



Client Bulletin December 2022

Mike Phipps. 0448 813 090
mike@mikehippsfinance.com.au

Paul Grant. 0448 417 754
paul@mikehippsfinance.com.au

Cameron Wicking. 0477 776 859
cameron@mikehippsfinance.com.au

Head Office
4/31 Mary Street
NOOSAVILLE QLD 4566

Office. 07 5470 2194
Fax. 07 5455 6626
www.mikehippsfinance.com.au



I'm the first to admit I don't "get" crypto currency or the trading that seems to underpin the price. What I do get is that a company called Berkshire Hathaway and a bloke on it's board called Warren Buffet have been making mostly sound investment calls for a while now. Mr Buffet has variously called bitcoin "rat poison squared" and stated that he wouldn't buy all the bitcoin in the world for \$25. So far as I can tell crypto / bitcoin / whatever is underpinned by a singular value proposition. It's a proposition as old as time itself.....speculate and hope there's a bigger mug punter out there somewhere. It's kinda like Ponzi but in plain sight. Anyway, last week a crypto exchange (whatever that is) called FTX collapsed. Apparently, it's one of the largest in the world. Here's what the man appointed to administer the train wreck had to say:

"Never in my career have I seen such a complete failure of corporate controls and such a complete absence of trustworthy financial information as occurred here. From compromised systems integrity and faulty regulatory oversight abroad, to the concentration of control in the hands of a very small group of inexperienced, unsophisticated and potentially compromised individuals, this situation is unprecedented." John J Ray

Wow ! To paraphrase Winston.....never in the field of human investment was so much lost by so many. The losses will indeed be huge (\$8B USD and counting) but there is good news on two fronts. Firstly, I live in hope that investors of all sorts will learn from this and take a long hard look at opportunities that don't really do anything or add any value. The digital age will continue to throw up places to put money that will be super high risk and potentially super high return. It's just another version of a gold rush in which there will be more losers than winners. Secondly, the whole debacle has given us, without doubt, the best possible name for the architect of this mess. Ladies and gentlemen, I give you Sam Bankman-Fried, now former FTX CEO. To put it bluntly, Sam was the bank man and things are most certainly fried !

Anyway, enough about worthless asset classes. Time for some reflection.

What a funny old year this has been as we emerge from the pandemic and show the first signs of rekindling our romance with the very people who, to their misfortune, were probably the source of the cursed virus and continue to suffer as a result. In my experience every relationship has it's rocky moments, but it's hard to think that attempting to cover up the introduction of a transmittable bug to a close partner could be easily forgiven. I guess the average Aussie politician must be a lot more understanding than some of my old girlfriends ! Mind you, my old girlfriends had little to lose by walking away.

In any event it's comforting to see two world leaders acting like grown ups and actually having a conversation, man to man, so to speak. To me it makes no sense to be at odds with a close and very powerful neighbour so it looks like Albo and Penny are on the right track with this one. Yes, I'm as shocked as you dear readers.

That's good news item #1. We move on.

I've watched events as they unfold in Ukraine with a combination of interest and horror. Such a dreadful conflict initiated by a former KGB agent with designs on reinstating the former USSR can surely be bad news for all mankind. Maybe not. If strategies to punish countries who rely on Russian energy exports result in a rethink of energy security and reliability among EU countries than the suffering of the Ukrainians will not have been in vain. That and the unearthing of a real leader in the true sense of the word. When President Volodymyr Zelenskyy told the yanks he needed ammunition, not a ride, I knew we had the quote of the year. So, a terrible story but maybe, just maybe, with a silver lining.

Which leads me to the mother of all silver linings. Having completely overreacted to Covid our various governments, in total panic and hysteria mode, managed to pump so much money into the system that the outcome was inevitable. From .1% in November 2020 the RBA Cash Rate today sits at 2.85%. For many, loan repayments have doubled and household budgets are under pressure as inflation takes its toll. Here's the thing. It's easy to be a bit frivolous and woke when money is cheap, and prices aren't going up. The true beliefs of a large portion of our population will be revealed when it's a choice between paying the mortgage and keeping the lights on or supporting myriad social and environmental causes. I expect a back-to-basics mindset in the community and political strategies that better reflect real world outcomes. I think having it too good for too long can create a level of hubris that can be dangerous. Those days are over for now and that is, to mis-quote Paul Keating, the news we had to have. We can return to vanity projects, waste of public money and virtue signalling sometime down the track.

