

Money Never Sleeps

The Newsletter for the Informed Investor



Wealth Management
Dominion Securities

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Vito Finucci, B.Comm., CIM, FCSI

Vice-President & Director,
Investment Advisor
Associate Portfolio Manager
519-675-2011
vito.finucci@rbc.com

Jodie Fuller

Associate Advisor
519-675-2511
jodie.fuller@rbc.com

Sarah Smith, CIM, PFP

Associate Advisor
519-675-2505
sarah.e.smith@rbc.com

Jessica Basacco

Administrative Assistant
519-675-2021
jessica.basacco@rbc.com

Gary Weatherup, CFP

Associate Advisor &
Financial Planner
519-675-2021
gary.weatherup@rbc.com

Philip Mast

Associate
519-675-2505
philip.mast@rbc.com

Fax: 519-675-2020
www.rbcds.com/vito.finucci

RBC Dominion Securities
148 Fullarton St., Suite 1900
London, ON N6A 5P3



Observations from “Down Under”

“Don’t worry about the World ending today, it’s already tomorrow in Australia.”

– Peanuts Cartoonist Charles M. Schulz



I have recently enjoyed my first two-week holiday ever since joining RBC over 36 years ago. I had the pleasure of travelling around the globe to Australia and New Zealand, and just wanted to share some thoughts and observations as the subject of this newsletter.

First, let’s specify – we spent five days in Sydney, Australia. I would guess Sydney is not a fair representation of the entire country, but I would say it’s a good start. I put Sydney in the top 4-5 cities I have ever visited.

General

Sydney’s population is just over four million people (and the entire population of Australia is 24 million). It may be situated on one of the most beautiful harbours in the world, framed by the Sydney Opera House and the Harbour Bridge. The city is very spread out and actually stretches on both sides of the harbor.

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Infrastructure

When I compare Sydney to Toronto (with approximately three million people) and see how Sydney developed its harbour, it's not even a close competition. Sydney has been very strategic in its infrastructure spending and aesthetics. It has maintained the integrity of the waterfront as public space and not let developers have their way. From my first hotel window view, I could see 12 construction cranes, so building seemed healthy. And property prices, especially driven by Asian investment, are over the top.

Sydney is right in the middle of a mega public light rail transportation overhaul which, when all is said and done, will cost somewhere in the \$10 billion range. Downtown has been torn up for some time, costs have escalated and deadlines extended (hear that, London?). Approximately 13 new stations are scheduled to be open in the first half of 2019 and will also introduce Sydney's first underground metro.

There is currently a lot of debate over a second harbor bridge, as the current bridge handles between 150,000 to 200,000 cars on a daily basis.



Sydney Harbour Bridge



Sydney Opera House

Retail



Queen Victoria Building

Retail is alive and well in Sydney. If you are a "foodie," Sydney has some incredible choices. Shopping wise, Sydney has not only kept buildings like the Strand Arcade (opened in 1982) and the huge Queen Victoria Building (1898) alive and well, but has also maintained character in the buildings' wrought iron works and staircases.

Additionally, we found that many establishments now charge a surcharge to use a credit card to pay!

Given the amount of open space in the city, we also saw a lot of buskers and street performers who were pretty talented.



Housing

I had the pleasure of sharing breakfast with a senior Human Resource Manager with Italian eyewear maker Luxottica. You may not recognize that name but they own such brands as Oakley, Persol, Ray Ban, Sunglass Hut and Lenscrafters, and make glasses and frames for names like Chanel, Prada, Armani, Versace and DKNY, among others. Last year's revenues were about \$12 billion (USD).

This gentleman was a German ex-pat and responsible for 5,000 employees in eastern Australia alone. He explained their feelings toward a "living wage," and how it worked.

He explained how expensive rentals were, and how he and his wife pay \$2,600 per month for a very small two-bedroom flat in Sydney, where as in Germany he had a four-bedroom for the same price.

The most interesting part of the conversation was collecting his thoughts on what was going on in Germany (Chancellor Merkel, etc.). We then swung to a conversation on the huge difference in number of refugees in Germany (about 900,000 in 2015 and 750,000 in 2016 (Source, Euronews.com). Australia has taken in only 6,000 refugees for all of 2013, 2014, 2015 and 2016. To say they have strict refugee policy would be an understatement.

In fact, Australia regularly sends in its navy to push asylum seekers back with a "stop the boats" policy. Some unlucky asylum seekers (reportedly about 1,200) have been captured and forcibly sent to the Pacific Island of Nauru where they are in a form of containment, some now there for over three years.

Finance

A trip to the Australian Stock Exchange (ASX) was an eye-opener as well. It isn't an "exchange," per se, that we would imagine, with a trading floor as in Toronto, New York or Chicago.

In fact, there isn't even a "floor." Everything is digital and all you see are the two trading screens in the photos.



