

Wealth Update

Winter 2025



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Technical update: Key actual and prospective changes from 1 July 2025

Overview

This article summarises the latest changes across superannuation and Age Pension rules from 1 July 2025 (or as specified).

Increase in employer superannuation guarantee

Workers will see the automated schedule for the superannuation guarantee lift from 1 July 2025. Employer superannuation contributions will now be 12% of worker's ordinary time earnings, up from 11.5% in FY25¹.

Transfer Balance changes

The Transfer Balance Cap (TBC) governs the total amount of superannuation that can be transferred into the retirement phase² by a given individual. This cap is now increasing by \$0.1m to \$2m for FY26. This \$100,000 presents an additional amount that individuals will be able to transition into a tax-free retirement transition income stream.

For future reference, note that the TBC amount is indexed to CPI so it should gradually increase with inflation over time. There is a nuance to this however where the increase is only applied in \$100,000 increments³ and rounded down instead of up to the nearest \$100,000. Current consensus inflation forecasts (2.5% for 2025 and 2.7% for 2026) would suggest no increase for FY27 and instead FY28 for the next uptick in the TBC.

Changes in key Age Pension rates

The latest Age Pension rates to 20 September are as follows. Future increases will likely be smaller given the slowdown in headline inflation. The new rates are as follows.

Age Pension rates (20 September 2025 to 19 September 2025)

Household	Payment (fortnightly)	Payment (annual)
Single	\$1,149	\$29,874
Couple (individual)	\$866.10	\$22,518.60
Couple (combined)	\$1,732.20	\$45,037.20
Couple (separated due to illness)	\$2,298 (combined)	\$59,748 (combined)

Source: Services Australia⁴ (NB these rates are inclusive of both Pension and Energy Supplements)

¹ 'Super guarantee', *Australian Taxation Office*, <https://www.ato.gov.au/tax-rates-and-codes/key-superannuation-rates-and-thresholds/super-guarantee> (accessed 1 April 2025).

² 'Transfer balance cap', *Australian Taxation Office*, <https://www.ato.gov.au/tax-rates-and-codes/key-superannuation-rates-and-thresholds/transfer-balance-cap>, (accessed 25 February 2025).

³ A. Cullen, 'Indexation of the Transfer Balance Cap', *SMSF Insider* (17 February 2023), <https://superconcepts.com.au/SMSF-insights/blog/smsf-insider/2023/02/16/indexation-of-the-transfer-balance-cap>, (accessed 20 April 2025).

⁴ 'How much you can get', *Services Australia*, <https://www.servicesaustralia.gov.au/how-much-age-pension-you-can-get?context=22526>, (accessed 1 June 2025).



Age Pension asset test thresholds

It is important to recall that the Age Pension is subject to an asset test to assess whether an individual is entitled to full or partial entitlement. In addition the test varies according to an individual's personal circumstances e.g. whether single or as part of a couple. If the latter case the couple is assessed on their collective asset holdings which can be property or other items that you or your partner have an interest in or, partial or full ownership.

Full Pension

Your situation	Homeowner	Non-homeowner
Single	\$314,000	\$566,000
Couple (combined)	\$470,000	\$722,000
Couple (separated due to illness, combined)	\$470,000	\$722,000
Couple (one partner eligible, combined)	\$470,000	\$722,000

Source: Services Australia⁵

Part Pension

Note that from 20 March 2025, part pensions are cancelled once assets exceed the cutoff point that reflects your situation. If you are part of a couple the limit is assessed on a combined basis, not individually.

Your situation	Homeowner	Non-homeowner
Single	\$697,000	\$949,000
Couple (combined)	\$1,047,500	\$1,299,500
Couple (separated due to illness, combined)	\$1,236,000	\$1,488,000
Couple (one partner eligible, combined)	\$1,047,500	\$1,299,500

Source: Services Australia⁶

Transitional rate of pension

Note that from 20 March 2025, part pensions are cancelled once assets exceed the cutoff point that reflects your situation. This applies to the combined threshold for a couple rather than being individually assessed.

