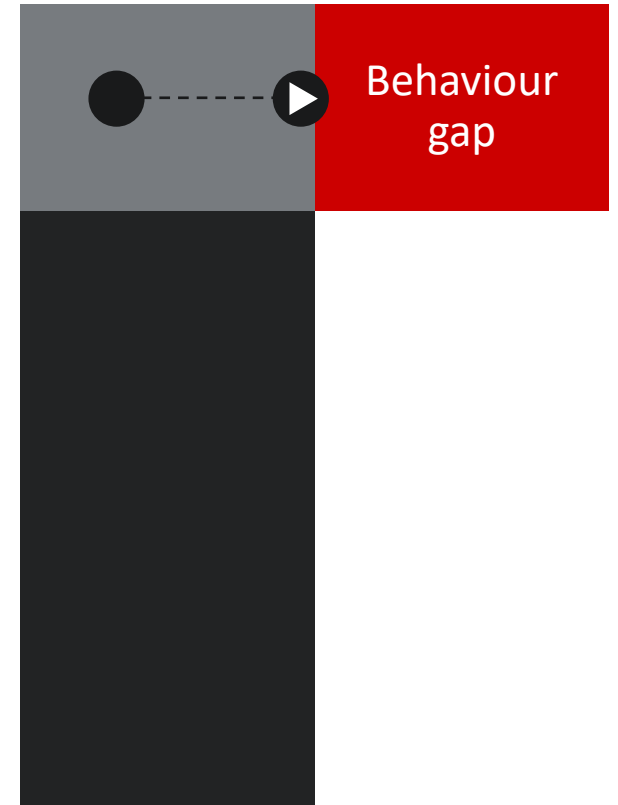


# The human element of investing

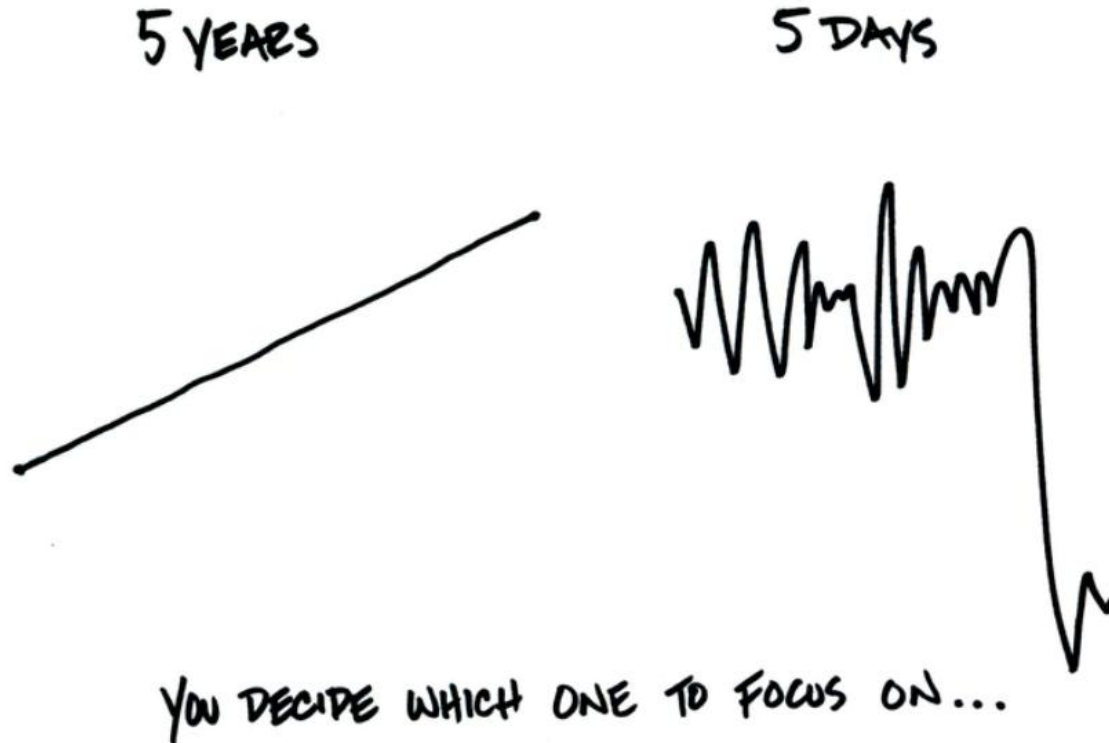
To **invest successfully** over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information.

