GDA
Your Private Wealth Specialists

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INSIDE THIS ISSUE

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OPINION

CHAIRMAN'S VIEW

Coronavirus and its impact

At the time of writing Australia, in particular Victoria, is experiencing a major surge in Coronavirus cases and unfortunately an associated rise in deaths. It is worth remembering that while many families are going through hard times whether it be bereaving a family member, illness, financial or a combination, Australia to date is better placed than many other countries. At the time of writing Sweden, a country with a little over ten million people and which did not go into lockdown, has 82,972 cases and 5,766 deaths. While lockdowns slow the spread as soon as lockdowns are released there is a resurgence as is currently the case in Victoria and overseas.

What happens when lock downs and Government support is wound back

When support for businesses and employees starts to wind back, Australia and the world is going to see an avalanche of businesses closing for good. This will be accompanied by an increase in the unemployed and underemployed. The increase will come when, for the first time, unemployment in Australia has exceeded 1 million people and remember that most countries, including Australia, calculate the numbers in a way that lowers the real rate of unemployment. One flow on effect will likely see interest rates remain low for a number of years. Whether you view this as a positive or negative may be determined by whether or not you are a self-funded retiree.

The western lifestyle and freedom that we enjoy and the moves to change that

My personal view, from what I can see happening around the world and in Australia, is that the lifestyle we enjoy is under serious threat and not just as a result of the Coronavirus pandemic. The threat is driven by ideology, aided and abetted by poor and misleading reporting.

There is the Rule of Law or Rule by Law. Western Society typically operates under the Rule of Law where all people and parties are subject to the Law. Law by Rule applied by Communist countries and Dictators place the party above the Law and aims to control the populace through the Law. Consider some of the actions currently occurring in Australia.

Western Australia, after losing at arbitration and in anticipation of a meeting set in November to award damages which were likely to be between $3-5 billion, introduced and passed a Bill through parliament. Just after 11pm on Thursday August 13, a car headed down the hill from Parliament House to the Governor's residence. In the car was a public servant and a bundle of papers. Just half an hour earlier Parliament had passed this extraordinary, unprecendented Bill designed to kill off an action by Clive Palmer. Normally it takes behind the scenes bureaucracy about a week to proof, check and print a Bill to be sent to the Governor, in this case it took minutes, the legislation was "ticked" through on a bi-partisan basis. By 11.15pm Governor Kim Beazley, had signed the Bill. The Bill strips Palmer of his rights of appeal and laws of natural justice, while at the same time **granting the Government and its agents indemnity from criminal prosecution**. This will be appealed. If they are allowed to get away with this it sets a terrible precedent that could apply to anybody.

Victoria, under the Andrews Government, is the only state in Australia to sign a Memorandum of Understanding between the Government of the State of Victoria of Australia and the National Development and Reform Commission of the Peoples Republic of China on cooperation within the framework of the Silk Road Economic Belt and the 21st Maritime Silk Road Initiative. If you have a good look at Victoria, the lack of disclosure and consistent efforts to obscure events is very consistent.

Queensland Government headed by Annastacia Palaszczuk, as reported in The Australian 14/8/2020, has withdrawn gag laws designed to prevent journalists reporting on corruption charges against candidates in the upcoming election. Journalists would have faced fines of up to $6,000 or 6 months in jail. Interestingly, it was withdrawn less than 24 hours after it was introduced to Parliament. The point is not that it was withdrawn but that the attempt was made to introduce it.

Accounting Standards and Auditing

There is little doubt that the system on both accounting standard and auditing can fail investors. It never fails to make me smile when a company, following a change in accounting standard, announces a huge write down and either a loss or a heavy reduction in profit. It begs the question, how real was the profit?

