

AMBLESIDE NEWSLETTER

SPRING EDITION
OCTOBER 2023

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MARKET UPDATE

Market performance. The ASX 200 currently stands at 6915, compared to 6495 twelve months ago. The market, and our economy, has been remarkably resilient since interest rates started rising in May 2022. Both the US and Australian markets remain concerned about future interest rate rises. Note, however, that markets tend to price what's going to happen in the future, not what's going on right now. That means when news comes out that you might think is 'good' or 'bad', the market may not react, if price adjustments were made for this days or weeks before.

Dividends. Last week BHP paid out \$6.34bn in dividends and Fortescue \$3.08bn. Both of these are down from 12 months ago due to a slower than expected recovery in China following COVID. Commonwealth Bank has paid out \$4.02bn, which is up from last year as interest rates have increased (and increased bank profit margins). As always, the resource and banking sectors are the major contributors to Australian share returns.

Interest rates. After 12 rises we are at 4.1%. With banks adding a 2% margin the average home loan is around 6%. These higher rates are not surprisingly slowing spending, and inflation has come down from the 32 year high of 7.8% to around 5.2% now. You will likely see other figures in the news, and they depend on whether the quoted figures are monthly, quarterly or annual.

Unemployment. Closely linked to interest rates is unemployment. After being at a record low of 3.4% the rate has recently lifted to 3.7%. This is expected as interest rates rise, people have less to money to spend after paying their mortgage and business then need to lay off staff. The average unemployment rate from 1978 to 2023 in Australia is around 6%, suggesting the current unemployment rate will continue to rise.

Australian Dollar. One Australian dollar currently buys around 0.64 US dollars, which is the lowest we've seen this year. While there are a number of factors at play, a simple explanation is Australian interest rates have been left on hold (making our dollar less attractive) while the US dollar is forecasted to rise (making it more attractive). In terms of the impact this has on the economy a weak dollar makes **imports more expensive** (which includes petrol) and **increases the demand for our exports**. For those of you travelling overseas the lower the Australian dollar, the more expensive it is to travel.



Welcome to our Spring Newsletter. In this edition, we write about our recent movie night, the finance conference we attended in New Zealand and some great new artwork at our office by Jimmi Buscombe.

Thank you to everyone who attended our movie night last month. This year we trialled running two showings, an afternoon "matinee" and evening, to give more flexibility and the option of not driving at night. We nearly had a last minute cancellation with fire trucks at the theatre the day before! Luckily turned out to be small air con issue. We look forward to running a similar event next year.

As many of you know we have a window in our meeting room that looks straight into a brick wall and big white walls overlooking the garden. We're very excited to have had a visit from the artist Jimmi Buscombe last week and he has completed two pieces at the office. See pictures later in the newsletter.

In February, the Federal Senate commenced an inquiry into regional bank branch closures. Current numbers show 1600 regional and rural branches have closed over the last six years. Banks maintain foot traffic is dropping, but the push to online and digital banking doesn't work for many people. In addition, cash based businesses find it hard to deposit daily takings. While Post Offices offer some banking services these are very limited and don't cater for certain companies (e.g. ANZ customers). The committee will report in May 2024.

Housing affordability continues to be a huge issue and there remains no single or simple solution. While many people want to make it easier for new homeowners to enter the market, we know around 66% of people nationally own (or own with a mortgage) a house. This means not everybody wants to see a sharp price drop, even to help out those who want to enter the market.

The government is now focusing on supply, that is providing more new houses rather than benefits to make it easier to buy. A key issue is changing planning laws to speed up approval times and allow higher density housing. In addition, the government has acknowledged more people will rent a house for life, and they want to make renting more secure.

AMBLESIDE'S FOOTY TIPPING

Thank you to everyone who took part in the Ambleside Footy Tipping Competition. It was an extremely close and competitive season.

Congratulations to “Saints” and “Yongy” who were the joint winners of the 2023 Ambleside Footy Tipping Competition. “Razor” came in third position on 145 points.

33 people took part in the competition. It was an extremely competitive season and the three leaders hotly contested the top spot.

Incredibly, “Saints” held the top spot for 18 out of the 24 rounds. “Razor” managed to stay in the top five for the whole season and was in the top three for all rounds bar three. Two incredibly consistent tipplers.

Yongy tipped poorly for the first four rounds of the season, but quickly improved his form moving from seventh position, fifth position, fourth and then third in consecutive rounds. After this, Yongy did not fall out of the top three. In round 22, Yongy sat in third position and round 23 in second position.

The final round was the decider. Incredibly, Saints and Razor picked the exact same tips in the final round and Yongy picked one match different – tipping Fremantle in the game against Hawthorn. The Fremantle win resulted in Saints losing their one point lead, Razor dropping one spot from second to third place and Yongy into equal first.

Well done to all tipplers!



MOVIE NIGHT



Thank you to those who came to the Ambleside Movie event. This year, we were pleased to offer two movies, the first as a matinee and the second the usual evening time. It was lovely to see so many faces in our office enjoying the delicious food (many thanks goes to Scotts Catering and 2Tarts Baking).