What's needed is a **sound intellectual framework** for making decisions, and the ability to **keep emotions from corroding that framework**.

**Warren Buffett**

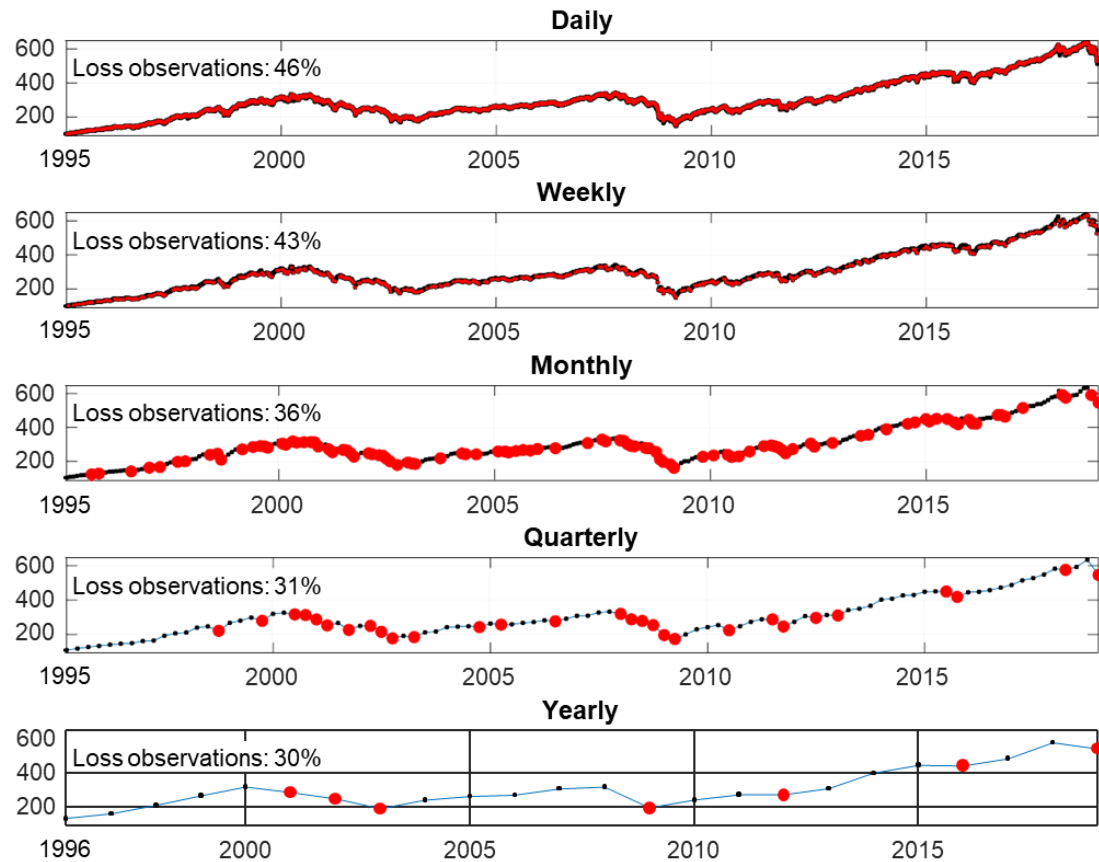


A key part of our strategy is to focus on long term rather than short term movements



BEHAVIOR | GAP

# Focus on the long-term...the tyranny of online access!



When investors see something bad happen, they may want to change direction, change advisors, change and go do something else... This is the biggest danger for financial health.

-Daniel Kahneman

# Responding to surprises



## Fight

- Investors try to take control and 'trade through' the turbulence
- Increasing reliance of short-term predictions of market sentiment



## Flight

- Investors sell their riskier holdings to reduce volatility in their portfolios
- Portfolios may benefit in the short-term, but goals are endangered as investors fail to re-invest



## Freeze

- Investors do nothing and try not to look at their portfolios
- Some enter analysis paralysis
- Can lead to a failure to make changes when they are required reducing future returns

# Mind the gap!

Morningstar research shows the challenge with buying and selling at the wrong time



## Mind the Gap 2024

Investors lost out on about 15% of the return their funds generated.