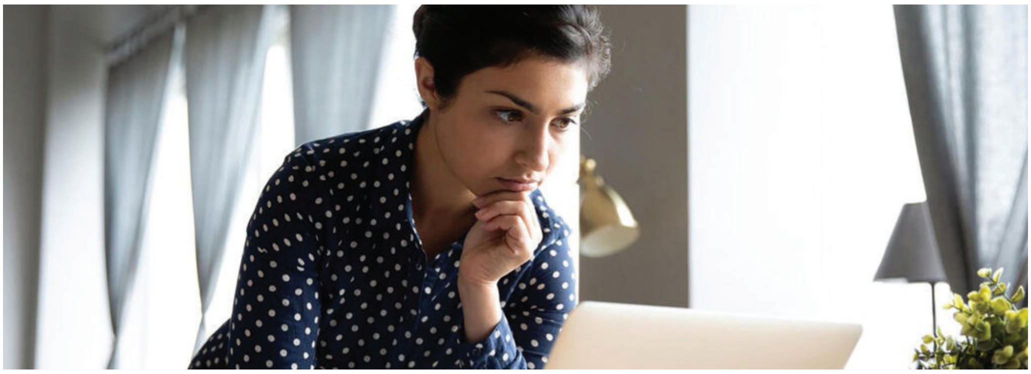
Then you have auditing. Wirecard was listed on Germany's prestigious DAX Stock market and valued at €24 billion filed for insolvency at the end of June 2020. This was a company that had many years of "satisfactory" audits, but failed when it was discovered that $2 billion in cash had disappeared. Subsequently, the CEO has admitted it never existed. Wirecard had been widely regarded as a pioneer and innovator in the digital payments industry, displacing the big banks. It had been valued at 80 times earnings on "investors" faith in the broader fintech story. At one point its market capitalisation was bigger than that of Deutsche Bank.

This type of thing has happened over and over in every county in the world. In my view it will continue to happen, if it looks to good to be true it probably is. Some companies never make a profit, brokers sell "BLUE SKY", keep on raising capital from new investors until the storm clouds come and everybody except the key players lose their money.

Quite frankly it is a sad state of affairs, it is also the reason why we at GDA spend so much time, money and effort when putting our client's portfolios together. It is also the reason GDA is committed to continuously strengthening our research process.

John Fairlie, Chairman

Early access not so super for women



The COVID-19 crisis has seen many Australians taking steps to stay afloat with their finances. With women more likely than men to withdraw super to make up the shortfall in their income, what does this mean for their long term financial wellbeing? This article explores the reasons why a super withdrawal at this time could leave women financially vulnerable.

The Australian Government's early access to superannuation scheme has seen 1.63m Australians[1] raid their retirement savings to cushion the financial blow of the COVID-19 economic fallout. The scheme, which allows a withdrawal of up to $20,000 over two financial years from April to September 2020, has recorded an average draw down of $7,476 per person[2] in the first tranche. According to analysis from AMP, 21 per cent of women have already withdrawn their super balances, compared with 17 per cent of men[3].

A recent report released by the Australian Prudential Regulation Authority (APRA)[4] reveals the top four superannuation funds with the highest number of withdrawal applications were Australian Super, Hostplus, Sunsuper and the Retail Employees Super. These funds represent the highest proportion of members that work in hospitality, tourism, recreation, sport and retail, and paints a bleak picture of the industries most affected. Given that women represent more than 55 per cent of employees[5] in these sectors, a withdrawal of $20,000 could seriously undermine future financial security for women taking up the scheme.

Here are 5 reasons why:

1. Mind the gap

Recent figures from the Australian Bureau of Statistics (ABS)[6], found the average superannuation balance for women aged 25 to 34 was $33,200, aged 35 to 44 is $69,300, and aged 45 to 54 estimated at $129,100. A withdrawal of $20,000 could potentially mean a reduction from $33,200 to $13,200, which is a 60% reduction in her superannuation balance. Given that women retire with an average of 40 per cent less superannuation[7] then men, this withdrawal leaves a sinkhole in her retirement savings and further widens the gap.

Industry Super Australia (ISA) calculated that the financial gap from now to retirement equated to $120,000 for a 25-year-old woman who accessed $20,000 of her super, while a 30-year-old would stand to lose out on $100,000, and a 40-year old $63,000. When compared to the average balance of a 65 year-old female's superannuation at $245,100, you realise the extent of the damage.

2. Playing catch up

You may be thinking, 'I'll play catch up and make up the amount down the track'. We recognize that for some, covering the rent or loan repayments now takes priority over their future retirement. However, to recoup the equivalent of $10,000 back into superannuation requires an annual salary of $123,839 paying 9.5 per cent per annum in superannuation guarantee contributions. According to the ABS, the average weekly earnings for a female is $1,508.50 (or $78,442 per annum), which falls short of the six figure income required to replenish the shortfall.

