

AFL staff the latest to give AMP the punt

MICHAEL RODDAN

AFL employees have given scandal-plagued wealth manager AMP the punt after a 20-year relationship, shifting their superannuation management to industry fund Hostplus.

Hostplus, which was dragged on to the stand at the royal commission to face questions about corporate hospitality for sporting events — including \$40,000 spent on AFL Medallion Club tickets — will be the AFL's new retirement savings manager from March next year.

"Following a comprehensive review of our superannuation arrangements, Hostplus represented the most appropriate solution for our employees and have been appointed the AFL's default super fund provider," an AFL spokesman said.

The move represents a further shirt-fronting for AMP after the royal commission. The company's shares have lost 64 per cent since the start of the banking inquiry, and earlier this year the banking regulator issued strict compliance orders on AMP Super amid concerns over its governance, risk culture and management following the royal commission.

The action comes after AMP Super was referred to APRA following the royal commission for failing to act in its members' interests and potentially not complying with relevant laws.

The loss of the mandate is the most recent in a string of corpor-

ate customers removing their savings from AMP after the company was accused of misleading the Australian Securities & Investments Commission over a fees-for-no-service scandal revealed at the banking royal commission.

Earlier this year, Australian-Super won the \$300m contract to manage the savings of Australia Post employees. AMP also lost the Anglican National Super Plan to Mercer, while grocery supplier Metcash had dropped its long-term super contract with the company in favour of SunSuper. Coca-Cola Amatil, an AMP client since 2005, has also put its AMP contract out to tender.

Before the defections of more than 10 corporate clients, AMP managed about \$32bn under corporate super mandates.

In October, AMP said there was no material outflow from the loss of corporate super mandates during the third quarter of 2019. But the company tipped corporate super outflow of approximately \$1.4bn expected during the next 12 months.

According to the Australian Securities & Investments Commission guidance on corporate hospitality, following Hostplus' appearance at the royal commission, bosses will now no longer be granted free tickets to football grand finals by the country's superannuation funds, but they will still be allowed to enjoy a performance update over a "modest lunch" of "sandwiches and fruit" or a chat over a "low value" cup of tea or coffee.

Ex-APRA executive charged

MICHAEL RODDAN

The corporate watchdog has charged former Australian Prudential Regulation Authority manager Lyndon Allen Kingston with allegedly forging documents when he was boss of Bananacoast Community Credit Union.

The Australian Securities and Investments Commission has charged Mr Kingston with seven offences, including three counts of dishonest use of his position as director of the Bananacoast bank.

The charges also include two counts of providing false information and making and using false documents to induce a public official between 2015 and 2017.

A civil lawsuit last year accused Mr Kingston of repeatedly dodging questions from APRA about a contract with a company that paid him bonuses. The lawsuit also alleged Mr Kingston doctored paperwork to confuse the regulator. If found guilty, Mr Kingston could face up to 30 years' imprisonment.

Before he was recruited by Bananacoast in 2008, Mr Kingston had been a senior manager in APRA's specialised institutions division, where he monitored credit unions, including his later employer.

The Bananacoast Credit Union was established in 1970 by a group of 11 banana growers from the Nambucca Valley who repaid their loans in bananas. In April

this year, the bank, which has 50,000 customers and a \$1.4bn loan book, was given the go-ahead to merge with Perth-based P&N Bank to create one of the largest customer-owned banks in the country.

Mr Kingston appeared before the Brisbane Magistrates Court late last week and was granted bail. The case was adjourned until February 14.

ASIC has been investigating several current and former senior executives of Bananacoast, based in northern NSW and southeast Queensland, where Mr Kingston spent almost a decade as chief executive.

Mr Kingston was sacked for "serious misconduct" in late 2017 and the bank later accused him of running a multimillion-dollar racket featuring sham payments, kickbacks and bogus expense claims. He fired back at the company and sued Bananacoast over an alleged \$3.4m in unpaid bonuses, to which the lender filed a counterclaim alleging he took millions in uncommercial contracts, among other claims.

That case was discontinued earlier this year with a settlement out of court but the credit union's lawsuit against his spouse, Anna, remains before the Brisbane Supreme Court. The couple have denied any wrongdoing.

The Commonwealth Director of Public Prosecutions is prosecuting the current matter against Mr Kingston.

Festive rise in property listings

GERARD COCKBURN

National property figures have revealed an increase in the amount of listings hitting the market ahead of the Christmas period, with fresh stock driving the growth.

Data released by SQM Research on Tuesday showed November property listings rose 6.3 per cent to 338,971, from 318,874 in the previous month.

Hobart spurred the charge, posting the highest monthly rise in listings to 17 per cent, followed by Adelaide's rise of 10.8 per cent, Melbourne at 10.7 per cent and Canberra at 10.4 per cent.