### Portfolio and Planning Research Aug. 15, 2024

**Contents**

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- 14 Results of Dollar-Cost Averaging
- 18 Conclusion and Lessons From the Study
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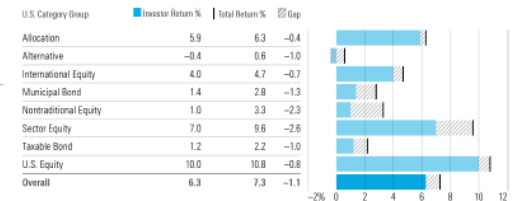
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**Corrections and Clarifications**  
Correction issued Aug. 19, 2024.

### Executive Summary

We estimate that the average dollar invested in US mutual funds and exchange-traded funds earned 6.3% per year over the 10 years ended Dec. 31, 2023. That is approximately 1.1% per year less than the average fund's total return over the same period assuming an initial lump-sum purchase. The 1.1% "gap" is explained by the timing of investors' purchases and sales of fund shares.

**Exhibit 1 Investor Return Gaps by US Category Group (10-Year Returns)**

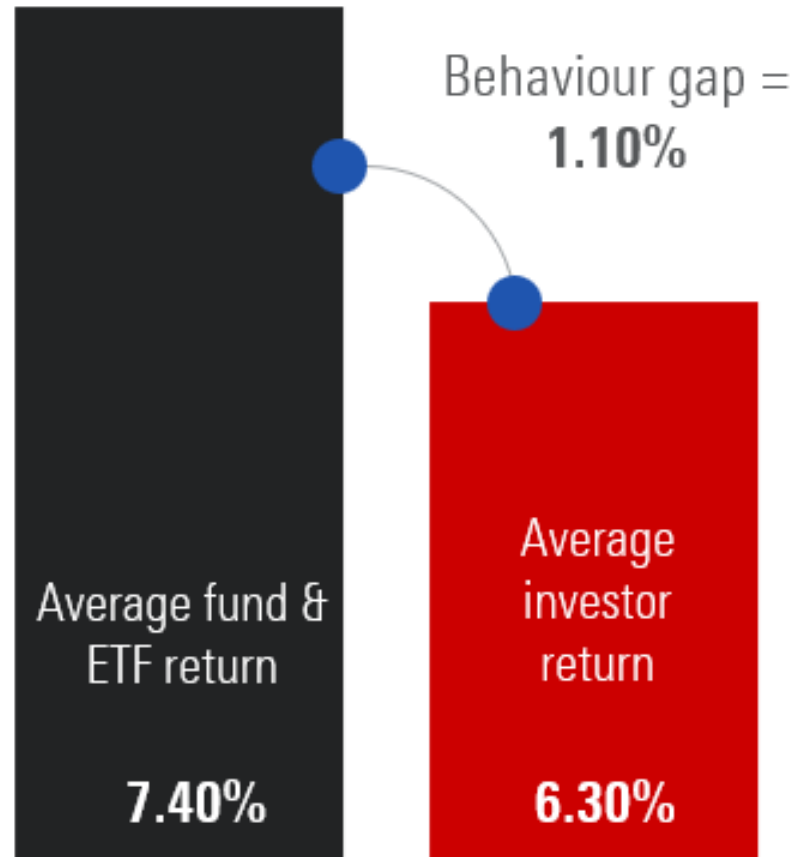


Source: Morningstar. Data as of Dec. 31, 2023. Excludes commodities category group. Gap numbers may not match differences in returns because of rounding.

The gap was persistent. We found shortfalls between the average dollar's return and the average buy-and-hold return in all 10 of the calendar years that comprised the 10-year study period. Investors particularly struggled to navigate 2020's turbulence, adding monies in late 2019 and early 2020, then withdrawing nearly half a trillion dollars as markets fell, only to miss a portion of the subsequent rally.

