



## MESSAGE FROM MANAGER

Every day in the paper we see comments regarding corporate social responsibility and the like. But according to the Corporations Act, directors need to act in the interests of the company as a whole. Of course the post-modern-socialist brigade likes to put a dirty slant on this; “a cesspit of self-interest” they say, “following the profit motive and acting only to the detriment of broader society”.

The issue with this nonsense is that all successful businesses are in fact part of the community, and while our business is no BHP, we have made a significant impact on many lives.

First there are the clients we service. We wrote in the last newsletter about some of these and the honour it is to be so closely involved in people’s lives, and of our desire to make a real difference. Then there are the families that our business supports. Although this is mainly through salaries, it’s the times when staff have experienced tragedy that the value of a caring, well-structured business comes into its own (although it has to be said that we prefer news of babies).

Outside of families, we sponsor quite a range of organisations in one



way or another. For many years I was treasurer and then chair of Home Support Association (HSA), an organisation that helps people with a disability lead as near to an independent life as possible. Originally invited to become involved by a client, it turned out that one of my own sons was born disabled, and the learnings from the organisation have been immensely valuable to me. I first helped organise the internal accounts for HSA, getting them into a format that was useful to management and the board.

**“By being involved in communities we can show our appreciation for the support that clients give us.”**

As time went on the organisation had to prepare for the NDIS disability service. Providers have found it a very big leap going from receipt of what were effectively lump sum grants to look after a disabled person to, under the NDIS, earning money directly for services provided. All this was happening when the original manager became very ill and decided

to retire (she was by then a “business friend” perhaps even a “real friend”, and I am so thankful that in time she got better).

HSA responded admirably to the challenges of the NDIS, and after taking some time to find a new manager of the right calibre, it is now running forward thinking initiatives such as Groovy Mood Foods (which makes and sells gelato), Jam Session (music), Farmer for a Day (in association with a local farm), Wandal Community Garden (which grows vegetables and tends small animals), Travel Training and Yellow Door Books (a second hand bookshop). It’s a busy place, made more so since the advent of the NDIS and it makes a huge difference to the clients and their families. I stepped down around two years ago, but I’m very proud of what HSA continues to achieve and I keep in regular contact.

After a break from these sorts of roles, I was given the opportunity to become treasurer for an organisation that helps doctors who are facing serious difficulties. This came about as a result of the Rockhampton office experiencing the loss of a past staff member to the hands of a

very senior doctor who went off the rails. This is as confronting a thing as I have ever experienced.

Most readers probably don't know of the help line that exists to support doctors, and nor do most doctors. Doctors Health Queensland does however take about 150 new "distress" calls a year, and follows up with about 250 "maintenance" type calls. I don't know about you, but that seems a lot to me.

As it turns out doctors are human, and the wrong set of circumstances can lead to all sorts of dreadful outcomes. It is the role of Doctors Health Queensland to help prevent such outcomes, and through it I have met an amazing bunch of very bright people that are in fact, just a pleasure to be around. The Investment Collective sponsors Doctor's Health Queensland, and in February I organised a business planning workshop which has resulted in the development of a business and fundraising plan. I'm sure you'll read more about this initiative as time goes on.

In 2019, we sponsored a woman from Papua New Guinea (PNG) to come to Australia and work for us while studying at University. I met Yolanda while travelling in PNG with some friends, and after learning of an unpleasant break up with her boyfriend, I suggested she might benefit from thinking about tertiary education and a career. I was particularly attracted to that idea because, while older women have significant power in many tribes and villages in PNG, in business and Government they're conspicuously absent. In PNG, one intelligent, educated woman can make a difference. We thought that was a worthwhile aim.

The Investment Collective are also involved in several community sponsorships in Rockhampton, Sydney and Melbourne. We sponsor the Rockhampton Musical Union's annual public production, which is always amazing. We also support The



Rockhampton Golf Club where we are dedicated sponsors of both the Men's and Women's competitions. We have in the past sponsored Challenge the Mountain, a 5km run at an unrelenting 10 per cent grade (for those interested in signing up), and last year we sponsored the Great Keppel Island trail run/Triathlon (where I did 23 km up hill and down dale, in a bit over 4 hours, with stops, not bad for a young bloke!). In Sydney we sponsor Randwick-Petersham Cricket Club and in Melbourne various golf days and other sports related initiatives.