Sydney and Brisbane also scored above the national average, with listings growth of 7.1 per cent and 6.8 per cent, respectively.

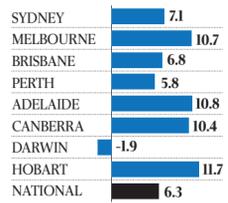
Perth recorded growth of 5.8 per cent, but the Darwin property market continued to contract, shrinking by 1.9 per cent in the month. SQM Research managing director Louis Christopher said the increase in listing activity was indicating a "return to a normal spring selling season".

"The rises were primarily driven by new listings, while old stock kept falling," he said.

"This suggests to me that sales volumes are on the rise and that sellers are starting to respond to the rising market."

New listings drove the monthly growth, with stock under 30

Monthly listings growth in November (%)



days old increasing 5.4 per cent. Property stock listed for more than 180 days fell 3.6 per cent.

The figures come as the Reserve Bank's recent interest rate cuts have lit a fire under dwelling prices nationally. Sydney's November house price growth was its fastest in more than 20 years, at 2.7 per cent. SQM's figures also indicated rises in dwelling prices across all other capital cities.

Monthly asking prices across major hubs rose marginally by 1.6 per cent for houses and 0.6 per cent on units, with the national average asking price for houses standing at \$954,800 and \$573,100 for units. Compared to this time last year, asking prices increased 2.4 per cent for houses and 0.7 per cent for units.

RBA governor Philip Lowe said an upswing in the market had contributed to the maintaining of the cash rate at 0.75 per cent.

Bourse suffers \$45bn wipe-out

EQUITIES

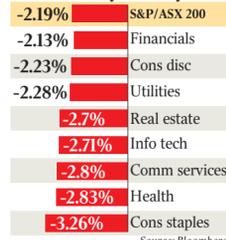
MELISSA YEO

Australian stocks have suffered their worst day since August, as more than \$45bn of market value was wiped from the bourse on Tuesday, with more than 95 per cent of stocks in negative territory.

A weak US lead was exacerbated by reports that the US was considering tariffs on Brazil, Argentina and France and amid uncertainty on the progress in trade negotiations with China.

In a further blow to the bourse, the Reserve Bank communicated a wait-and-see message on monetary stimulus, holding rates at

The market yesterday



historic lows of 0.75 per cent and sending shares to a low of 6703.7.

By the close, the S&P/ASX 200 was down 150 points, or 2.2 per cent, at 6712.3, with only eight

stocks managing to edge higher. The All Ordinaries finished down 147 points, or 2.1 per cent, at 6818.4. With markets recently hitting record highs, the decline does little to dent the near-17 per cent rally in stocks over the past 12 months.

"The market reaction to Tuesday's meeting saw a lift in the Australian dollar/US dollar as markets lowered the chance of a rate cut in February," CBA economist Belinda Allen said.

"We see the RBA taking time to assess the rate cuts delivered in June, July and October, but we continue to expect another easing in February 2020."

The RBA decision gave a slight boost to the dollar, which finished 0.43 per cent higher at US68.47c.

There was little to celebrate on the equities boards.

Financials fell hard, led by a 2.6 per cent drop in **Commonwealth Bank** to \$79.34.

Westpac fell 1.3 per cent to \$24.29, **ANZ** slumped 1.1 per cent to \$24.72 and **NAB** lost 1.8 per cent to \$25.43. New NAB boss Ross McEwan has told staff that consultants Bain & Company will assist in a three to four-month review as he works out the next leg of the bank's strategy.

AMP fell 3.8 per cent to \$1.88 as the AFL dropped it as its super manager.

Among the major miners, **BHP** fell 1.4 per cent to \$37.70, **Rio Tinto** lost 0.5 per cent to \$97.02 and **Fortescue** lost 1.5 per cent to \$9.87.

Caltex rejected an \$8.6bn takeover bid from Canadian outfit Couche-Tard, but it joined the market decline with its shares down 0.8 per cent at \$34.49 by the day's close.

Santos edged 0.62 per cent lower to \$8.05 despite upgrading its production guidance at its investor day.

The gas producer outperformed the rest of the energy market, despite expectations of the extension of output cuts at the OPEC meeting later this week.

Oil Search lost 2.7 per cent to \$7.10, **Origin** fell 1.7 per cent to \$8.57 and **Beach Energy** fell 3.7 per cent to \$2.34.

Meanwhile, **Woodside** said it expected to sign off on a final

investment decision for its Senegal oil project by the end of the month. Its shares finished 1.6 per cent lower at \$33.68.

Grocery distributor **Metcash** was out of favour after confirming a \$237m writedown in the first half after retail chain 7-Eleven announced it would not renew its supply agreement next year. The stock closed the session 1.4 per cent lower at \$2.91.