Your situation	Homeowner	Non-homeowner
Single	\$629,000	\$881,000
Couple (combined)	\$978,500	\$1,230,500

⁵ 'Assets test', *Services Australia* (20 March 2025), <https://www.servicesaustralia.gov.au/assets-test-for-age-pension?context=22526>, (accessed 10 May 2025).

⁶ As above.



Your situation	Homeowner	Non-homeowner
Couple (separated due to illness, combined)	\$1,100,000	\$1,352,500
Couple (one partner eligible, combined)	\$978,500	\$1,230,500

Source: Services Australia⁷

Upcoming changes – Division 296

Division 296 is a proposal to tax earnings on superannuation for the proportion of an individual's super that exceeds \$3 million at a rate of 15%. This applies specifically to those individuals in retirement phase and would be in addition to the \$2m cap (the Transfer Balance Cap) that is the current maximum that can be tax-exempt. The changes appear likely to look like the following.

Your situation	Current Tax rate	Proposed Tax rate
Earnings below Transfer Balance Cap (\$2m)	0%	0%
Earnings between TBC and \$3m threshold (combined)	15%	15%
Earnings on super balance above \$3m		30%

Source: AFSA⁸

There are considerable nuances in the application of the new tax. For example it still appears to be the case that it will apply to unrealised capital gains. Typically taxation in super would apply only to income produced from investments as well as realised capital gains from investments (e.g. shares, property etc) that have been sold. We are awaiting further details before its full implications can be discussed.

Conclusion

In summary it is important to note that key rates and caps within super and the pension are subject to indexation and other, more sporadic changes that people should be aware of. In addition, greater awareness of current levels, tests and upcoming changes to these can help identify opportunities that arise depending on your circumstances. For more information we encourage you to engage with your advisor.

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⁷ As above.

⁸ 'ASFA Fact Sheet on Div 296 and proposed changes', ASFA (5 June 2025), <https://www.superannuation.asn.au/media-release/asfa-fact-sheet-on-div-296-and-proposed-changes/>, (accessed 10 May 2025).