3. Broken working patterns

Perhaps the thought of working extra hours has crossed your mind. Here is a sobering thought. A report from the Association of Superannuation Funds of Australia (ASFA) on Women's Economic Security in Retirement found that women are more likely than men to be working longer in a part-time capacity. This figure rises to 61% for women who care for family, stay-at-home mums, take a career break to study or are unable to find suitable full-time employment. The report goes on to say that the broken working patterns adversely affect a woman's security in retirement.

4. Locking in losses

Chances are, your super is invested in a 'balanced' option. The average balanced portfolio has lost 10-12 per cent in the last month, underpinned by sharp falls in equity markets. A withdrawal now could potentially mean that you are withdrawing an amount of $20,000 that would otherwise be valued at $22,727, crystalizing a loss of $2,727, that should have been working for you within your superannuation.

5. Loss of insurance cover

A sizeable withdrawal of $20,000 from your super, combined with regular fund fees and insurance premiums, added to a break in working patterns, could push your account balance below $6,000, leaving you vulnerable to automatic cancellation of insurances within super. According to a report by Lifewise, with 95 per cent of Australians underinsured, you'd want to be sure to hang on to this valuable safety net.

Understandably for some, there may be no other option to keep the household finances afloat during these times, however, it should be considered as the very last resort.

Speaking with your GDA financial planner can help you explore your other options for your finances before making a withdrawal through the scheme.

Fran Hughes CFP®, Head of Financial Solutions at Nexia Perth

[1] APRA COVID-19 Early Release Scheme Issue 5, 1 June 2020

[2] APRA COVID-19 Early Release Scheme Issue 5, 1 June 2020

[3] Financial Standard, Super release widens gender gap: AMP, Ally Selby, 29 May 2020

[4] Source: covid-19 early release scheme, 11 May 2020, Australian Prudential Regulation Authority.

[5] Australian Bureau of Statistics, 6291.0.55.003 Labour force, detailed, quarterly, Feb 2019

[6] Source: Household Income and Wealth Australia, 2017-2018, Australian Bureau of Statistics.

[7] Workplace Gender Equality Agency, Women's economic security in retirement insight paper, February 2020

Why wellbeing isn't just for the well-off

Are you guilty of putting your health and wellbeing last? Whether it's for financial or family reasons, you could be costing yourself more than you think.

Whether it's down to a lack of time or money, we're all guilty of neglecting our own health from time to time. This can be especially true during challenging times, like we're experiencing with the COVID-19 pandemic.

But scrimping on your mental and physical health to save a few dollars is a false economy. Not only does poor health affect those around you, it has serious financial costs of its own.

Poor health has been linked with lower earnings and savings; and higher out-of-pocket medical expenses. Research in the US showed that those in poor health earnt one-third less over their lifetimes than those in good health. They were also able to save and invest less, meaning that by the age of 65, the gap had blown out to $150,000. That's a hefty price to pay for poor health.

On the flip side, numerous studies have shown the benefits that physical exercise, eating well and getting enough sleep can have on your lifestyle – and life expectancy.

The good news is, taking care of your mental and physical health doesn't need to cost you the world. Here are five easy ways to improve your quality of life, without draining your wallet.

1. Eating healthily on a budget

If you have a hectic work and home life, ready-meals can sometimes feel like the easiest option. But buying pre-made and processed foods will never be as affordable as fresh food over time.

For example, according to Dieticians Australia's guide, one serve of fresh potatoes costs around 50 cents, while frozen chips are 70 cents and hot cooked chips are $3.75!

So stock your pantry with a few key essentials like flour, pasta, rice, legumes and potatoes and you'll be able to cook a range of nutritious low-cost meals for your family. Try to purchase in bulk and on special to amplify the savings. Meal planning and prepping are also a lifesaver when it comes to eating healthy on a budget.

For more budget friendly recipe ideas and practical tips check out this guide.

2. Exercise for free

Getting regular exercise is essential for your health. Luckily, there's an endless variety of free workout videos on YouTube. Here are a few to try:

Yoga with Adrienne – Down to earth yoga instructor offering free yoga videos for all levels.

Kayla Itsines – In addition to her BBG workouts in the SWEAT app, homegrown success story Kayla Itsines has a range of how-to videos and workouts on her YouTube channel.

