Winter 2022

GDA
Private Wealth Specialists

Newsletter

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Opinion

Chairman's View

If you are reading this please note these are my views, not everyone at GDA would agree with them and you might not either, but I know from experience when speaking in public areas both here and on the mainland and from feedback from some of our own clients that many people do agree and often the comment is along the lines of "we agree with you but nobody is prepared to stand up and say it". It is my view that "policy" is often being hijacked by vested interests and the minorities, to the exclusion of looking after the majority's interests.

If I look at education in Australia, why in a first world country, is illiteracy a problem? In July 2021, a Parliamentary Committee was told that approximately 50% of Tasmanian adults were functionally illiterate. How can this be?

Some twenty years ago when my children were at college, parents were called into the auditorium one evening, this was so we could be enlightened on the wonderful new education system that was going to benefit our children.

There were several hundred people in attendance and we all dutifully listened to the experts, as an aside a description of an expert which I quite often think is apt, is "a drip under pressure." I am not particularly keen on public speaking but after listening to what was said, I put my hand up, stood up and told them what I thought, and it was along these lines ... "You are introducing a system which does not recognise students who really make the effort to achieve, removes the incentive to put in greater effort and effectively rewards those who do not try." Virtually all the parents stood up and applauded, the system was introduced, my comments made zero difference!

When we employ staff we put them through a range of tests, these days it is exhaustive, but at one point in the past we employed a number of year 12 students for a particular task. We gave them a simple test, which included three easy math questions, e.g.: the goods came to $18.95, the customer gave you a $50 note, how much change should they get? We gave them a pen and paper, they did not have to do it in their head, you may be interested to know that three out of twenty could provide the answer. All made the same fundamental error, they all started from the wrong end of the equation, which meant they were a dollar out. Nobody is going broke over a dollar, but if they start from the wrong end on a $1M or $100M transaction there is a real issue, and the problem is they did not have an inherent feeling for what the right number should be.

Which takes me to an interesting discussion a couple of years ago, which of all places happened at a wedding reception where I just happened to be talking to a Victorian high school principal and a high school teacher. I asked the question - if you gave your year 12 students the same questions how many out of twenty do you think could do it. The principal's answer was two or three could do it. My response was that maths underpins life, science, medicine, climate change modelling and on it goes, so what do you actually teach them.

The principal's answer was beautifully delivered, all the while with the hands describing circles in the air, "we teach them how the world is a wonderful place, how the world will look after them and Australia." My response, "are you also teaching them the tooth fairy is real, because you might as well be." You can imagine how well that was received. If you want just one of any number of examples of how the rest of the world will look after us, consider the effect of just of one of the heavy tariffs imposed by China. As reported in The Financial review on the 26 July 2022 wine sales slumped from $1.1Billion to $25M in two years. Penfolds will start making wine in China, what impact do you think that might have going forward. All this at a time when we are importing ever increasing quantities of goods from China. Personally, I think the Chinese can count.

Best Interests or NOT

If you are a curious person, you might just wonder what Australia has in common with certain financial centres of the world, in particular Haiti, Madagascar, China, and the US. Neal Jeans, principal of anti-money laundering consultant Initialism, told the Senate inquiry that out of 195 Nations those are the only five countries that have not acted to apply anti-money laundering rules to lawyers, accountants, real estate agents, trusts, and company providers, and they still don't. China and the US have started the process to include those professional service firms under the laws, but not Australia. FATF, which is the global anti money laundering and terrorist-financing body, noted this in 2015 and Australia was one of the founding members.

Dirty money flows into Australia from all over the world and certainly plays a role in pushing real estate prices up.

Some of you may know that Africa is a real passion of mine and that I have been there many times. When they get a change of government at whatever level, they have an expression "it is our time to eat," by that they mean line their pockets at the expense of everyone else.

It happens here in Australia and the way we are going, it would be my view that unless there is a major change it is only going to get worse. It is not party specific, it is simply the nature of the beast.

Failing to act in the best interest of Australians

As reported in the Australian on 27th July 2022 "Getting Gas Rich Victoria to import costly LNG is ludicrous".