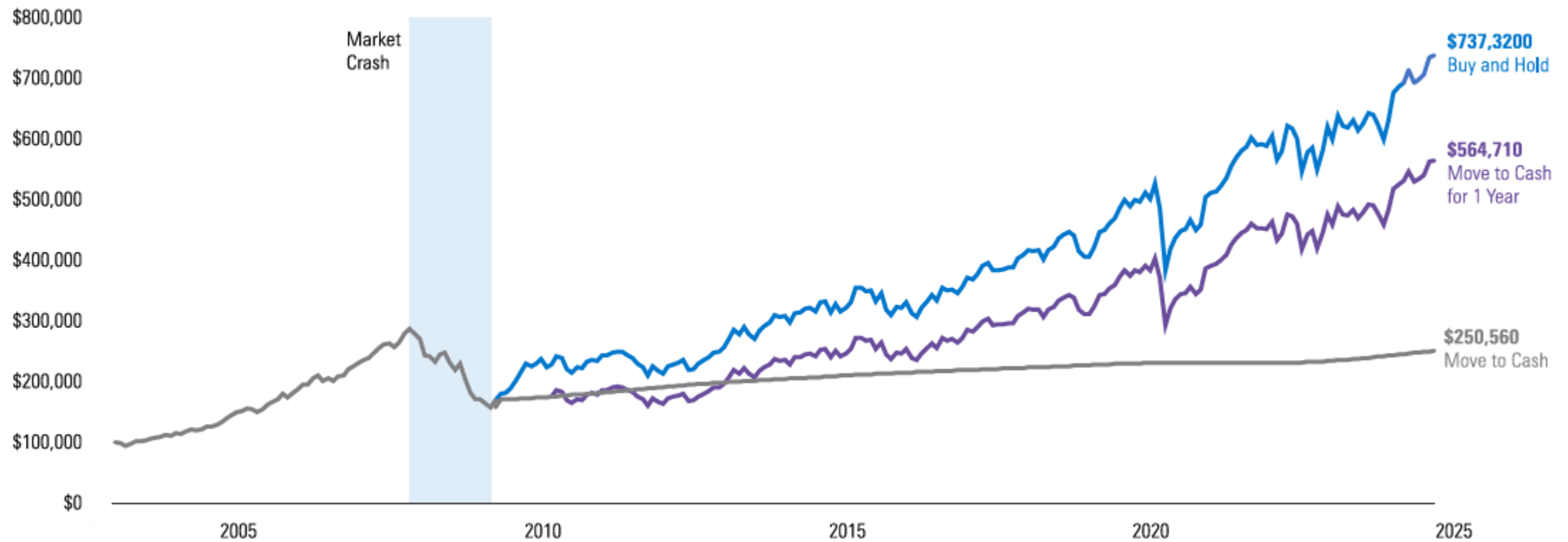
Drilling down, we found allocation funds, which diversify their assets widely across asset classes, boasted the narrowest gap (negative 0.4% gap per year). This is consistent with our prior findings, suggesting investors have had more success using simple funds that automate routine tasks like rebalancing. Conversely, sector equity funds had the widest gap (negative 2.6% gap annually), with at least some of that gap owing to the funds' higher volatility, which our research suggests can trip up investors.

# Evidence of the behaviour gap?



# The value of staying invested

Holding the MSCI ACWI vs Cash, Initial \$100,000 Investment, Total Returns



# Behavioural coaching is recognised by many as being crucial

	<b>Benefit of moving from the scenario described to Vanguard Advisor's Alpha methodology</b>
<b>Vanguard Advisor's Alpha strategy</b>	<b>Typical value added for client (basis points)</b>
Suitable asset allocation using broadly diversified funds/ETFs	> 0*
Cost-effective implementation (expense ratios)	30
Rebalancing	14
Behavioral coaching	0 to > 200
Asset location	0 to 60
Spending strategy (withdrawal order)	0 to 120
Total return versus income investing	> 0*
<i>Range of potential value added (basis points)</i>	Up to, or even exceed, 3% in net returns



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**What do you think clients  
value?**