That's the positive spin on world events, what's happening at a local level ?

Let me start with domestic business travel, which, lets face it, got smashed by Covid. Turns out our captains of industry are sick to death of Zoom meetings (can't blame them) and corporates are travelling and conferencing again. Business travel spending in August hit 92% of pre Covid levels with trade fairs, seminars and team building retreats high on the agenda. Team building.....hmmm...when I worked for a certain bank that was code for a bit of alcohol fuelled fun and games.....how times have changed.

Comments from business leaders hint at the need to reconnect staff and get back to team orientated organisational structures. I suspect the death of the CBD office is over exaggerated, as is the work from home movement. Just ask the world's richest man, who I note has ordered the 3 remaining staff at Twitter back into the office for some, as he puts it, hardcore work.

It gets better. According to figures released by the federal government's Tourism Research Australia agency domestic tourism spending is up \$1.9B on pre-pandemic levels. The increase is most profound in Queensland, up 64% with South Australia still doing well off the serial killer market at 51%. Of course, the little Aussie battler (dollar) is copping a belting at present so the average punter will no doubt continue to holiday at home while inbound international travel must surely bounce back.



**Industry finance
specialists with
over 80 years
combined
experience.**



Now here's the really good news. Accommodation assets including management rights and motels are incredibly well placed to weather the storm. Even with higher interest rates money is still relatively cheap and price to earnings ratios in the sector suggest little concern for finance or inflation driven failure. We are seeing virtually no loan impairments (bank speak for arrears) across a very large loan portfolio. Yes, the power bills will be higher, and cleaners won't be \$25 an hour anymore but relative to other industries I predict the accommodation sector to go from strength to strength. Businesses are travelling again, the dollar is inviting for international visitors and leisure travel is safe, relatively predictable and conducted in a safe political environment. Australia is certainly the lucky country and I think our luck will continue.

Of course, as my dad might say, the harder you work, the luckier you get.

Finally, what of next year? Here's a selection of the likely, the improbable and just plain odd according to Mike.

- Donald Trump will withdraw his presidential nomination and endorse Ron DeSantis. Better the king maker than the has been. Joe Biden, on the other hand, will forget to nominate at all.
- Elon Musk will use Space X to send his cryonically frozen body to Mars where he will continue to use Twitter to abuse and direct his subjects. Net worth will rise exponentially.
- Interest rates will plateau in the second quarter of 2023. Will not hit the predicted 3.25% cash rate. No, I am not taking bets!
- Labours IR legislation will not make it through in its current form, signalling the early decline of Team Albo. Tony Burke and Chris Bowen will jostle for position in an evil of two lessers contest with Penny Wong emerging unscathed.....again.
- Jacinta Arden will not be re-elected as NZ PM, effectively ending the era of the woke yet empty vessel. The election is due by the 13th January 2024 but I'll bet my house she goes early. The result may well be a bellwether event that will embolden the coalition to get its mojo back. I'm not holding my breath, but miracles do happen.
- The other Jacinta, that is Ms Nampijinpa Price will continue to be a beacon of hope and common sense and if we must have a president, it's her. Of course, with bandana man and his missus championing the republic course there's no hope.
- The managing director will continue to tolerate me despite my many failings, pathetic excuses and reckless spending. Is it true that 2023 is the Chinese Year of the Ferrari? If so, I suspect it will also be the year of the homeless finance broker so no chance there.

In closing, and thanks to our wonderful team and equally sensational clients and supporters we had a truly cracking year. We settled deals for an aggregate value of over \$370M with great support from all our lenders. Paul Grant, my long-suffering lieutenant ticked over 9 years with us and hit \$1B dollars in total settlements. Cameron Wicking, off a late call up in 2018, hit \$300M in total settlements. I'm unsure what rank to assign to Cam. Maybe Shao wei.

To Simone, Josh, Tayla, Cam and Paul. Well done gang. You are a winning team and a good news story.

Mike Phipps F Fin
Director | Phippsfin Pty Ltd



Mike Phipps. **0448 813 090**
mike@mikephippsfinance.com.au

Paul Grant. **0448 417 754**
paul@mikephippsfinance.com.au

Cameron Wicking. **0477 776 859**
cameron@mikephippsfinance.com.au

Head Office
4/31 Mary Street
NOOSAVILLE QLD 4566

Office. 07 5470 2194
Fax. 07 5455 6626
www.mikephippsfinance.com.au