Australia Stock Exchange

Australia's market is similar to our Toronto Stock Exchange, heavily weighted towards financials, energy (a bit) and heavy on mining (perhaps more so). In my meetings with Aussie advisors, the consensus was that the commodity cycle is about to kick in, and they were pretty optimistic overall. I have to admit, the view from RBC Capital Markets in Sydney was much better than ours in London, Ontario.



View from 47th Floor at RBC

Bank deposits in Australia pay in the 2.5-3% range.

Advisors in Sydney all wear suits, but nine out of 10 wear no ties (just the grey-haired gents). Happy hour lives up to its name Australia. They LOVE happy hours from 4:00 p.m. to 6:00 p.m. and all the patios were jammed Tuesday to Friday (and they were all wearing suits, so they weren't tourists).

Cabbies

Like every major city I've been to in the last three years, Uber is crushing cab drivers. Most claim they are down 40-60% in revenues, but when asked why they don't switch, there is resistance. One cabbie said he pays \$9,300 a year for cab insurance, while his brother at Uber pays only \$780, so, as he said, "how can he have the same coverage?"

Minimum wage

Given our recent commentary on the subject, and the increases hitting us as we write, this is one I spent a lot of time inquiring about.

Minimum wage in Sydney is approximately \$18 per hour, but has a lot of variables which can get it to about \$27 on average. Most who work on Sundays get \$36-38 minimum wage per hour. Observing the results of this became a bit of a science experiment for me.

To say food prices were expensive would be a massive understatement. One breakfast I had was two scrambled eggs on two pieces of dry bread, no side, no meat: \$29. With coffee? \$35 (ouch). And you see the results:

- Most restaurants have no tipping (95%). None. Zero. Only time I had an option to tip was at a couple fine dining places.
- The service is expected with no "carrot:" no pleasantries, nobody offering another glass of wine or dessert. In many places, water is self-serve.
- It often takes 30-40 minutes to get a bill.
- Those \$29 eggs? It took 40 minutes to get them.
- Had drinks at the Opera House with a beautiful view. The server there made \$27 an hour, but said he made a lot more money in Hawaii with its \$8 minimum wage.

So, net conclusions of my experiment?

- With a higher minimum wage, establishment makes less as a result

of higher costs, less turnover of tables and no up-selling.

- Servers make a lot less and most just don't seem happy in their jobs.
- Clients lose because less service is not what we are used to.

People

Of all the countries we've been to, the Irish still take the crown as the nicest people (yes, even ahead of the Italians), but I have to say, the Aussies are right up there.

In a city of over four million people, I never heard a single car horn in five days. Drivers often screech to a halt to let pedestrians cross (not so in Toronto or New York where I swear they aim for you!)

From the airport cab ride, to the hotel, to every shop or meeting, the Aussies quickly became some of my favourite people on Earth.

And I have to say, what's with all the men? They are all tall, fit, men's men who are simply hunks – then they start talking with that accent. Let's face it North America, we can't compete!

New Zealand

Without repeating a whole lot, New Zealand is a mini version of Australia, but even more laid back. It reminded me of Eastern Canada with that "chill" feel.

- The entire population of New Zealand is 4.7 million, spread over two islands.
- Minimum wage is \$19, and I had the same observations in restaurants.
- Housing is crazy expensive – \$1,600 a month in Wellington (the capital) for a bedroom with shared kitchen/livingroom with four others.
- Unlike Canada, the indigenous Maori are integrated. There are no "reserves" and fewer government programs.
- Bank deposits pay an amazing 3.90%.

- The new government elected not long ago is extremely left.
- The biggest export is the famous New Zealand All Blacks Rugby Team which has won the last two Rugby World Cups in 2011 and 2015. They have an incredible 80% winning record and simply dominate the sport.

The bottom line: “Kiwis” would rank right up there as simply good, genuine human beings, and the country of New Zealand, physically, has to be one of the most beautiful places on Earth.

While the 30+ hours in travel time tested my already minimal patience, I do look forward to visiting “Down Under” in the future again one day. The chart below says it all!



New Zealand – North Island



Wellington Harbour

The happiest countries in the world

Ranking is based on different social and political factors (2014-2016)

1. Norway		11. Israel	
2. Denmark		12. Costa Rica	
3. Iceland		13. Austria	
4. Switzerland		14. United States	
5. Finland		15. Ireland	
6. Netherlands		16. Germany	
7. Canada		17. Belgium	
8. New Zealand		18. Luxembourg	
9. Australia		19. United Kingdom	
10. Sweden		20. Chile	

Source: World Happiness Report 2017

A special welcome to all new clients who have joined us

Thank you especially to clients who have mentioned our name to people they know. As a sign of gratitude, four times a year we'll randomly select a client who has introduced our services to a friend for special acknowledgement via a nice dinner at one of the finer restaurants in London.

Our winner this quarter is Leslie B.

Please don't keep us a secret!

We are very happy and proud of the clients we serve in our practice and we are always open to serve more clients just like you. Should you be talking to someone who is unhappy with their current advisor, or would like a second opinion, we would be grateful if you passed on our numbers: 519-675-2011 or 1-800-265-5911. Thanks for keeping us in mind.



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