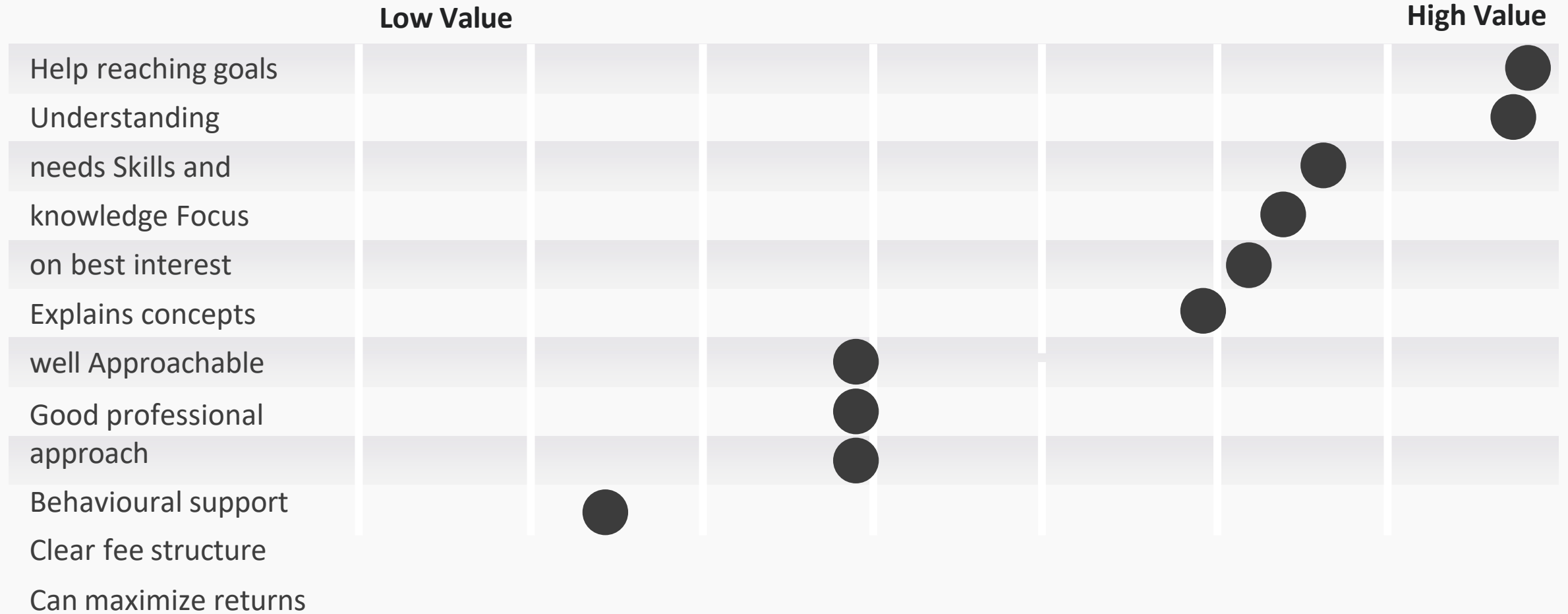


# Understanding what matters - What do your clients value?

	Low Value				High Value			
Help reaching goals								
Understanding								
needs Skills and								
knowledge Focus								
on best interest								
Explains concepts								
well Approachable								
Good professional								
approach								
Behavioural support								
Clear fee structure								
Can maximize returns								

