Firstlinks
a Morningstar company

Edition 592, 3 January 2025

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Editorial

Welcome to our 13th year of publication and I hope you had lovely Christmas and New Year.

One of the special features of Firstlinks is our community of readers and the many comments that our articles receive. Here is your chance to set the agenda for 2025. What topics would you like to see covered? Is there something we're missing? Are there authors you'd like to see more of? Or perhaps you'd like to get something off your chest and engage with others. If so, keep it civil and non-promotional.

Please leave your comments below.

James Gruber

In this week's edition...

Each week, Firstlinks receives more articles than we can publish. Selections are based on relevance for our subject areas and audience, quality of the writing and expected popularity. In 2024, we published more than 400 articles. While a good quality article on an investment topic might receive 5,000 views, this year we had several articles over 30,000. This week, we compiled a list of the most popular articles of 2024. From '16 ASX stocks to buy and hold forever', to 'The best strategy to build income for life', and 'Where baby boomer wealth will end up', there's something for everyone.

Roger Montgomery is back to give us his thoughts on 2025. While a chorus of market watchers insist the current rally in equities is overdone and that markets are ripe for a correction, Roger isn't so sure. He's done a deep dive through history and thinks there's reason for more optimism.

It's a time of year for both reflection and looking forward. **Kaye Fallick** has pondered her own life and the central role that travel has played. In creating cherished memories, meaningful connections, and personal growth. Rather than a luxury, she thinks of travel as a priceless investment.

Curated by James Gruber and Leisa Bell

The 20 most popular articles of 2024

James Gruber

The most popular articles of 2024 show the wide range of subjects covered by Firstlinks. As we return to work in 2021, it's useful to reflect on the issues that grabbed our attention. Unlike many other publications, Firstlinks does not simply focus on stock picks or finance industry issues.

The most viewed article may surprise you - it was 'An important Foxtel announcement' by Harry Morrow and Tom Keir of Loftus Peak. Close behind were my articles, 'Warren Buffett changes his mind at age 93' and '16 ASX stocks to buy and hold forever'.

The list below is by popularity and each heading includes a link to the relevant article. Enjoy.

An important Foxtel announcement…
Harry Morrow, Tom Keir | 11 September 2024

News Corp's plans to sell Foxtel are surprising in that streaming assets Kayo, Binge and Hubbl look likely to go with it. This and recent events in the US show the bind that legacy TV businesses find themselves in.

Warren Buffett changes his mind at age 93
James Gruber | 14 August 2024

This month, Buffett made waves by revealing he'd sold almost 50% of his shares in Apple in the second quarter. The sale not only shows that Buffett has changed his mind on the stock but remains at the peak of his powers.

16 ASX stocks to buy and hold forever
James Gruber | 28 February 2024

In his recent shareholder letter, Warren Buffett mentions several stocks he expects Berkshire Hathaway will own indefinitely, including Occidental Petroleum. We look at ASX stocks that investors could buy and hold forever.

Vale Graham Hand
Chris Cuffe, James Gruber, Mark LaMonica CFA | 19 November 2024

It's with heavy hearts that we announce Firstlinks' co-founder and former Managing Editor, Graham Hand, has died aged 66. Graham was a legendary figure in the finance industry and here are three tributes to him.

2024/25 super thresholds – key changes and implications
Julie Steed | 27 March 2024

The ATO has released all the superannuation rates and thresholds that will apply from 1 July 2024. Here's what's changing and what's not, and some key considerations and opportunities in the lead up to 30 June and beyond.

Warren Buffett is preparing for a bear market. Should you?
James Gruber | 6 November 2024

Berkshire Hathaway's third quarter earnings update reveals Buffett is selling stocks and building record cash reserves. Here's a look at his track record in calling market tops and whether you should follow his lead and dial down risk.

Where Baby Boomer wealth will end up
Te Okeroa | 15 May 2024

By 2028, all Baby Boomers will be eligible for retirement and the Baby Boomer bubble will have all but deflated. Where will this generation's money end up, and what are the implications for the wealth management industry?