Robert Gottliebsen obtained access to potentially nation-changing documents. Exxon estimates Victoria has massive low cost, onshore, likely carbon neutral gas reserves that do not require fracking. They are near the Longford, Gippsland treatment plant and the East Coast Pipeline network. The best-case Exxon estimate is reserves total 4.996 trillion cubic feet (TCF) or some 60% of the last 50 years of Bass Straight production. There is a high estimate of 12.6234 TCF that makes it second only to the Northwest Shelf. The "secret" report was prepared in 2014 by Gippsland Gas (then Chaired by John White who was chief executive of Exxon). At the time they did not value the gas.

The report was disclosed to Denis Napthine, Liberal Premier before the 2014 Victorian election. He kept a lid on it, worried about the Green votes. Then came Dan Andrews, Labour Premier. Again, the concern for the green votes, Andrews banned further exploration and gas in Victoria. To "conceal" its existence, he spent large sums of, you guessed it, public money on an expert committee commissioned to show whether there was any likelihood of discovering onshore gas in Victoria. The committee was forbidden to look at the area covering the massive Exxon discovery and dutifully reported there was unlikely to be onshore gas in Victoria. This is the same government that is running huge deficits and low power supply.

Wokeness

On the 5th of August Claire Lehmann authored an article in the Australian Newspaper where she suggested Jim Chalmers could reduce excess spending within the federal budget by slashing the amount of public money that is spent on woke jobs.

As of this week, there are more than 17,000 jobs listed for diversity and inclusion officers on the job-listing website Seek. Many of these jobs are with government departments or statutory authorities, and many of them offer more than six figures in annual compensation – more than what our registered nurses and entry-level teachers can expect to be paid. The federal government could set an example by slashing woke jobs from the federal public service, encouraging state and local governments to do the same. There is an overseas precedent the Treasurer could follow.

Liz Truss, who is campaigning to become the next leader of Britain's Conservative Party (and next British prime minister) has pledged to slash about 350 woke jobs from the civil service. Arguing that such a move would save around £12m ($20.9m) a year, she has declared that woke jobs "distract from delivering on the British people's priorities". I suspect you could argue that you could comfortably add a zero or two to the 350 for example 3,500 or 35,000. Echoing her sentiments on Sky News, British Conservative MP Jacob Rees-Mogg argued that civil service diversity roles were a job creation scheme "created by the woke for the woke."

It is not surprising that conservatives such as Rees-Mogg and Truss are unsympathetic towards woke jobs because of their ideological dimension.

Managerial roles such as human resources managers, diversity officers, sustainability consultants, social media managers, communications officers, sensitivity readers and, more recently, gender affirmation advisers enable an entire class of university graduates to proselytise their values while working in roles that are largely insulated from market forces.

These are the jobs of the "Brahmin left," the ascendant class of university graduates who view themselves as a priestly class holding sacred knowledge inaccessible to the masses. While the conservative antipathy to woke jobs is to be expected, the Labour Party has another reason to oppose woke jobs: they create and entrench unfairness. Ask yourself a question, if both major parties, who combined, represent much of the population, how did we end up in our current position.

The majority of "woke" positions are public service positions at Federal, State and Local Government level. When you create positions that have one agenda, the problem then is, at what level is a fair and reasonable position achieved. The answer is never because the day they stop they abolish a need for their position.

For some time, I have been considering starting a blog or authoring a book. Hardly a day goes by that I do not see something done or proposed to be done that is designed to serve vested interests, and that is from information that is publicly available, as opposed to where the details of the parties involved are hidden through the application of the ever popular "commercial in confidence" rule.

I make these comments knowing that my life or lifestyle is not going to change, but actions being taken have the potential to affect my children and my grandchildren and I am coming to the view that it is too important to ignore.

In the end it is always the same question - who stands to benefit?