In the end business is about people, and people form communities. By being involved in communities we can show our appreciation for the support that clients give us, and through broader interactions we earn trust and gain new clients. We do add to our range of sponsorships/ in kind support from time to time, and we'd be particularly interested in hearing from Melbourne based clients involved with organisations requiring in-kind offerings involving management, financial or business skills.

**David French**  
Managing Director

## Marketing Update



### Great Australia Day Beach Party

The Investment Collective were once again a sponsor of the Great Australia Day Beach Party in Yeppoon. The day boasts 12 hours of non stop entertainment and beach activities. We even had a branded boat appear in a race!



### Rotary Club Charity Golf Day

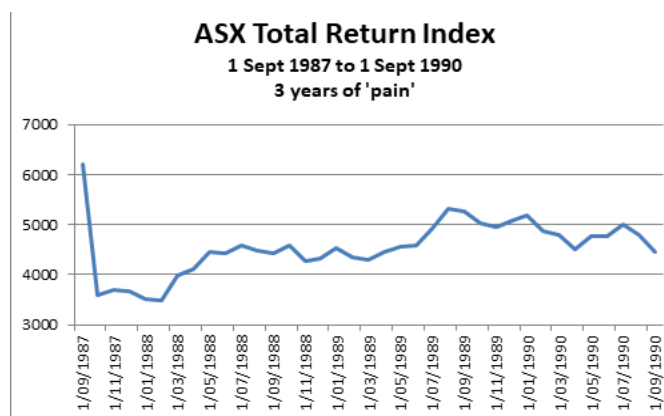
The Investment Collective were proud to be a sponsor of the inaugural Rockhampton Rotary Club Charity Golf Day. The event raised both funds and awareness towards a very worthy cause in the prevention of suicide and mental health issues.



## A look back: 'Black Monday'

Over a lifetime there's not many specific dates that you remember in a lot of detail. One date that I do remember is Tuesday, the 20<sup>th</sup> of October 1987. Driving into work I flicked on the car radio to hear that overnight the Dow Jones Index had slumped exactly 508 points, a 22% decline overnight. They later dubbed it 'Black Monday'.

At the time I'd just started on the money market desk transacting foreign exchange for a large Australian insurance company. I remember thinking to myself that the 'equities boys' on the floor were likely to have a big day! They certainly did. For the next three years there was nothing but 'pain' in holding Australian shares. Here's what the ASX Total Return Index looked like for the three years from October 1987:



Ouch! The average return for that three year period was -10.4% each year!

When you're in the middle of such a period it seems like it will never end. But of course all things end, and in time the 'animal spirits' of the share market returned. By looking at the second graph you can see how the the ASX Total Return Index looked from December 1979 to February 2020.

Can you see the 3 year period from the first graph above in the second graph covering a little over 40 years? It barely registers as a 'blip' on the longer term graph of the ASX Total Return Index. You can also see a large 'blip' around 2008, but again, after a period, the market recovered. The 2<sup>nd</sup> graph only takes into account data to the end of February 2020. As such, it's not yet showing the

**ASX Total Return Index**  
Dec 1979 to Feb 2020



'blip' of March 2020 or the ensuing months. This is not to downplay the pain that we're likely to experience over the next several years. There's no doubt it's going to hurt a lot of people. However, it is to underscore what history tells us, which is, that markets recover. That's not to say that all companies will eventually recover. Some won't, others will and from the ashes new companies, in new industries, will emerge taking the share-market higher over time.

What's important during this period is cash. Cash income and cash reserves which will allow you to maintain your lifestyle even though the value of the assets generating that cash are taking a pounding. This cash will get you to the 'other side of the bridge'.

We spend a lot of time ensuring that our clients have enough cash to get them to the other side of the bridge, retaining investment assets that should recover earliest, and should recover strongly. If you'd like to discuss your portfolio, please don't hesitate to contact your adviser.