11 ASX dividend stocks for the next decade
James Gruber | 6 March 2024

What are the best stocks to own that can pay regular dividends and beat indices on a total return basis in the long-term? Here is our list of 11 ASX-listed companies that could help investors achieve these goals.

Are term deposits attractive right now?
James Gruber | 8 May 2024

If you're like me, you may have put money into term deposits over the past year and it's time to decide whether to roll them over or look elsewhere. Here are the pros and cons of cash versus other assets right now.

How retiree spending plummets as we age
Ruvinda Nanayakkara | 8 May 2024

There's been little debate on how spending changes as people progress through retirement. Yet, it's a critical issue as it can have a significant impact on the level of savings required at the point of retirement.

Uncomfortable truths: The real cost of living in retirement
Kaye Fallick | 24 April 2024

How useful are the retirement savings and spending targets put out by various groups such as ASFA? Not very, and it's reducing the ability of ordinary retirees to fully understand their retirement income options.

Welcome to Firstlinks Edition 583 with weekend update
James Gruber | 24 October 2024

Investing guru Howard Marks says he had two epiphanies while visiting Australia recently: the two major asset classes aren't what you think they are, and one key decision matters above all else when building portfolios.

Meg on SMSFs: Clearing up confusion on the $3 million super tax
Meg Heffron | 12 June 2024

There seems to be more confusion than clarity about the mechanics of how the new $3 million super tax is supposed to work. Here is an attempt to answer some of the questions from my previous work on the issue.

How much do you need to retire comfortably?
Ashley Owen | 22 May 2024

Two commonly asked questions are: 'How much do I need to retire' and 'How much can I afford to spend in retirement'? This is a guide to help you come up with your own numbers to suit your goals and needs.

Australian housing is twice as expensive as the US
James Gruber | 19 June 2024

A new report suggests Australian housing is twice as expensive as that of the US and UK on a price-to-income basis. It also reveals that it's cheaper to live in New York than most of our capital cities.

Meg on SMSFs: $3 million super tax coming whether we're ready or not
Meg Heffron | 15 May 2024

A Senate Committee reported back last week with a majority recommendation to pass the $3 million super tax unaltered. It seems that the tax is coming, and this is what those affected should be doing now to prepare for it.

The greatest investor you've never heard of
James Gruber | 13 March 2024

Jim Simons has achieved breathtaking returns of 62% p.a. over 33 years, a track record like no other, yet he remains little known to the public. Here's how he's done it, and the lessons that can be applied to our own investing.

Time to smash the retirement nest egg - but how?
Kaye Fallick | 6 March 2024

For decades, governments told people to save for retirement, then hold onto their nest eggs. Now, they're concerned that retirees aren't spending enough. How can we encourage reasonable spending patterns in retirement?

The nuts and bolts of family trusts
Greg Russo | 16 October 2024

There are well over 800,000 family trusts in Australia, controlling more than $3 trillion of assets. Here's a guide on whether a family trust may have a place in your individual investment strategy.

The best strategy to build income for life
Peter Thornhill | 31 January 2024

Owning quality, dividend-producing industrial shares is key to building a decent income stream. Here is an update on the long-term performance of industrial stocks against indices, listed property, and term deposits.

2025: Another bullish year ahead for equities?

Roger Montgomery

A chorus of market watchers insists the current rally in equities is overdone and that markets are ripe for a correction. They cite an array of indicators—ranging from surging inflows into exchange-traded funds and record call-option volumes to Warren Buffett's Berkshire holding vast cash reserves, not to mention lofty S&P 500 price-to-book and price-to-earnings ratios and a speculative frenzy in crypto and meme-coins.

Such signals, they say, reflect a frothy market ready to tumble.