GDA Diversified Property Trust (GDADPT)

GDA has built and run property trusts for close on 30 years. SQM, a major research house looks at Managed Funds across all sectors: Fixed Interest, Australian and International Equities and Property, and recognises the top funds in each sector. While performance is a vital component, they also take into account factors such as investment policies, procedures, compliance etc. We have been advised that out of all the property funds in Australia, and there are many, GDADPT has made the final four this year. We will know where we finish on the 20th of September. Regardless of where we finish, what pleases us is that our clients have benefited from the results achieved. An outline of the fund is included in this newsletter.

John Fairlie - *Chairman, GDA Group*

Giving Back

GDA in the Community

GDA were pleased to be a sponsor at this years Rotary Tasmania District Conference on 10 June.

One of the tangible outcomes set by the Rotarians was to create 100 care packs that could be given to the homeless. These care packs included items such as a sleeping bag, blanket, beanie, warm socks, gloves and toiletries.

Homelessness is no more evident than what many of us see on our way to the office. Sadly, we continually see people sleeping rough in Liverpool St each morning.

It was a simple decision to support such a worthy cause with a very tangible outcome. The care packs were provided to the Salvation Army and were being distributed within the week and at a time of great need.

Michael Driessen SSA® CFP® – *Director and Senior Financial Planner*

10 Tax Time Tips

1. Make sure you check and report COVID-19 support payments and natural disaster payments where they are taxable

2. Ensure you are eligible for claims on COVID-19 tests – not all employees are!

3. The Working From Home short cut tax claim (hourly rate) is ALL INCLUSIVE – don't claim other expenses for working from home if you choose this method

4. To claim a deduction you must be able to substantiate it with receipts/logbooks/diary's – no substantiation = no deduction

5. Make sure you show ALL of your interest income – if you change the ATO prefilled amount you must provide a reason

6. Disposals of crypto assets attract tax – make sure you treat it correctly, either as a capital gain or if you are in the business of trading crypto as business income

7. All income derived by a rental property must be reported including insurance payments and bonds forgone

8. Low and Middle Income Tax Offset has increased this year – check if you are eligible

9. Tax Returns are due 31st October unless you are with a Registered Tax Agent, in which case you may be eligible for an extended lodgement date.

10. The ATO is focusing on the Audit of Tax Returns including the following items for 2022 year:
    - Work Related Expense Claims
    - Rental Properties
    - Crypto transactions

Helen Cowhan - *Director and Chief Financial Officer*

Pensions and Retirement 05

Taking advantage of an age difference

Can I get a Centrelink Age Pension?

To be eligible for a Centrelink Age Pension you must be of Age Pension age and satisfy an income test and an asset test. Current Age Pension is available if you are 66.5 years old for people born 1 July 1955 to 31 December 1956. If your birthdate is on or after 1 January 1957, you'll have to wait until you turn 67.

What if only one of us is age pension age?

You will be **assessed under the income and assets tests as a couple** and, if eligible, you will receive half the combined couple rate. Not the single rate. This is where appropriate advice is essential as this opens up the opportunity to structure your assets.

If one member of a couple is under age pension eligibility age, Centrelink does not count their **Superannuation** in the income and assets tests, as long as that Superannuation fund isn't paying a pension.

What are the Centrelink limits as at 01 July 2022?

You will not be eligible for a Centrelink Age Pension if your Assessable Assets are over $901,500 or Assessable Income exceeds $3,297 per fortnight.

In very general terms, Centrelink count all your assets except for your primary place of residence (your Castle for those that remember the 1997 movie) as an asset. However there are some assets that are treated differently.

A working example: Jack and Diane are a couple. Jack has just retired, is 66 and a half, so his age allows him to be assessed for a Centrelink Age Pension. Diane is 64 and planning to reduce to working 3 days per week earning $1,850 a fortnight.

They are debt free and have total assets valued at $2,770,000.