Les Mills – The Les Mills channel serves up their signature variety of intense cardio workouts, all set to the latest hit music.

Blogilates – One for pilates fans! Fitness instructor Cassey Ho has been pumping out her unique style of POP Pilates and sculpting workouts for over 10-years.

Exercising outdoors is another free option with boundless health benefits. Try to get outside for a walk or run at least once or twice a week. Why not join a local walking or running groups and make it a social activity? Use the Heart Foundation's Walking website to find a group near you.

3. Explore health apps

There are loads of health apps available nowadays and most are free or low-cost. Here are some of our favourites:

- Fitness: For a huge range of audio-based workouts try Aaptiv. Or for workouts and meal plans give 8fit a go.
- Calorie tracker: MyFitnessPal has an extensive food list, is simple to use and links with several other apps.
- Running and cycling: Nike Run Club offers GPS run tracking, audio guided runs, customised goals and challenges. Strava is another popular running and cycling app with advanced GPS features, data analysis and it syncs with most devices.
- Meditation: Calm is a top-rated app offering guided meditations, sleep stories, breathing programs, stretching exercises and relaxing music. Or you could try Headspace, which teaches you the skills of mindfulness and meditation.
- Inspiration: Stay motivated with the Motivation: Daily quotes
- Sleep tracking: SleepScore offers a non-contact sleep tracker, with sleep sounds, smart alarm, sleep cycle analysis and more.
- For fun: Use Meetup to find a local event or group that shares your interests.

4. Use support groups and online resources.

There's no doubt we can all use a little extra support from time to time and fortunately, nowadays, it doesn't need to cost the earth.

You can find a local face-to-face support groups, or if you prefer, there's a wide range of resources, groups and tools online.

The myCompass tool from the Black Dog Institute is a good place to start if you like to work at your own pace. It's a free online self-help program for people with mild to moderate depression, anxiety and stress. It's also suitable for anyone looking to build good mental health.

Beyond Blue is another organisation offering a range of free online support services and information. You can chat with others in your situation through an online forum, or find a range of free national helplines and websites.

Apps like Turn2Me and 7 Cups also offer online support groups and low-cost counselling.

5. Get more from your health insurance

With the right health insurance, you could actually save money. Health insurance helps offset the cost of common medical services like dental, optical and physio. So choose wisely and you could enjoy a range of health benefits. Depending on your income, private health insurance can save you money at tax time, by helping you avoid paying the Medicare levy surcharge.

Definitely shop around and compare policies to find the right level of cover for you and your family.

With so many free and low-cost options available, there's really no excuse to scrimp on your health and wellbeing! So put your health first for once and enjoy the rewards.

MARKET REVIEW

INVESTMENT OUTLOOK REPORT
JULY 2020

Overview

Reconciling the market disconnect

No changes were made to the existing dynamic asset allocation settings. The output from our asset allocation model has not changed materially since our previous meeting. We continue to hold a relatively neutral position to risk assets.

Some notable changes, however, include the reduction in valuation opportunities within equities, given that share markets, most notably in the US, have recovered since their trough in March. Our valuation model indicates that most asset classes are trading at fair value, with the exception of government bonds, which continue to look expensive, and A-REITs, which look attractive on a relative basis.

Liquidity and policy remain favourable as central banks and governments continue to prop up economies via monetary and fiscal easing measures. Cyclical indicators remain weak, with most economic indicators such as unemployment figures and PMIs showing weakness, although some data coming out for June has been better than expected. Finally, risk indicators such as the VIX and MOVE indices appear to have stabilised. Indeed, the MOVE index, which measures implied volatility within bond markets, has returned to pre COVID-19 levels.

While markets have shown strength, risks remain. The extent to which there is a disconnect between share markets and what is happening on the ground remains a focal point. Geopolitical risks, while ever present, continue to impact market volatility. Tensions between the US and China are elevated, and the outcome of the US presidential election in November remains uncertain.

Finally, the rise in the number of COVID-19 cases globally continues to create uncertainty as to the shape of any recovery. An important factor in the coming months will be the extent to which governments continue with fiscal measures to support the economy.

Since the 23 March 2020, to the surprise of many experts, the equity market has sharply rebounded, while recent macro data and a number of companies withdrawing profit guidance paints a grim picture of the economic damage mixed with heightened uncertainty.