Yet not only are high prices an insufficient trigger for a crash, but these warnings echo predictions of recessions and crashes that have circulated since 2022 and never materialised. Indeed, the dire forecasts of an economic downturn in 2022, 2023, and 2024 were all off the mark.

To be fair, a market correction is always possible. Corrections, after all, are a feature of investing, and there have been double-digit pullbacks in the S&P500 during every US presidential term since 1901, bar three. In fact, the worst pull backs have all occurred during Republican presidential terms. However, it is also important to address the problem by inverting the question and asking whether the core conditions for a sustained bull market remain intact as we move into the new year.

Why the rally persisted through 2024

To understand why 2025 may be another positive year, and perhaps even the best of the last three, it helps to revisit the logic behind our bullish stance maintained through 2022, 2023, and 2024. A helpful framework, and one that has proven prescient many times over, was provided nearly five decades ago by the Hong Kong-based research house Gavekal. As long as positive economic growth coincides with disinflation—slowing inflation—innovative companies with pricing power tend to flourish, as do their equity prices.

Contrary to persistent recession warnings, the global economy continued to expand at a modest pace over the last two years, and inflation has largely moderated.

As long as the outlook for economic growth and disinflation remains in the green zone, there is no reason to expect prices to correct.

Many point to the strength in prices of the so-called 'Magnificent Seven' U.S. tech giants as a sign of irrational exuberance. Their shares soared, and many suggest they have rallied beyond historically safe multiples. But remember, these companies are innovative companies with pricing power. Over the last 50 years, these are the companies investors have chased amid disinflation and positive economic growth.

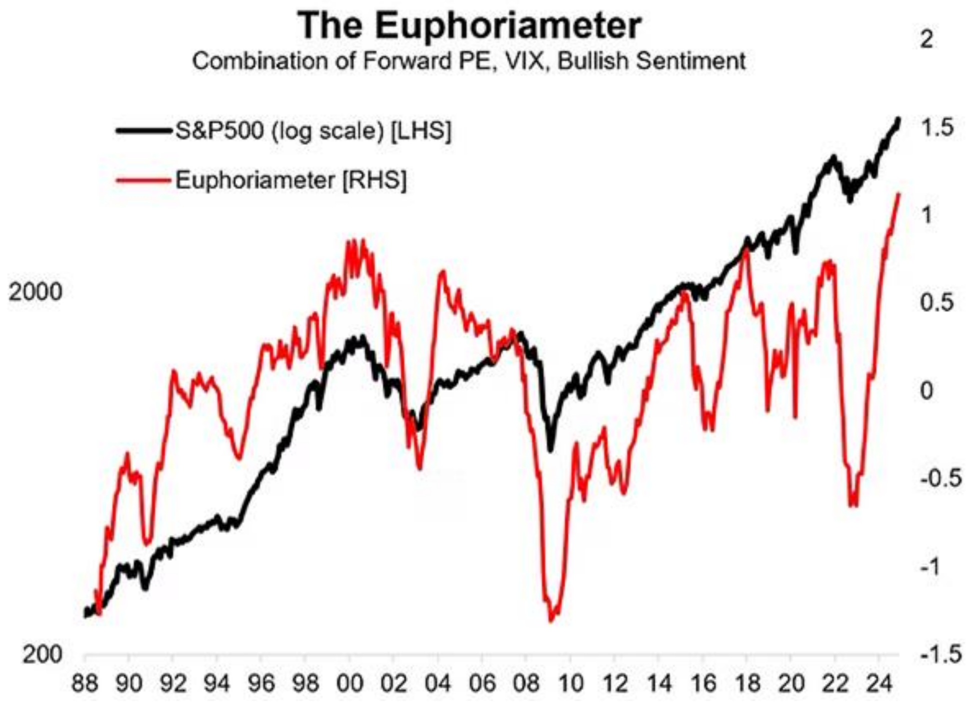
Another driver of the rally was the simple arithmetic of valuation. In late 2022, price-to-earnings (PE) ratios—particularly for smaller-cap U.S. stocks—were near historical lows, reflecting deep uncertainty and waning investor popularity. Buying shares at low multiples and selling later at the same modest multiples will always offer returns that match the underlying earnings growth of the company. As popularity (and thus valuations) inevitably recover, investors benefit twice: from earnings growth and from multiple expansion. Since September 2022, the S&P 500 has risen by about 70%, and the S&P 600 small-cap index by around 42%. So that worked as expected.