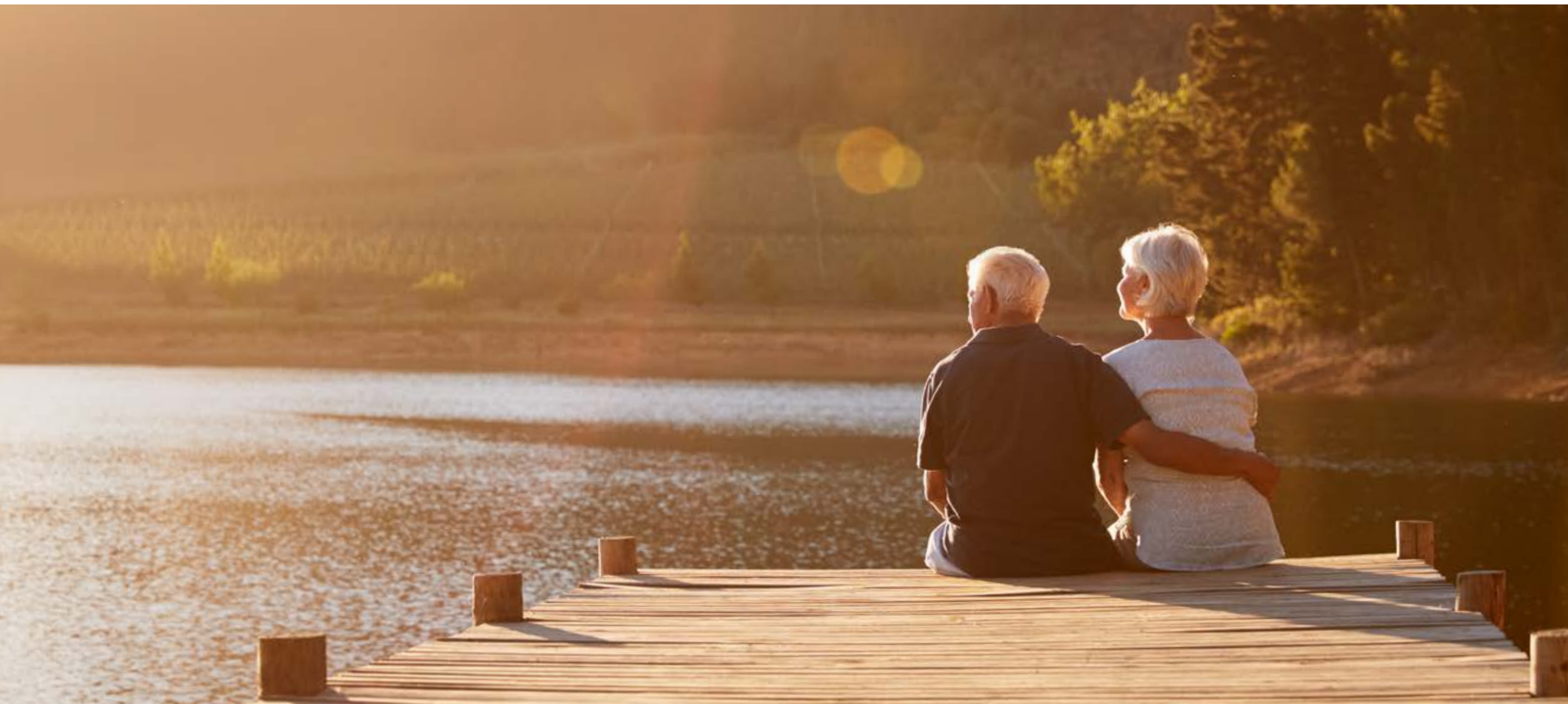
Their home is valued at $1.2 million (your primary place of residence is your Castle and not counted as an asset), they have a Shack on the coast with a rates notice valuation of $280,000 and a couple of cars and a boat. Jack has $600,000 in Super and Dianne has $200,000 and they have $150,000 in bank accounts.

As Diane is under Centrelink Age Pension age, any funds in her Superannuation account are not counted in the assets test. As a result, by using the available Superannuation Contribution rules and structuring their existing assets in a different way, Jack could be eligible for a fortnightly payment of $320. This also provides Jack with the Pensioner Concession Card - A concession card to get cheaper health care, medicines, and some other discounts.

As Diane is not eligible for Centrelink payments until age 67, this strategy (and others) can be utilised for 3 years and may result in over $26,000 in Centrelink Benefit that they were entitled to receive being missed. That's $26,000 of their own money they didn't have to use.