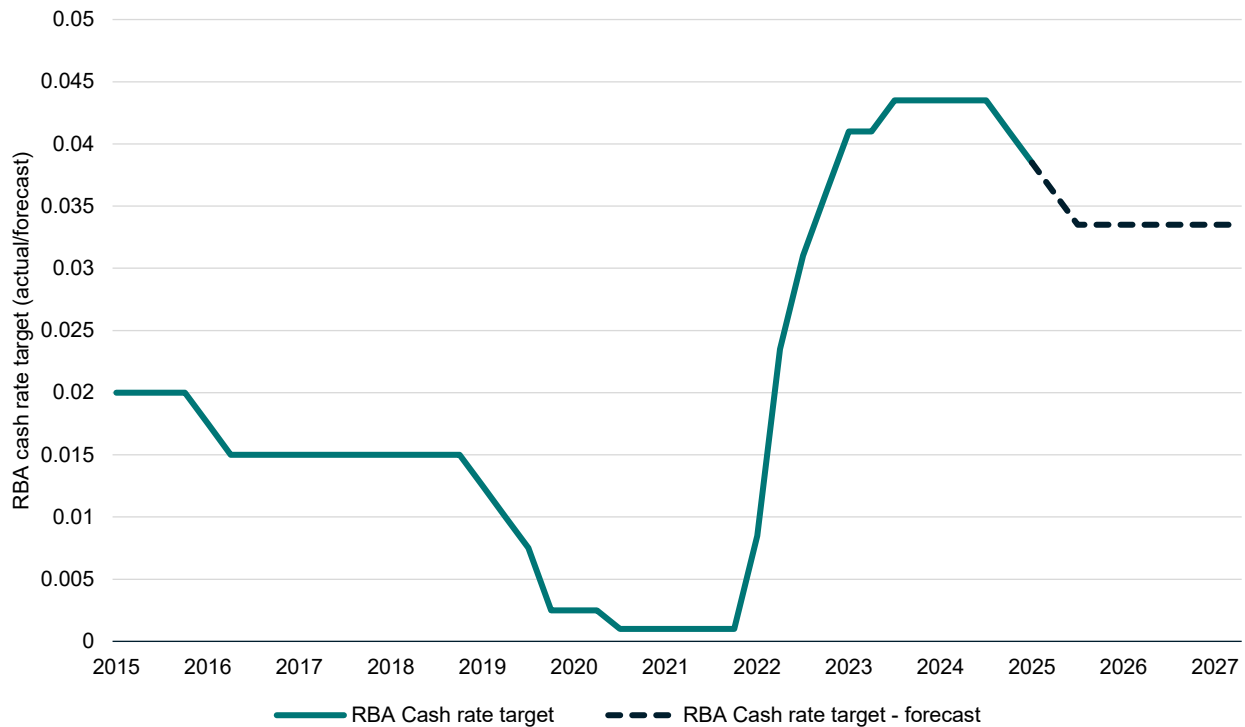


Stick or Twist – what to do when rates drop?

Introduction

Australian interest rates are set to head lower in the near term. The Reserve Bank of Australia (RBA) began its easing cycle earlier this year with economist consensus expectations anticipating a further 0.5% worth of cuts at a minimum by mid-2026. Given the disappointments in recent economic data it remains possible that rate cuts will be deeper than expected although the economic backdrop remains fluid.

RBA cash rate target – actual versus forecast (Jun-15 to Jun-25)



Source: Bloomberg

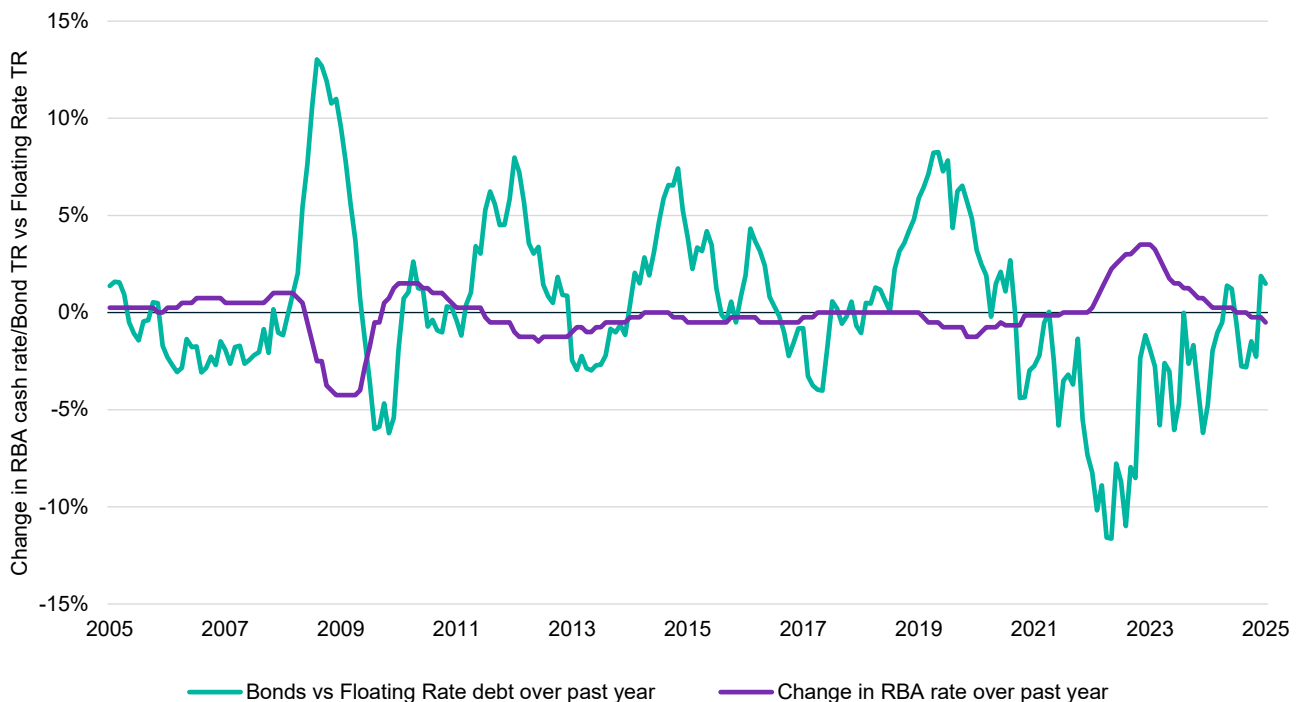
We know rates are likely to fall in the near term. The question then, what options do investors have? Do we stick with what has been working or do we twist and pivot in a new direction?