**Robert Syben**  
Head of Financial Planning



## Cochlear (ASX)

Cochlear is a company that produces high quality hearing aids. Its products do not just amplify the sound, as a traditional hearing aid does, rather they provide the ability to hear at great distances across a full spectrum of sounds and can even provide hearing to someone that is deaf.



A Cochlear implant will bypass the damaged portion of the ear and directly stimulate the auditory nerve. There are four main parts to a Cochlear implant: a microphone to pick up sound, a speech processor, a transmitter that converts sounds into electrical impulses and an electrode that interacts with the auditory nerve.

One of the qualities that attracts us to the company is that surgery is required to install its implants, therefore making it a decision that is not made lightly and is not easily reversed. You more or less become a customer for life. The surgical process that is the protective barrier to this company has also recently been its Achilles heel.

Due to the Coronavirus, hospitals

are forced to cancel all non-essential surgery, which will significantly reduce Cochlear's revenue over the next 6 months.

Cochlear also announced last month that it had lost a long running court battle in regards to a patent infringement, resulting in a \$268 million fine. In light of these headwinds, Cochlear has decided to raise capital and strengthen its balance sheet.

The capital raising comprised two parts. The first was an \$800 million offer to institutional investors, such as Fidelity and Blackrock, at \$140 per share. This offer was oversubscribed and raised \$880 million. The second component is a smaller \$50 million offering to retail investors at the same price with the potential for oversubscriptions. We believe that under the current circumstances Cochlear will take more than \$50 million to shore up their balance sheet and allow them to sit out a prolonged hospital shutdown.

This presents an arbitrage opportunity for our clients. As the record date had passed (the date for which you must hold the shares to take part in the retail offering) we could sell the stock on market at around \$180 and buy it back in the offer price of \$140. These profits do not happen very often and they usually disappear

very quickly as fellow investors catch on. Eventually the selling pressure will drive the market price down to the retail offer price.

In this instance, we were able to profit on this mispricing for our clients and make a few dollars in a tough market

**Ian Maloney**  
Manager - Share Trading

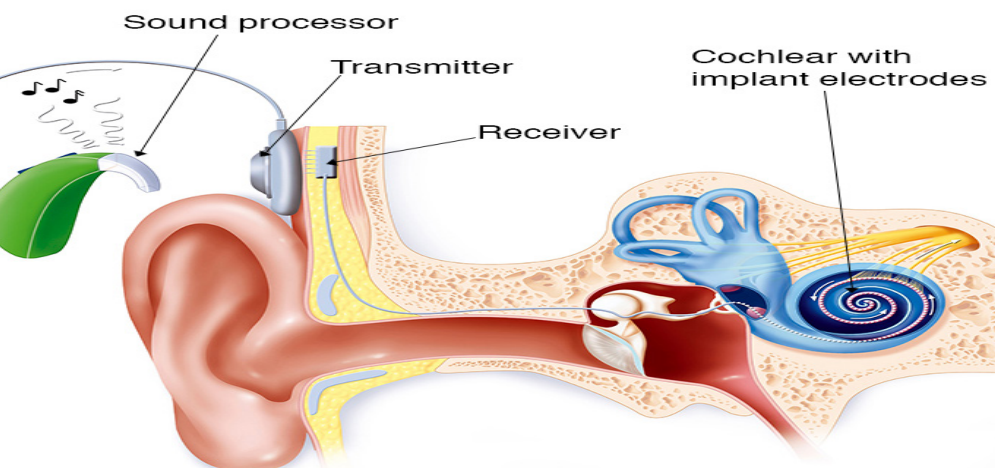


## CDIF

The Capricorn Diversified Investment Fund (CDIF) is a managed fund that was established in 2010 to provide small investors the opportunity to invest in much larger, more stable infrastructure based projects and wholesale investments that would otherwise be out of reach for individual investors.

The fund is currently approaching a significant growth cycle, and is seeking potential investment opportunities that align with the fund's core strategy and purpose. Potential opportunities include annuity style investments that deliver attractive ongoing returns, in particular infrastructure investments including ports and renewable energy opportunities, retirement living and commercial leasing.

If you, or someone you know are aware of any opportunities that could be of interest to us, please feel free to contact the fund's management team via The Investment Collective.