# What end client's value

● Advisors Think

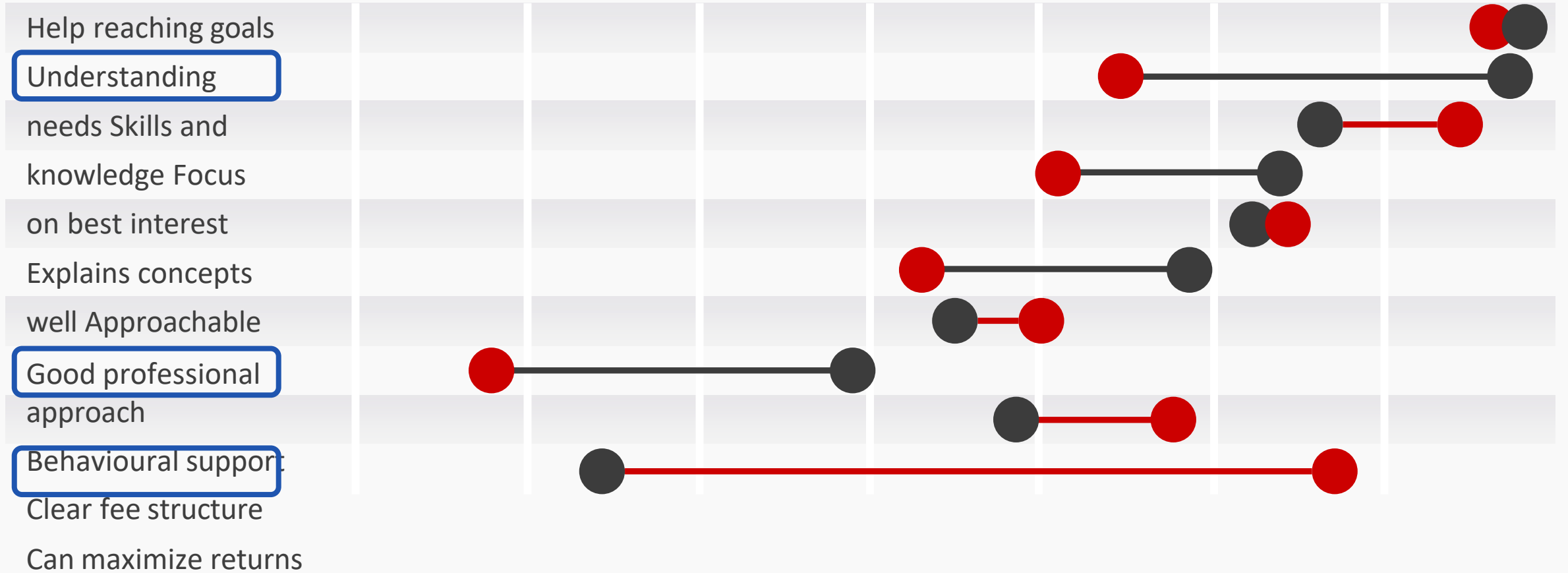


# What end client's value

● Advisors Think      ● Clients Say

Low Value

High Value



# Are you spending time on what matters to clients?

KEY: ⇅ Investors ⇅  
Advisers

## Least Aligned

- ⇅ Can Help Me Maximize My Returns
- ⇅ Helps Me Stay In Control of My Emotions
- ⇅ Understands Me and My Unique Needs

## Most Aligned

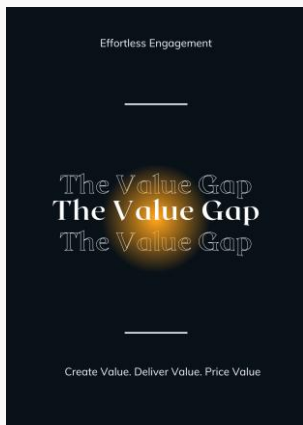
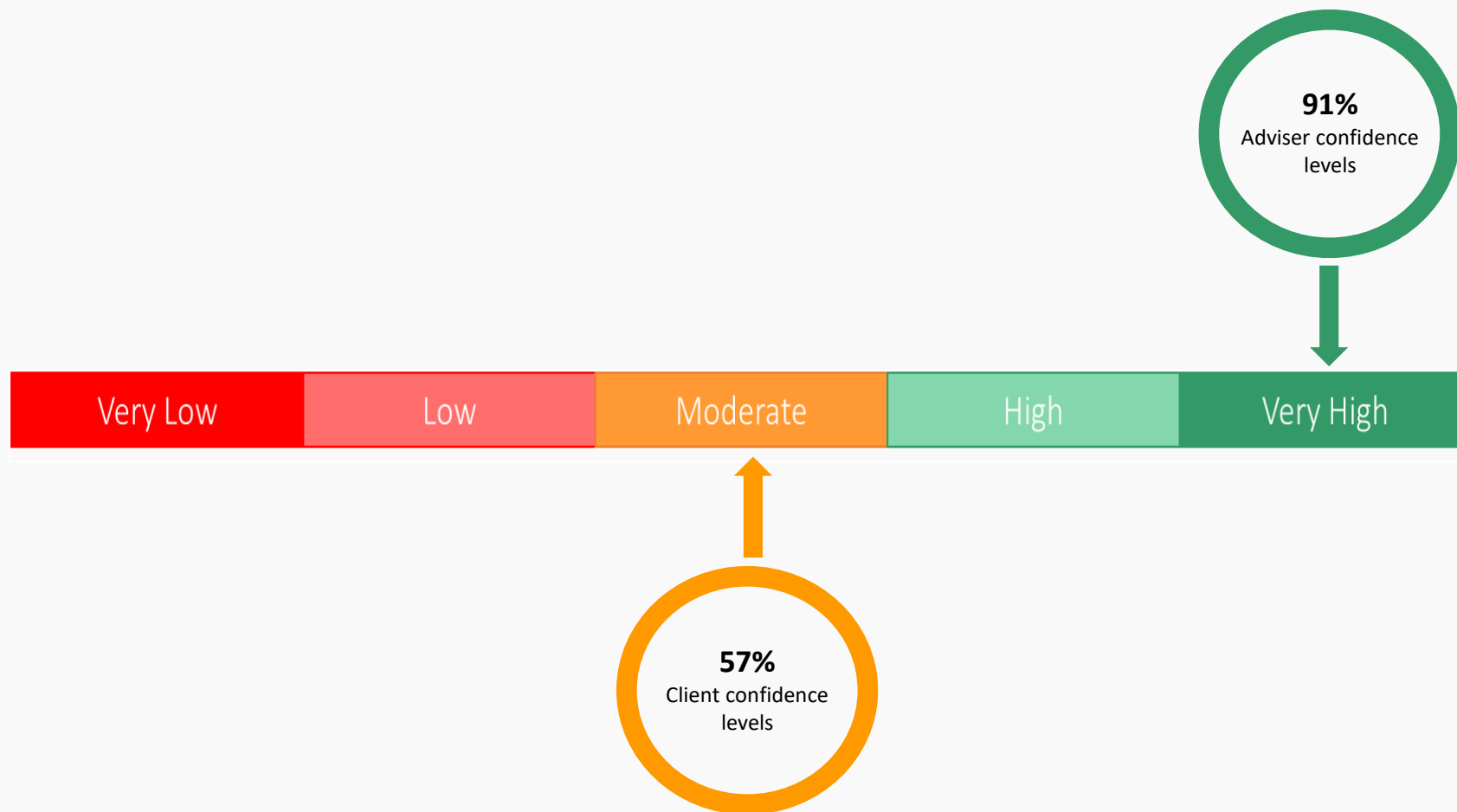
- ⇅⇅ Helps Me Reach My Financial Goals
- ⇅⇅ Communicates and Explains Financial Concepts Well
- ⇅⇅ Presents Themselves in a Professional Manner