Stick with the status quo?

Since the RBA began its hiking cycle in 2022, we have seen a period where floating rate bonds and other debt instruments e.g. private credit, have vastly outperformed traditional fixed income. This is because, as the name applies, these investments typically pay a margin in addition to the prevailing cash rate. As the cash rate rises these will pay a higher return. By contrast traditional fixed income investments pay fixed interest rates to investors which, given the prolonged period of low interest rates, looked increasingly unattractive to these floating rate alternatives and saw bond prices sell off violently.



Change in RBA cash rate versus bonds' relative performance (May-05 to May-25)



Source: Bloomberg, PPSPW calculations

Even with the expected rate cuts we appear to be maintaining materially higher interest rates than what was the case in the pre-pandemic environment. In that scenario floating rate assets can still offer attractive outcomes for investors. They can be accessed in a variety of formats now ranging from exchange-traded funds (ETFs) to unlisted managed funds (the popular option for private credit investments).

The margins above cash on floating rate investments vary wildly according to potential risk and illiquidity with some as low as 0.6%⁹ on Australian senior-ranked floating rate debt (accessible via the FLOT ETF) to a target spread of 4.75% for the Realm Strategic Income fund¹⁰ as an example. We believe a balanced approach for investor portfolios, given the potential for elevated interest rates is to retain some exposure in floating rate assets. The type and target return of investment should vary depending on an investor's ultimate objectives and liquidity preferences.

Twist — other options to generate income?

Fixed income assets

We should also consider fixed rate investments however to assess whether the sell off in bonds over 2022-23 has made them more viable options going forward.

Unlike floating rate assets, bonds can benefit disproportionately in a rate cutting environment as they offer a fixed rate of return for a set number of months or years. That fixed rate can be highly attractive depending on the bond price (if it trades at a discount to its value at maturation, also known as its *par value*) or an investor's outlook for interest rates. For example, if one believes rates will be heading meaningfully lower than the 3.50% highlighted above for several years then a bond investment yielding above 4% looks highly attractive. This is doubly so if the bonds are trading at a discount to their par value.

⁹ Source: Bloomberg

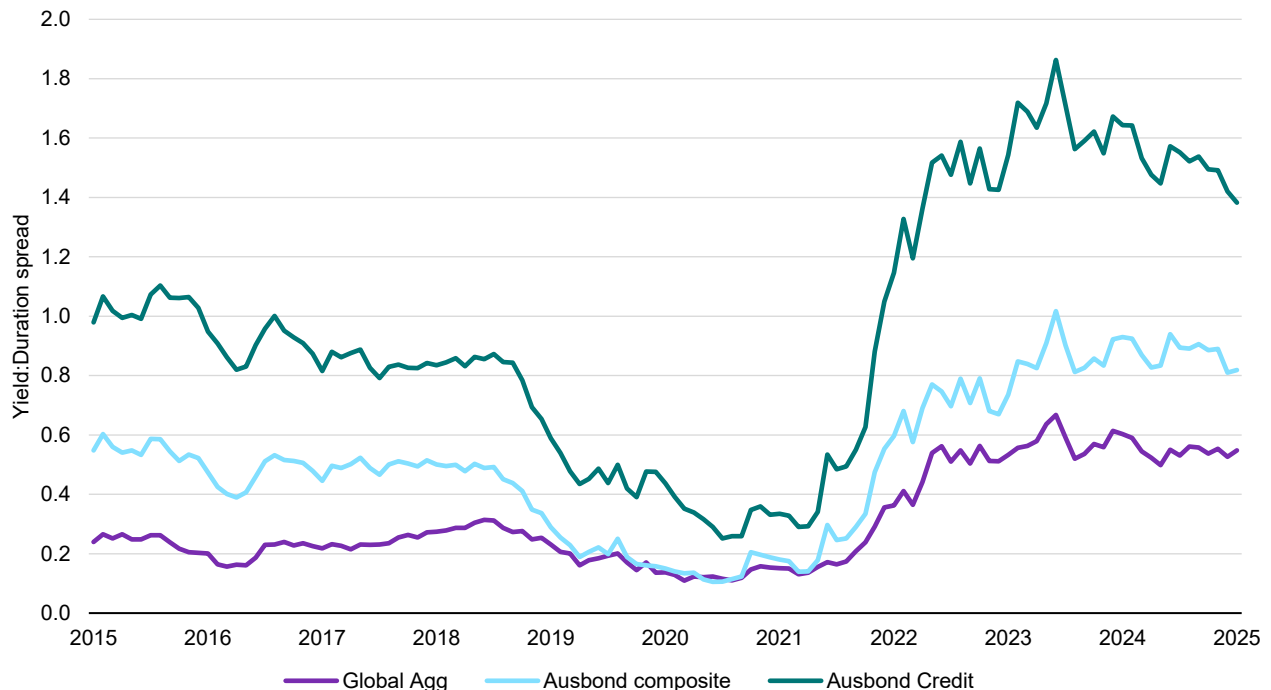
¹⁰ 'Realm Strategic Income Fund Enduring Units', *Realm*, <https://www.realminvestments.com.au/realm-strategic-income-fund-enduring-units/> (accessed 5 May 2025).