## I want to cancel my Insurance!

"I want to cancel my Insurance, it's not worth it" is one of the worst, yet a common call Financial Advisers receive. 'It's expensive', 'they won't pay', 'I'm healthy, nothing will happen to me' are just a few of the reasonings behind such calls. And why wouldn't you think like this? Well, with new and future planned forced changes occurring within the Personal Insurance industry, specifically Income Protection your insurance policy may become as valuable as knowing next week's Lotto numbers.

**"Over time, insurers created their own version of an arms race and it's now time for that race to end."**

Insurers have all tried to be market leading. To achieve this within the insurance industry, you need to make the product easier to claim. The better the claim definition, the better rating your product gets from advice research houses and to the top of the tree you rise until the next company decides to better your definition. On top of that, to make themselves even more attractive, discounts get added into the policy.

No one likes seeing their premiums increase and we see social commentators (Kochie) 'recommend'

you shop your product around. You call your adviser, the Adviser reviews your policy, they find a better rated and better priced policy and assuming your health is in good condition, the adviser recommends the better priced and definition policy. Over time, insurers created their own version of an arms race and it's now time for that race to end.

The Australian Prudential Regulation Authority (APRA) announced they would investigate the sustainability of Income Protection Insurance back in December 2019.

In the last 5 years, Income Protection Insurance has lost Life Companies around \$3.4 Billion. The issue with this is trying to find an insurer for the insurers (reinsurance company) to help hold and mitigate the risks involved as one reinsurer has left the market there are concerns that others may move out of that product space as well.

Aside from the reducing commission payable to advisers from insurance (now at 66% of the premium) APRA have announced some suggestions and big changes to new policies to help the sustainability of the industry:

- An end to the Agreed Value policy. An Agreed Value policy, while more expensive, generally locked your payment benefit in at time of application – no need to justify your income in the future. It was sold as certainty at time of claim. Insurance is all about indemnifying loss, agreed value is inconsistent with this principal. These changes occur for any

new contract from 31 March 2020.

- A change to ancillary benefits, mainly Indexation (increases on your monthly benefit during a claim) and features that allow you to earn income from continued work, with no offsets to the insurance benefit e.g. you work in an office and break your arm, under certain policies, you could be eligible for 2 months of monthly benefits without even ceasing work. From 1 July 2021, your insurance benefit can't exceed 100% of earnings at the time of claim for 6 months. After 6 months, if you are still on claim, the insurance benefit reduces to 75% of earnings at time of the claim.

- Most income protection policies are classed as Guaranteed Renewable. This means, if you apply and don't change the contract terms to increase the liability on the insurance company, the insurance company will honour those terms at any age up until expiry age (generally 65). From 1 July 2021, a new policy will now have a maximum contract term of 5 years, with only changes in occupation and financial circumstances to be underwritten if you renew your contract with the same insurer.

- Income Protection policies can have a benefit period to retirement age – 65 is the most common. While there is no direction to cease the long-term benefit, periods like to age 65, from 1 July 2021 insurers will adopt stricter disability definitions for long benefit periods and stricter occupation guidelines on who can have a long-term benefit.

As mentioned, these are only applicable on new policies that are implemented after those dates. If you have income protection with any of these features, your policy becomes quite valuable.

However, whenever significant changes occurred in the past, it could be expected existing policies will also bear some brunt of these changes. Insurance companies have shown in the past that when features of policies become not widely available in the market, they increase premiums to push customers out of the old policies and into the new. This could work in your

favour depending on your personal circumstances e.g. good health and lower risk occupations may have better premiums in the 'new world'. However, if your health isn't great and you are in a higher risk occupation, your current policy maybe your only choice moving forward. Its best to speak with your adviser regarding these changes and how it could affect you.

Personally, I agree with the changes that APRA is pushing forward with because I believe that Insurance in Australia is essential to help protect against financial ruin. Hopefully these changes on new policies will

decrease the overall cost of insurance and become more attractive for people to obtain.

**Jeff Lanyon**  
Financial Adviser



## Around the Office

Behind the scenes of our open plan office, the room is a hive of activity with business related discussion and like most work environments, over time we have developed friendships and take a genuine interest in the lives of our co-workers. For me it emphasises our unique individualities as well as our generosity in supporting others in their interests.