# Delivery of - Value

## The Value Gap –

Confidence that clients are **On Track** to achieving their goals and objectives

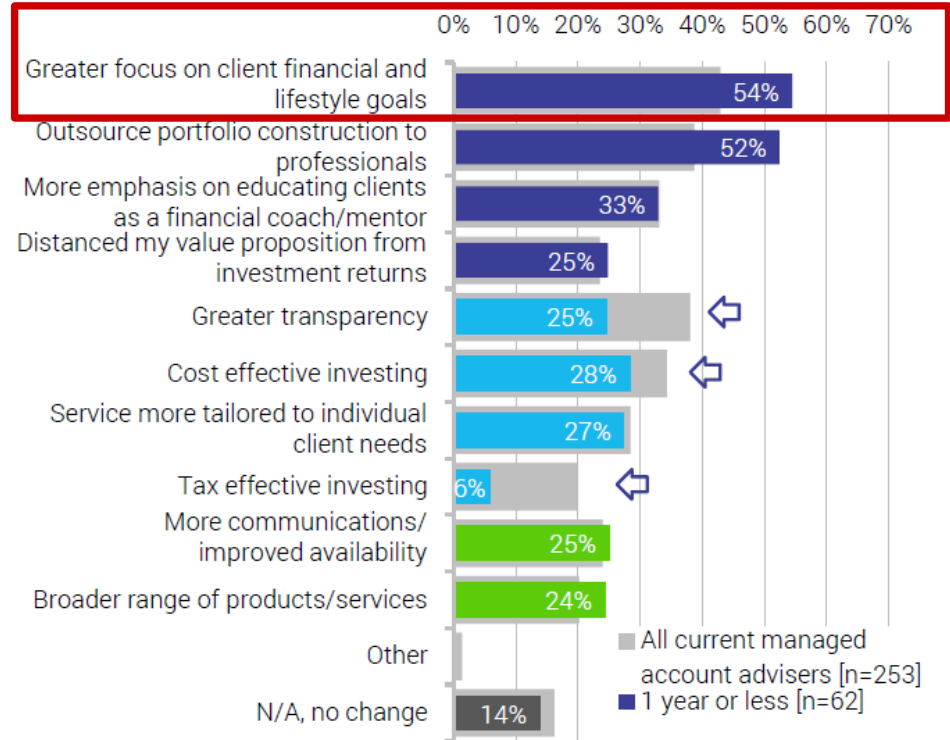


# Managed accounts seem to help

Q30 Average time saved (hours per week) on portfolio management related tasks. By Experience with managed accounts. Among current managed account advisers