One such example can be found in the AGVT ETF. This holds largely government bonds with 7-12 years until maturity. Collectively it is paying a rate of 3.87% (so higher than the expected cash rate) but with an expected yield to maturity of 4.61%¹¹. This means that holding this portfolio should yield an investor an income of 3.87% per annum as well as capital growth of 0.74% per annum. In this case yield to maturity quantifies your total return as a combination of both income and capital growth.

We can summarise the opportunity set of different bond asset classes with the following chart. This shows the yield to maturity of different bond markets versus their duration (time to maturity). As we can see today is still offering material compensation for the level of interest rate risk being taken (a bond's duration measures its price's sensitivity to rising and falling interest rates).

Yield to Duration ratio for major bond asset classes (May-15 to May-25)



Source: Bloomberg

In our view, bonds continue to be attractively priced following the selloff in 2022-23. We would note however that not all bonds are created equal with some segments of the market currently trading rich versus history. This is especially the case for global bonds issued by corporate borrowers and, to a lesser extent, their Australian equivalents. We believe bonds warrant a place in client portfolios especially given the upside in capital growth from lower interest rates but it is important to remain selective and avoid riskier segments that may seem superficially attractive due to their optically-higher yields.

Other income alternatives

Growth investments can also offer an alternative source of income generation. These should only be considered by investors with an appropriate tolerance for risk given their higher price fluctuations however.