The consumer discretionary sector was the worst-performing sector, down by 3.3 per cent, led by a 3.9 per cent drop in **Blackmores** to \$78.93.

Woolworths lost 3.4 per cent to \$38.43, **Wesfarmers** fell 2.6 per cent to \$41.23 and **Coles** lost 4.2 per cent to \$15.67.

Bond fund chief warns of risky debt plays



Kate Samranvedhya, Charlie Jamieson & Angus Cooe from investment firm Jamieson Cooe Bonds

STUART MCEVOY

EXCLUSIVE

DAMON KITNEY

One of the nation's top bond fund managers has warned investors to carefully consider the fixed income component of their asset allocation strategies amid market volatility and the current rush into corporate debt opportunities, which it says can be "quite high risk".

Jamieson Cooe Bonds, which is chaired by former Future Fund chief executive Mark Burgess, currently has \$4bn of assets under management for institutional and retail investors.

JCB is pitching to the latter on the benefits of including defensive assets such as sovereign bonds into balanced portfolios to reduce risk but also maintain income.

While the group has won significant mandates over the past year from big super funds such as AustralianSuper and UniSuper, 25 per cent of its investor base is retail, and that figure is growing.

While JCB chief investment officer Charlie Jamieson said high-quality corporate debt offerings would probably be "fine", he said retail investors needed to make informed choices as they were dragged further up the credit risk curve late in the market cycle.

"We do worry about the fit for purpose nature of some of those allocations. Investors are chasing yield but at what price in terms of

Rise of ETFs makes next crash new territory for many

Continued from Page 17

market overall will make the investment public reconsider the fees-based stock-picking model that dominated before the popularity of ETFs.

There is already strong evidence that active managers are taking bigger, more concentrated bets in order to

distinguish themselves from ETFs.

New figures from Morningstar for the US market indicate the number of US funds "concentrating", or holding less than 35 stocks, has doubled over the past decade.

But there is little evidence "concentration" in itself leads to better returns.

"Some conviction funds do well, others do not," said Michael Malseed, associate director at Morningstar Australia.

risk and liquidity," Mr Jamieson told The Australian.

"We do have material concerns that some of these offerings are quite high risk in terms of the fixed income allocation. They won't be defensive. And as long as people understand the way these things behave. There is a raft of high-quality research to suggest it is very equity-like and can be asymmetric at the wrong point in the cycle."

JCB does not invest in corporate bonds.

The debt markets have become a yield opportunity for cashed-up family offices and institutional investors as the big banks have cut back funding in the wake of the Hayne royal commission.

But the sector is also catching the eye of retail investors, especially as attractive term deposit rates have become a thing of the

past in a climate of record low interest rates.

In recent weeks Virgin Australia has launched a \$150m listed debt offer, following a \$925m raising by private equity giant KKR and \$550m deal from Partners Group.

Bond giant Pimco is also working on a \$1bn raising, while private equity group CVC's specialist credit unit, CVC Credit Partners, is reportedly considering launching a listed investment company.

While not commenting on any specific LICs, JCB executive director Angus Cooe said: "If the underlying product freezes up, how does the LIC structure work? You see these products pop up late cycle over time. Structured products were the go 15 years ago.

"Liquidity needs to be paramount in investors' minds. When you are investing in fixed income,

you want certainty, you don't want risk."

After RBA governor Philip Lowe last week spelled out the path for lower interest rates and the subsequent prospect of adopting quantitative easing by purchasing government bonds, JCB

re-told clients "to learn more about these global QE programs, the mechanics of how they operate and the performance of assets classes thereafter."

"So many investors have been blindsided by the move in interest rate markets in the last 18 months, but this next possible phase has plenty of historical comparisons to help understand the implications," the firm said.

"JCB has written consistently over the years about interest rates being the virus that affects all things," and the "rubber band of interest rates" (that can only be

pulled so hard until everything snaps) and QE will have an impact on everything.

"On a supply versus demand basis, it should be very good for government bond investors."

JCB has been the beneficiary of interest rate cuts globally, which have helped propel returns on government bonds, which rise in value as markets price in lower long-term rates.

JCB's unhedged global bond strategy has delivered a return after fees and costs of 11.07 per cent since its inception at the end of February. The firm's hedged global bond strategy has delivered a return of 6.5 per cent per annum over the same period.

JCB opened an office in Singapore this year and hired a deputy chief investment officer based in Singapore, former Hong Kong Monetary Authority executive Kate Samranvedhya. It also recently won the Zenith Investment Partners Rising star award.

"We have opened a Singapore office. We are very focused on delivering global solutions in the retail space. We are expecting a lot of growth in that sector," Mr Cooe said. "With Singapore we would like to be providing solutions to both Australians and beyond. If we could take solutions abroad and provide high-quality portfolio outcomes, why wouldn't we consider that in the future?"

"To get an Asian-based view on the fixed income markets is a good thing to look at."