During this period, the divergence between the share market's strong rally and our day-to-day reality appeared disconnected. Savvy market participants and 'robin hood' punters are looking through the short-term noise of dire predictions and are instead seeing a better environment ahead, i.e. a sharp recovery anchored by significant fiscal and monetary support.

Economic Analysis

The pandemic has exacerbated and accelerated structural shifts that have been underway in Australian property over the past few years, with different ramifications for each sector. The Retail sector is experiencing an annus horribilis. Consumer sentiment was weak given the devastating summer bushfire season and the structural shift towards online retail. The COVID-19 pandemic may be the straw that breaks the camel's back for retailers that cannot sustain large physical store networks.

In response to the fall in income from retail properties in particular, the government responded with the National Cabinet Mandatory Code of Conduct for dealing with SME commercial leases, which sought to balance the interests of tenants and landlords in a proportionate manner.

Shopping mall and retail strip landlords have been most affected, with more grocery anchored centres the best placed. Grocery and hardware sales actually increased as consumers stocked up on staples and other household items during the lockdowns.

The Logistics/Industrial sector has been relatively resilient to the downturn. This is attributed to the sector continuing to benefit from the expansion in online commerce, both from the demand for 'last-mile' sites and the provision of logistics facilities and services to supply goods. Tenants continue to face a very limited supply of welllocated warehouses, logistics and distribution centres with good transportation links and population proximity. Despite the COVID-19 uncertainty, asset valuations in this sector have remained firm.

Going into the crisis, Office sector vacancies were at or near record lows in the Sydney (4.0%) and Melbourne (3.4%) CBDs, with solid rental growth and falling incentives. However, the lockdowns saw a shift to working from home arrangements, and while some states have lifted restrictions, this may result in tenants reevaluating office space needs. While this conceivably reduces the office area required by business, social distancing and spacing restrictions may have a countervailing effect.

The Residential sector has received significant government support from the JobKeeper and JobSeeker programs, the launch of the $25,000 Homebuilder program, and other incentives by various state governments. Further easing of lending criteria by APRA in addition to loan repayment deferrals by the major banks has lent further support.

All of this has helped to prevent a home loan default cascade of fire sales. With Australia's borders currently shut, migration numbers for CY2020 are expected to fall significantly relative to previous years, and with unemployment high (albeit induced by the COVID-19 pandemic), the outlook for new residential property sales is likely to be subdued.

The Australian economy experienced mildly contracted economic growth of-0.3% in the March quarter of this year. Given the full impact of coronavirus-related shutdowns during the early part of the June quarter, this makes it almost certain that the Australian economy experienced its first recession in 29 years. The last time Australia recorded two negative consecutive quarters of GDP was March and June 1991. The decline in Australian economic growth in the first half of 2020 is now expected to be relatively mild, at least compared to many other countries. Yet it was feared just three months ago that projections were for the worst Australian economic downturn since the 1930s.

Australia's relatively successful containment of the COVID-19 virus has resulted in health outcomes overall tracking better than initially estimated. This has allowed an earlier-than-expected easing in lockdown conditions, although some states are faring better than others. Combined with federal and state government packages, which are providing significant support to business and household income, the economy is now expected to perform better for the remainder of this year than previously anticipated.

Since the COVID-19 outbreak was first diagnosed, it has spread to over 210 countries and estimates so far indicate the virus could trim global economic growth by between 3.0% to 6.0% in 2020, with a partial recovery in 2021. This assumes there is not a second wave of infections. In anticipation of a pandemic peak, several countries and various US states eased restrictions from early May. However, a few countries and some US states reversed course late June to reimpose social distancing guidelines and close down businesses that had begun opening as a result of a rise in new confirmed cases.

Globally, there was a swift and unprecedented public response to the epidemic, with central banks engaging in ongoing interventions in financial markets and national, state and local governments announcing fiscal policy initiatives to support their economies. However, the public epidemic responses have at times been overshadowed by a range of geopolitical issues: tensions between the US and China over trade issues, the political situation in Hong Kong, the India and China border dispute, the Brexit impasse, periodic military flare-ups in the Middle East, and the upcoming US presidential elections.

SOURCE: Extract from Lonsec Investment Outlook Report July 2020