There are many traps and intricacies to this strategy and planning for this opportunity in advance of retirement and eligibility is crucial.

Do you know someone close to retirement that could benefit from a consultation?



What do top ESG companies look like?

ESG has become mainstream in funds management but it shouldn't be confused with ethical investment. In fact, you might be surprised to hear which companies have high ESG ratings.

Environmental, Social, and Governance (ESG) integration is a branch of investment analysis that assesses companies on their environmental and social impacts as well as the quality of their governance. It is a tool used by investment managers to gauge the long-term financial health of companies. For example, a company that pollutes the environment could face financial penalties as well as damage to its reputation – both of which could affect the company's profitability. In this sense, ESG integration is ethically passive: it is concerned about the financial impact of things like pollution, poor labour practices and a lack of diversity on boards – not whether they are right or wrong.

An ethical investment manager, on the other hand, will actively screen out companies that engage in poor practices and look to invest in companies that do good for people and the planet. ESG integration is often used by fund managers who want to take a best-in-sector approach. That said it can still be a useful tool for ethical managers who want to analyse the non-financial practices of companies in more detail. However, basing an investment strategy on ESG alone will never be a replacement for a truly ethical investment approach.

To fully appreciate the difference between ESG and ethical investment it's worth taking a look at the types of companies that feature on ESG lists (or indices). One of the better-known indices is the Dow Jones Sustainability Australia Index, which is reviewed annually by investment manager RobecoSAM using the latter's Corporate Sustainability Assessment. In its annual update in September 2018, S&P Dow Jones described the index as the "gold standard for corporate sustainability" based on "financially material ESG factors". The Dow Jones Sustainability Australia Index is made up of 43 companies with some surprising inclusions among them. This list is eye-opening because it tends to favour companies with comprehensive sustainability reports rather than the most socially responsible business practices. Let's take a look at some of the companies that made the list.

Gambling companies

Two notable inclusions in the index are gambling and entertainment companies Star Entertainment Group and Tabcorp Holdings. Star Entertainment Group is the owner of casinos in Brisbane, the Gold Coast and Sydney; Tabcorp offers wagering and gaming services and also has a media arm that broadcasts horse racing on Sky. On the face of it, it is hard to understand how companies that earn the majority of their revenue from gambling could be considered sustainable. On its website Star Entertainment Group touts itself as the "global leader of the casino and gaming industry" as per the Dow Jones Sustainability Index. Star Entertainment Group notes it achieved maximum scores from Dow Jones in the areas of anti-crime policy/measures and promoting responsible gambling. In its 2018 Sustainability Report, Tabcorp describes itself as a "significant economic contributor to Australia" with a focus on "responsible gambling and advertising practices". However, despite its impressive ESG credentials Tabcorp was fined $45 million for breaching money laundering and terrorism financing laws in 2017, which at the time was the largest civil penalty in Australian corporate history.

Mining explosives

Also on the Dow Jones Sustainability Australia Index is Melbourne-headquartered multinational Orica, which supplies commercial explosives for the mining, quarrying, oil and gas sectors. Orica publishes a comprehensive sustainability report each year that covers issues like workplace safety, climate change and good governance. However, in 2014 Orica was forced to pay $768,250 for releasing pollutants at its Kooragang and Botany plants (the largest penalty ever issued by the Land and Environment Court), and in 2012 the Queensland Court ordered Orica to pay $432,000 after the company pleaded guilty to releasing cyanide into the environment on 217 occasions. In addition, The Newcastle Herald reported in 2011 that hexavalent chromium had "rained down'" on about 25 workers on duty at the Kooragang Island plant in August that year.

Other ESG companies in the Dow Jones Sustainability Australia Index include mining and fossil fuel companies Oil Search, Woodside Petroleum, Wesfarmers and Newcrest Mining. It is encouraging to see these companies are paying attention to their environmental impact and looking to give back to the communities they impact with their activities. Oil Search, for example, has donated $5 million to support disaster relief efforts in Papua New Guinea as well as developing roads, hospitals and schools.