Economists pessimistic on Lowe's optimism

JAMES GLYNN



The Reserve Bank has closed the book on an eventful 2019 with a strong statement of faith that conventional monetary policy still has what it takes to accelerate an economy that's trundling along.

But most economists think the bank will be sadly disappointed, and 2020 is looming as a year of significant economic challenges.

There's every chance headlines next year will announce the arrival of expanded fiscal stimulus from Canberra, and quantitative easing from the RBA as targets for inflation, employment and GDP growth remain illusive, even drift further away.

The RBA kept the official cash rate at 0.75 per cent on Tuesday, with governor Philip Lowe lacing his accompanying remarks with a positive review of the bank's decision to aggressively cut rates in June, July and October.

"The easing of monetary policy this year is supporting employment and income growth in Australia and a return of inflation to the medium-term target range," Lowe said. The lower cash rate had put downward pressure on the dollar, which was supporting activity across a range of industries, he added.

"Lower mortgage rates are also boosting aggregate household disposable income, which, in time, will boost household spending," he said. In other words, the transmission mechanism of interest rate cuts into the real economy still works.

Lowe is genuinely entitled to point with some satisfaction to his performance this year. He's led a public discussion on the need for stimulus, called for support from Canberra, and pounded his desk about the need for productivity reforms.

Financial markets have also been given a concise road map for QE should it be needed. Lowe ruled out things such as negative interest rates, while defining the effective lower bound for the official cash rate at 0.25 per cent.

The transparency has helped keep markets operating normally.

It's now a case of sitting back through the summer months to see if the economy finds another gear. There are plenty of bets that it will fizzle disappointingly, making a further cut in February likely.

"As the RBA heads into its traditional summer hiatus with the next board meeting not until February 4, the onus will be on the rate-sensitive and high frequency data to strengthen," said Su-Lin Ong, chief economist at RBC Capital Markets.

It was highly unlikely that 0.75 per cent marks the low point for cash rate in this cycle, she added.

Rising unemployment and persistent sub-target inflation remains RBC's base case for 2020 and would probably demand more policy action, Ong said.

Morgan Stanley economist Chris Read said the RBA would fall short. "The RBA is still waiting to be disappointed by the data to move to further easing," he said.

Co-ordination between economic policymakers was now critical, and Josh Frydenberg should announce some form of fiscal stimulus in the government's budget statement in May, Read said.

Income tax and interest rate reductions meant there was stimulus forthcoming in 2019, but more was needed.

Market dives 2.2pc as steel tariff move ignites trade tensions

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markets were only down marginally shows this was Australia-specific," he said. "I still see the market hitting a fresh record high before New Year's Eve."

The Australian sharemarket continued to slip after the Reserve Bank sounded optimistic about the economy. While keeping rates on hold as expected, RBA governor Philip Lowe said lower rates were supporting jobs and wages growth and a return of inflation to the target range.

He said rate cuts had supported a range of industries by putting "downward pressure on the exchange rate" and had "boosted" asset prices, which in time should lead to increased spending — including on residential construction — and lower mortgage rates were "boosting aggregate house-



The market continued to slip after the RBA comments

hold disposable income, which, in time, will boost household spending."

"Given these effects of lower interest rates and the long and variable lags in the transmission of monetary policy, the Board decided to hold the cash rate steady

at this meeting while it continues to monitor developments, including in the labour market," Dr Lowesaid.

His comments pushed the Australian dollar up 0.4 per cent to a three-week high of US68.48c and contributed to a 10 basis point

jump in 10 year bond yields to a three-week high of 1.20 per cent.

But Dr Lowe added that it was "reasonable to expect that an extended period of low interest rates will be required in Australia to reach full employment and achieve the inflation target" and the RBA is "prepared to ease monetary policy further if needed to support sustainable growth in the economy, full employment and the achievement of the inflation target over time."

Market pricing of future interest rate cuts by the RBA still showed a substantial 55 per cent chance of a 25 basis point cut at the next meeting in February.

Before Tuesday's meeting a rate cut was almost fully expected by April, but the market pushed that out to June after the optimistic stance taken by the RBA.

Still, Commonwealth Bank

economists took the opportunity to forecast a second interest rate cut to 0.25 per cent in August 2020, while continuing to predict a cut to 0.5 per cent in February.

"Our cash rate profile allows sufficient time for the RBA to assess the rate cuts to date and also for conventional fiscal policy, our preferred option, to come into play," said CBA senior economist Belinda Allen.

"The chance of any fiscal stimulus in the mid-year Budget review later this month has all but been ruled out by the Prime Minister and Treasurer, so the fiscal focus will be the May 2020 Budget."

"A top-up of the tax rebates or bringing forward income tax cuts would be the preferred option. There are capacity constraints if further infrastructure spending is announced."