CONNECT 2023 ADVISER CONFERENCE

This month, James, Katherine, Allira and Nicole participated in the Connect2023 adviser conference held in Auckland, New Zealand. Given the significant decline in the number of registered financial advisers (from 28,000 in January 2019 to 15,872 in April 2023), it has become increasingly vital to identify more efficient methods of serving our clients. Over the course of the three-day conference, our team gained valuable insights into their peers' advisory practices and gained a deeper understanding of industry trends, all with the aim of enhancing the results we can provide to you.



INCREASES TO HOME INSURANCE

Inflation is having a huge impact on day to day expenses, with the cost of home insurance increasing at an even faster rate.

IAG, the parent of brands such as NRMA and CGU, has recently lifted home insurance by around 20% and other insurers are following suit.

The two main drivers of insurance premiums are increased claims (in large part due to natural disasters) and increased costs of repairs. We all know building labour and material costs have spiked and this includes insurance repair work.

Insurers must hold large amounts of capital to deal with these claims and this is normally done through reinsurers. These companies are usually based overseas and you can think of these organisations being 'insurance for the insurance companies'. Reinsurance is another big cost for local insurance companies.

The Assistant Treasurer Stephen Jones has recently travelled to London and Munich to meet with the reinsurers and find out how to reduce the costs of insurance in Australia.

Unsurprisingly, the reinsurers see climate change and natural disasters as having a significant impact on their own costs. In relation to flood incidents, they're looking at what's happening at the local level which includes better bridges, dams, levees and building standards. One issue that was repeatedly raised was to ensure building stops on known floodplains. This is in direct conflict with the supply issues for housing with many developers and councils want to build on flood prone land.

Ambleside Art



Many of you will know Jimmi Buscombe from his fantastic art pieces around our region.

It started with the 'accidental wombat' at the Otway Road rail overpass in Warrnambool (see the story at <https://www.abc.net.au/news/2018-08-02/wombat-mural-in-warrnambool-happy-accident/10065236>) and now includes other great sites at Lyndoch Living, next to NAB on Koroit St, Pelicans Ice Cream in Port Fairy and towers at Avoca, Lismore, Murrumbateman and Weelan.

Last week Jimmi completed two pieces at Ambleside, on inside on the window to nowhere and the other outside. Thank you to Jimmi for the great work and please pop into our offices to see Jimmi's handiwork!

More information on Jimmi's work can be found at his website <https://www.jimmibuscombe.com/>





ENERGY BILL RELIEF FUND

The Commonwealth Government is partnering with States and Territories to deliver \$3 billion of targeted electricity bill relief to eligible Australian households and small businesses under the Energy Bill Relief plan.

How much you can get

Eligible Victorian households can get \$250 in bill relief.

Who can get it

To be eligible for the Energy Bill Relief Fund, you must hold one of the following concession cards or receive one of the following payments:

- Pensioner Concession Card (PCC) issued by Services Australia or Department of Veterans' Affairs (DVA)
- Department of Veterans' Affairs Gold Card (GCH) For All Conditions
- Health Care Card (HCC) issued by Services Australia
- Carer Allowance
- Commonwealth Seniors Health Card (SHC) issued by Services Australia or Department of Veterans' Affairs
- Family Tax Benefit A & B.

How payments will be made?

If you are an existing concessions recipient

If you already receive a concession, your energy retailer will automatically apply the first instalment of \$125 to your account in August; **you do not need** to provide any further information.

A second and final instalment of \$125 will be applied to your account in February 2024.

If you hold:

- a Commonwealth Seniors health care card
- a DVA Gold Card (Dependent)
- or receive the Carer Allowance or Family Tax Benefit A or B

You will be contacted by Services Australia in September and asked to lodge your consent through an online workflow. Once your consent has been lodged, your retailer will start to apply the single payment of \$250 from November.

If you do not currently receive energy rebates, are a DVA Gold Card (Dependant) holder and are your household's electricity account holder, please contact your electricity provider from now up until 30 June 2024 to apply.

They will ask you for your Unique Identification Number (UIN) or Veteran File Number and consent for them as the provider to check your eligibility for the Energy Bill Relief payment.

Give our office a call if you have any questions.

- Nicole O'Sullivan

NICOLE'S FAB FOUR!

Favourite food? **Sunday roast**

Favourite holiday destination? **Fiji**

Favourite TV show? **Yellowstone**

Favourite app on your phone?
Weatherzone

Rebecca's Grandma's Choc Apricot Slice

- 1 packet Marie biscuits
- 1 packet Malt biscuits
- 250g butter
- 2 tablespoons golden syrup
- 1 tin condensed milk
- 1 cup peanuts
- ½ cup sultanas
- 1/2 cup chopped dried apricots

Put the biscuits and then the peanuts in the blender.

Melt butter, golden syrup and condensed milk. Add the biscuits and peanuts and mix. Press into two tins or Tupperware slice containers.

Cover with melted milk chocolate. Keep in the fridge.