Collectively we have a fantastic group of individuals supporting the outside community through volunteer work with various organisations including Emu Park Surf Lifesaving Club, Capricorn Animal Aid, Wildlife Rescue, National Seniors Association and Bowel Cancer Australia.

Our sporting interests are varied but we always encourage each other and celebrate our achievements through a little office chatter. In recent years the football season has been granted a little "air time" and it is not unusual to see the lunch room TV flick over to the cricket for a brief score update over summer. The banter contributes to our team work and nothing sparks a passionate (and somewhat entertaining) debate like politics.



A few weeks ago, we undertook the transition to have everyone working from home and we were mindful of the valuable social interaction that contributes to our lives with a permanent place of work. We wanted to ensure our communication was at the forefront of this transition to ease the impact on our people and our professionalism.

In the past couple of years, we have used ZOOM on a daily basis to interact between the offices and with others where a face-to-face meeting was not possible. We now have all of our staff using ZOOM from their computers at home and can connect with each other as if we were sitting in the same room.

We welcome all clients to continue to attend meetings over the telephone or via ZOOM. If you would like assistance in creating your own free ZOOM account, please call our office and we can arrange guidance over the phone.

**Diane Booth**  
Operations Manager





medicare

## Centrelink Update

Due to volatility caused by COVID-19, we have been very busy updating everyone's income and assets to ensure you receive your full pension entitlements. If you are interested in our Centrelink nominee service or have any questions regarding recent changes in your assets please contact your adviser.



### Centrelink Rebranding

The Department of Human Services which incorporates Centrelink and Medicare has now been rebranded to Services Australia. You may have already noticed that the letters you're receiving from these

departments are looking a little bit different.

While the change is legitimate, If you think you may have fallen victim to a scam or are ever unsure about correspondence you've received from Centrelink, be it a phone call, letter or text message contact your advisor or alternatively you can call the scams and identity theft team at Services Australia on 1800 941 126.

### One off stimulus payment

There is a one off payment being made to all pensions and holders of Commonwealth Senior Health Care Cards. This \$750 economic support payment was rolled out from March 31<sup>st</sup>, and should have been in your bank account by April 17<sup>th</sup>. If you have a Commonwealth Seniors Health Care Card and are unsure if your bank account details are up to date then please log on to MyGov to check or let us know at your earliest convenience to ensure that you receive this payment.

### Deeming Rates Cut

Regardless of the actual income received from investments, Services Australia deem the income based on fixed percentages.

From 1<sup>st</sup> of May 2020 the deeming rates are being reduced to 0.25% for the lower rate and 2.25% for the upper rate. For a more detailed rundown, please see the below table.

This comes alongside the one off \$750 payment for all pensioners. You may receive an increased fortnightly Centrelink payment, depending on your circumstances. The changes are expected to take place from May 1<sup>st</sup>.

If you have any questions regarding the recent Centrelink updates, deeming rates, the one off payment of \$750 or anything Centrelink related, please feel free to contact us.

**Malcolm Smith**  
Business Assistant



	2020 Deeming Rate (from 1 May)	2019 Deeming Rate (prior to 1 July)
Single	0.25% on the first \$51,800 of your investment assets, plus 2.25% on your investment assets over the amount of \$51,800	1.75% on the first \$51,800 of your investment assets, plus 3.25% on your investment assets over the amount of \$51,800
Couple	0.25% on the first \$86,200 of your investment assets, plus 2.25% on your investment assets over the amount of \$86,200	1.75% on the first \$86,200 of your investment assets, plus 3.25% on your investment assets over the amount of \$86,200



## Changes to Superannuation due to COVID-19

Well...who saw that coming!!

Just when you think you've seen it all how quickly things can turn from chocolates to boiled lollies...

For the golfers out there, spring in the northern hemisphere gets us fired up for the 1<sup>st</sup> major of the year, the Masters Tournament played at the mighty Augusta National Golf Club in Georgia. Sadly, the Masters won't be played in April...it may get a run later in the year however, it won't be the same.

The speed at which equity markets dropped from peak to trough in about 4 weeks brings to mind how quickly damage has been inflicted over the years to some of the finest golfers in the world on the 140 metre, par 3, 12th hole at Augusta National, known as "Golden Bell"...the middle of "Amen Corner".