Signs of exuberance

There's a measure for irrational exuberance produced by Callum Thomas, the founder of Topdowncharts, in Queenstown, New Zealand.

The "Euphoriameter" developed by Callum Thomas, blends investor surveys, forward price-to-earnings ratios, and implied volatility into a single measure designed to spot periods of extreme optimism or despair.

Thomas currently estimates the return on the S&P 500 over the next five to ten years may average around negative five per cent per annum. He suggests an environment of euphoric sentiment and extended valuations exist and it might be wiser to look beyond U.S. equities for better returns, pointing to emerging markets, commodities, credit, Treasuries, and even cash as potentially more attractive bets.



Source: Topdowncharts

A cursory inspection of the Euphoriameter might lead one to sell everything and head for the hills. But a closer examination reveals extreme optimism has appeared many times before—1992, 2004, 2015, and 2017—without halting the market's longer-term climb. Indeed, on each of those occasions, the S&P500 rallied for some years.

As we look ahead, it's true that some indicators suggest caution. Speculative excesses, traditionally associated with late-stage booms, are increasingly visible. Stunts like a multimillion-dollar sale of a banana duct-taped to a wall and renewed enthusiasm for meme-coins and non-fungible tokens (NFTs) resemble the more frivolous hallmarks of market enthusiasm. Still, these episodes are occurring in peripheral corners of the financial landscape, not in assets critical to the global financial system's stability.

Yes, the S&P 500's price-to-book ratio and the Shiller CAPE ratio appear elevated by historical standards. But the composition of the S&P 500 has radically shifted over decades. It's dominated now by companies whose value lies in intangible assets—software, patents, networks—rather than railroads, factories, and physical capital items. Higher price-to-book ratios are inevitable. Similarly, the CAPE ratio's alarm bells may be muted if pandemic-era earnings skew the decade-long average of earnings that comprise the denominator.

Will 2025 still shine?

Despite calls for a downturn, the conditions that buoyed equities in previous years—positive growth and disinflation—persist. These, combined with America's unique advantages – including world's best productivity and demographics, world-leading investment in research and development and energy self-sufficiency have captured investors imagination and could lead the boom to become a bubble by late 2025.

Of course, no market moves in a straight line. Corrections will occur, and potential geopolitical shocks—such as China making a move on Taiwan—would change the outlook abruptly. Moreover, looking beyond 2025, the massive refinancing of trillions in global debt at higher interest rates could squeeze liquidity and temper the rally in subsequent years.

Still, it appears we are not yet at that euphoric zenith described by legendary investor John Templeton, who said: "Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria." While we may be edging closer to that latter stage, it's doubtful we are there yet. The exuberant vertical run-up in broad indices, which often marks the final innings of a bull market, has yet to materialize fully.

Roger Montgomery is the Chairman of Montgomery Investment Management and an author at www.RogerMontgomery.com. This article is for general information only and does not consider the circumstances of any individual.

Is travel your best investment?

Kaye Fallick

Is money spent on travel ever really wasted?

About 30 years ago, when our daughters were aged six and four, a colleague gave me a note from a calendar named *Life's Little Instruction Manual*. The instruction for June 1 was to 'Take family vacations, whether you can afford them or not. The memories will be priceless.'

We did follow this advice and found that the money we thought we didn't have was definitely best invested in family adventures, both at home and overseas. We still travel joyfully with these 30-somethings and they, too, happily invest in their own adventures…

January tends to be a time of reflection over what has been and planning for what might arise in the year ahead. One question that's bound to come up is 'Can you really afford that trip?'