However, while the companies mentioned in this article are highly rated in ESG terms it is unlikely they would be included in the investment portfolio of an ethical investor without intense scrutiny. Australian Ethical does not invest in any of the companies discussed above. ESG can be a useful tool but it should never be mistaken for a genuinely ethical approach to investment. Ethical investors are focused on delivering returns without harming (and indeed proactively benefiting) the planet, people and animals.

Source: Australian Ethical - https://www.australianethical.com.au/blog/what-do-top-esg-companies-look-like/

ESG Criteria?

ESG criteria are a set of standards for a company's behavior used by socially conscious investors to screen potential investments. Environmental criteria consider how a company safeguards the environment, including corporate policies addressing climate change, for example. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

KEY TAKEAWAYS

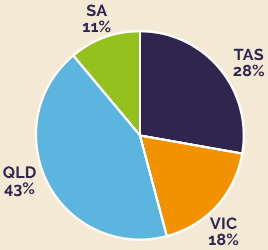
- Environmental, social, and governance (ESG) criteria are used to screen investments based on corporate policies and to encourage companies to act responsibly.
- Many mutual funds, brokerage firms, and robo-advisors now offer investment products that employ ESG criteria.
- ESG criteria can also help investors avoid investment losses when companies engaged in risky or unethical practices are held accountable.
- The rapid growth of ESG investment funds in recent years has led to claims that companies have been insincere or misleading in touting their ESG accomplishments.

GDA Diversified Property Trust

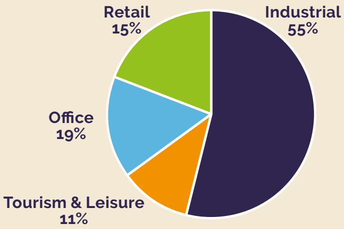
Investing in a property trust

The GDA Diversified Property Trust ("DPT") is an open ended unlisted property trust established and operated by GDA Securities ("GDA"). GDA is an experienced fund manager with over 19 years in the industry specialising in property investment and property management. DPT primarily invests in a diversified portfolio of direct commercial properties. It is an established trust, having been in operation since December 2004.

Properties by Geographical Location[1]



Properties by Sector[1]



DPT's objective is to provide investors with a regular and competitive level of tax advantaged distributable income combined with the potential for capital growth.

How to invest

Read the Product Disclosure Statement ("PDS") in full before making any investment decisions. The PDS and latest unit price can be obtained from our website gdagroup.com.au/the-fund/, contacting our office on (03) 6234 4413 or by emailing investor@gdas.com.au. Complete the application forms in the PDS and make payment for your application.

STATUS	OPEN
Distributions	5.25%[2] p.a. paid quarterly
Portfolio occupancy	100%
Gearing ratio	34.14%[3]
Borrowing facility expiration	June 2027
Weighted average lease expiry	4.97 years[5]
Withdrawal mechanisms	· Limited Three-Monthly Withdrawal Offers (March, June, September and December) · Five-Year Liquidity Events
Risks	Investments are subject to risks (see section 5 of the PDS for the risks associated with an investment in the DPT)
Minimum investment	$20,000.00
Reinvestment option	Available
Management fee	0.75% pa of gross assets (see section 6 of the PDS for all the fees and costs)

Performance[4]	1 Year	2 Years	3 Years	5 Years	10 Years
Total Return	17.44%	16.40%	12.99%	15.33%	11.13%

1. Calculated by asset value. **2.** Based on actual distribution of 6.10 cents per annum per unit and a current unit price of $1.1615 as at 30 June 2022. Distributions for future quarters may vary. **3.** Total interest bearing liabilities divided by total assets. **4.** Performance data for the periods longer than one year have been annualised. Capital growth and income distributions are not guaranteed and are subject to the assumptions and risks contained in the PDS. Past performance is not a reliable indicator of future performance. **5.** The Trust has entered into a Works Agreement with the current tenant of 579 South Road, Regency Park SA which will see a new 3 year lease commence following the completion of these works. On the assumption that the new lease commences on 1 January 2023, the weighted average lease expiry is 5.42 years.

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