Many have arrived at "Golden Bell" on that final round on Sunday appearing to be in total command of their game and on path to secure that highly sought after 'green jacket' when from nowhere, Raes Creek comes to life and mysteriously drowns those green jacket aspirations before the poor sod can catch his breath and ask his caddie; "what happened there?"

This year, COVID-19 has done to the world what Raes Creek would surely have been doing to some unsuspecting golfer or two had the Masters been on track. Just as those golfers must dust themselves off and 'get back on the horse', we must play the hand of cards COVID-19 has dealt us whether we like it or not.

In relation to superannuation, COVID-19 has necessitated the following changes to assist with the financial consequences it has brought.

### Early release of super

Individuals in 'financial stress' can access their superannuation savings (i.e.; accumulation mode accounts) up to a cap of \$10K in 2019-20 and again in 2020-21, from 1 July 2020 to 24 September 2020.

### To qualify for this:

- You must be unemployed.
- You must be eligible to receive a Jobseeker Payment, Youth Allowance for Jobseekers, Parenting Payment, Special Benefit or the Farm Household Allowance.
- On or after 1 January you were; made redundant, or your working hours were reduced by at least 20% or if you were a sole trader, your business was suspended or turnover reduced by 20%.

If someone is considering this option, attention needs to be given to how the withdrawal might impact on personal risk protection insurance held inside their super such as; income protection, life and total permanent disability cover.

### Reducing the minimum amount required to be withdrawn in pension mode

The government has announced a temporary 50% reduction in the amount a superannuant is required to withdraw from account based pensions and annuities, allocated pensions and annuities

and market-linked pensions and annuities for the 2019-20 and 2020-21 financial years.

This initiative is designed to avoid investments being sold down at the worst possible time to meet annual minimum withdrawal requirements and thus reducing longevity risk i.e.; the risk of running out of money.

To promote longevity of your retirement savings, revisit or complete a budget for your living costs. The amount you need to pull out of super to fund your lifestyle will drop out naturally which can then form the base for your pension withdrawal. Additional or 'one-off' withdrawals can always be taken as and if needed.

If there's a positive out of this we should be spending less because we can't damn well do anything or go anywhere and the minimum required to be withdrawn in 2020-21 should be reset lower due to depressed asset prices.

Isolation might be a good time to dust off the playing cards for a good old-fashioned game of 'patience'... or perhaps 500, which would be my preference...but restricted to a group of 4 of course.

Stay COVID-19 free out there and see you on the other side!

**Dean Tipping**  
Financial Adviser



## New Staff



**Jeff Lanyon**  
Financial Adviser  
Rockhampton



**John Zahra**  
Client Services  
Officer  
Melbourne



## Staff

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Dean Tipping	Financial Adviser
Jeff Lanyon	Financial Adviser
Diane Booth	Operations Manager
Rebecca Smith	Administration Support Officer
Larissa Dowdle	Reception / Admin Support Officer
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Bronwyn Nunn	Senior Administrator- Compliance & Training
Justin Burggraaff	Business Assistant
Katrina Tearle	CHESS Administrator
Natasha Kuhl	Portfolio Administrator
Dylan Tyler	Funds Administrator
Christine King	Bookkeeper
Sandra French	Bookkeeper
Mandy Noud	Bookkeeper
Sue Hutchison	Bookkeeper
Hayden Searles	Marketing Assistant
Shelby Davis-Hill	Scanning Officer

### Melbourne - 1800 804 431

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Demi Sanderson	Reception / Admin Support Officer
Sharon Pollock	Manager- Client Services
Hannah Smith	Paraplanner
Malcolm Smith	Business Assistant
John Zahra	Client Services Officer
Ian Maloney	Manager - Share Trading
Jake Brown	Business Consultant
Rebecca Vassil	Investment Assistant
Ming Hou	IT Manager
Yan Li	Programming Assistant

### Sydney

Lisa Norris	General Manager - Clients & Insights
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Please note that the content in this newsletter is general in nature and has not taken your personal or financial circumstances into consideration. If you have any questions please contact your adviser.