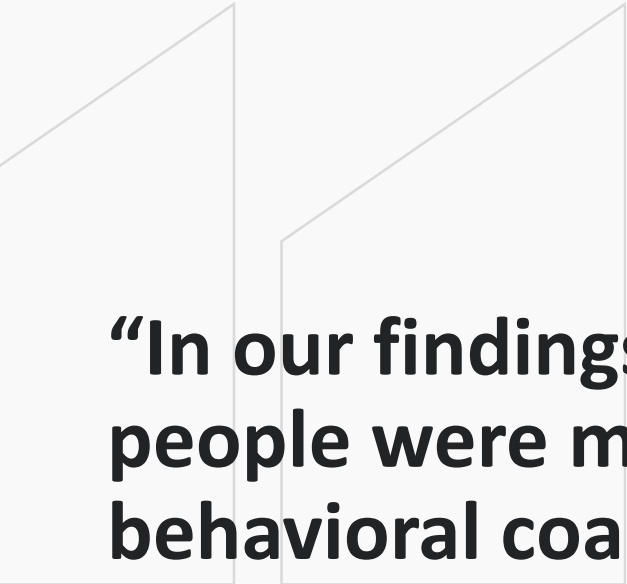
Q29 How has your client value proposition changed as a result of adopting managed accounts? By Experience with managed accounts. Among current managed account advisers





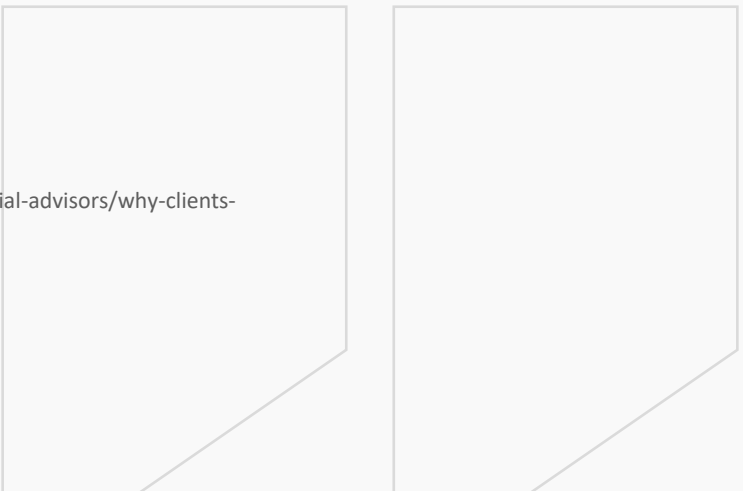
**Adviser, teacher, coach &  
counsellor**





**“In our findings, we saw some evidence that people were more responsive to the idea of behavioral coaching when they felt like it was the product of a collaboration between them and their advisor, instead of just their advisor leading them by the hand.”**

Danielle Labotka, Behavioural Researcher, Morningstar (<https://www.morningstar.com/financial-advisors/why-clients-may-say-they-dont-like-behavioral-coaching-when-they-really-do>)



# Financial advisers as behavioural coaches



Financial trainer



Financial teacher



Financial counselor

## Helping investors get safely to their goals



Or is this what happens?



## Your challenge as an adviser, teacher, coach and counsellor...



I wondered if the motto for our era should be - I tried to live, but I got distracted.

Johann Hari – *Stolen Focus*

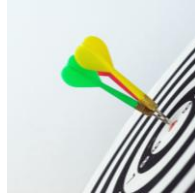
# Key takeaways



**Investment framework:** Document your investment philosophy, framework & governance.



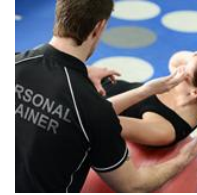
**Financial teacher:** Teach your clients about the psychology of investing. E.g. Discuss and have an action plan for volatile markets.



**Focus on goals:** Stay focused on the long-term and progress towards client goals. Managed accounts can help.



**Financial counsellor:** Hold your client's hand when markets are volatile. Be the rational sounding board.



**Financial trainer:** Set the plan, optimise the environment (e.g. automated savings plan) and keep clients accountable.





# THANK YOU TO OUR EDUCATION PARTNERS

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**THANK YOU FOR  
ATTENDING TODAY'S  
SESSIONS.**

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relevant content please provide  
your feedback by scanning QR  
code to take our 2-min survey.**