I would ask, 'Can you not?'

Creating memories

Many of us are reaching a time of life when we can lose friends, family or colleagues without warning. Every day is indeed a bonus. And when we gather to celebrate these loved ones, how often is it the image of them laughing around a campfire or dining in a beachside shack that stays with you the longest?

Travel means different things to different people. The older I get, the smaller, more intentional my own travel becomes. It's not about luxury or resorts or scale. It's the opposite of a bucket list. It's the moments that now matter the most.

A couple of weeks ago I travelled to Sydney for the CEPAR retirement incomes conference. I was caught in the rain at the University of New South Wales, so I needed to book an Uber for a short journey I could have more easily walked in 15 minutes. The Uber took forever and when he finally arrived, the driver told me he had been stuck behind a barrier in the UNSW carpark. My immediate response was to think, 'Oh great, I get the driver who can't get out of a carpark?' But no, turns out he was a former UNSW lecturer, a European engineer who speaks three languages. We started talking about great literature – he said his favourite was the work of Evelyn Waugh. And then our conversation turned to Tolstoy, to *Anna Karenina* (he's read it five times) and *War and Peace* which neither of us has tackled yet. We made a pact we would both do this in 2025. What a legend this guy was. I swear he circled my hotel three times while we both remembered other brilliant books we wanted to share … a short trip made long, but a memorable, special connection. That's travel, right there.

Simple can be best

How do you plan travel that creates special memories or meaningful connections?

It doesn't have to be that hard. Start by being your own tour guide, doing your own version of a city. The year before the Covid pandemic surprised us all, I managed a week on my own in Italy before meeting up with our daughter. I stayed in the Trastevere district and walked across different bridges on the Tiber every day, getting my steps up and experiencing the varied neighbourhoods of Rome. I'm a big fan of the sixteenth century artist Caravaggio, so I created a walking tour of the five or so churches in central Rome that have his paintings. Most were small, very dark, very quiet allowing the space and freedom to contemplate his genius without crowd, security guards and distraction. Similarly, as a fan of the Stoics, I headed up the Capitoline Hill to sit at the feet of a huge bronze stature of Marcus Aurelius on his horse. I spent an hour there, people watching and thinking about his words of wisdom, before the heat of Rome's midday sun forced me to move on. Another memory, another moment I won't forget.

Being your own tour guide allows you to follow your interests in language, art, music, literature, faith, architecture in a way that is most powerful for you. You'll find plenty of ways to connect through these interests, be they language or cooking classes, free walking tours, pub singalongs or choir recitals.

Travelling alone is also powerful. You're frequently forced to connect and be the richer for it. Staying in local, small, personal guest houses or (non-Air) B&Bs is a surefire way to meet hosts and learn so much more about local issues and customs.

I'm continually impressed by what is reported to be Bill Gate's annual pilgrimage to 'somewhere quiet' with a bagful of books to just be, read and take in new ideas. It's clearly not really about the money – it's about small ambitions and slow travel.

This year I copied Bill's idea, travelling to the Greek island of Ithaka. Yes, this is the place that Odysseus strove to return to despite the vicissitudes of the gods who blew him off course at every opportunity. I get why Odysseus tried so hard to get back. It's hard to find words that do justice to the peace and glory of early morning in Ithaka's port town of Vathy; empty streets, golden clouds, deep green hills and pale pink, blue and lemon houses clustered around the aquamarine waters of the port. I learn that Vathy means 'deep'. It's apt. My mornings sitting at the Dentrakia Café are deep, with time to sit and be, rather than do. They'll stay with me forever.

I hope you enjoy this very brief 'cost-benefit analysis' of the true worth of travel. And in 2025 you will be your own best tour guide, making new adventures the wisest investment of all.

Kaye Fallick is Founder of STAYINGconnected website and SuperConnected enews. She has been a commentator on retirement income and ageing demographics since 1999. This article is general information and does not consider the circumstances of any person.