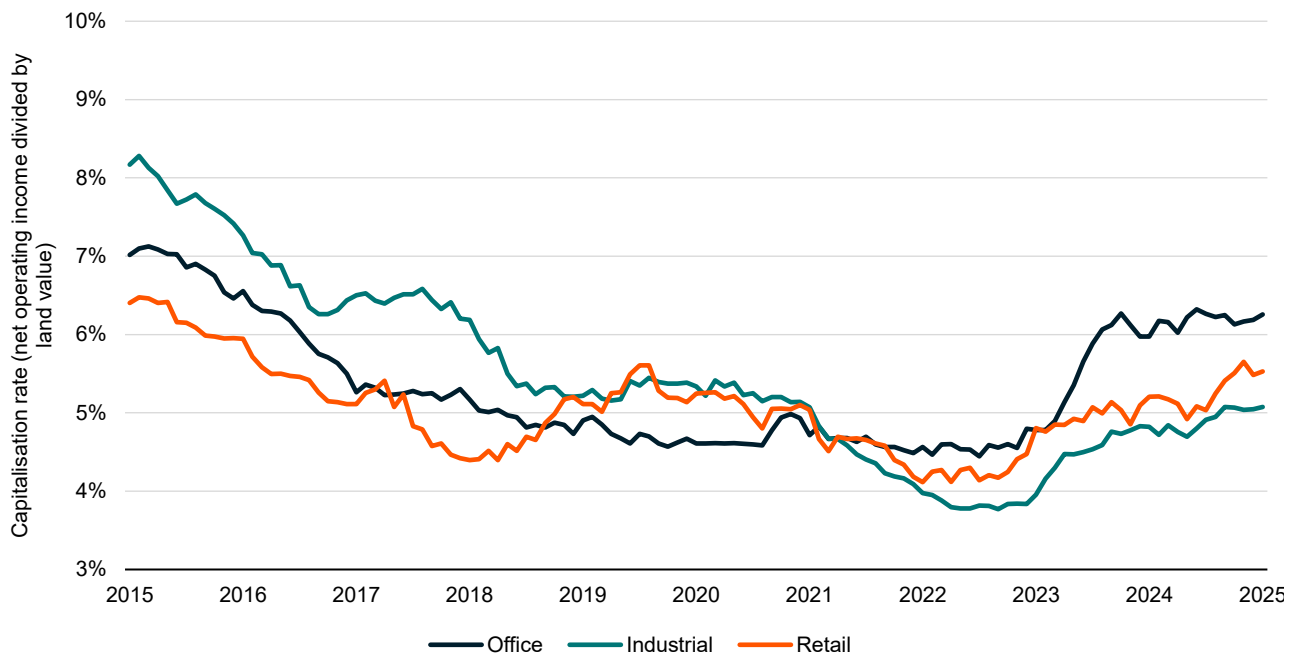
One example can be found in commercial real estate investments. These are typically accessed via funds that give investors exposure to a portfolio of real estate assets. These funds are often sector-specific targeting office or industrial assets for example but may also take a broader approach with multiple sectors. As in the fixed income space we have seen a decline in commercial real estate valuations as the cost of financing (interest rates) has risen.

¹¹ 'Betashares: Australian Government Bond ETF (AGVT)', *Betashares*, <https://www.betashares.com.au/fund/australian-government-bond-etf/#key-facts>, (accessed 12 May 2025).



This arguably offers an attractive entry point with a range of funds paying distribution yields in excess of 7% and much of the price correction having already passed judging by the stabilisation in valuations for several sectors as highlighted below.

Real estate capitalisation rates (Apr-15 to Apr-25)



Source: Bloomberg

Finally other growth options for income include equity income strategies. These are typically designed to target companies offering higher dividend payouts and can also subsidise income generation by writing call options for example. Others will look to actively target windows of dividend payments and subsequently rotate their portfolios into more attractive market opportunities once the dividend has been paid. The Plato Australian Shares Income Fund is an example of the latter case. It has achieved a higher return than the broader market (adjusting for franking) with a full-franked yield of 9.5% p.a. over almost 14 years¹² and a similar level of risk.

A prosaic option

Finally, investors have benefitted from a very strong run by equity markets, both in Australia and internationally in the post-global-financial-crisis environment. Another possibility for income generation could involve harvesting this capital growth by selling riskier assets such as equities and using this capital as a lump sum to fund retirement goals as an example. While investors are reluctant to take these steps, it can lead to longer term harms as noted in the Treasury's Retirement research with many retirees failing to maximise the benefits of their superannuation¹³.

Conclusion

In summary we have discussed the changing backdrop for income generating investments and come away with a few key takeaways. To begin, floating rate assets still retain a part to play in client portfolios with attractive yields on offer as well as benefitting from a period where rates remain higher than the post-financial

¹² "Plato Australian Shares Income Fund – Class A monthly report: April 2025", *Plato Investment Management*: <https://plato.com.au/australian-strategies/australian-shares-income-fund-class-a/australian-shares-income-fund-class-a-monthly-report/>

¹³ "Retirement phase of superannuation – Discussion Paper", *Australian Government: The Treasury*: December 2023: <https://treasury.gov.au/sites/default/files/2023-12/c2023-441613-dp.pdf>



crisis average. Bonds too, however, can offer a useful addition with their fixed rates looking attractive as an alternative source of income and potentially benefitting from higher prices if rates fall more than expected. Finally there are other options for risk-tolerant investors in the form of growth assets such as commercial real estate where select opportunities for above-average distributions have emerged. To sum up the investment landscape is shifting and there is cause to be considered and active in positioning your portfolio to benefit and maintain a healthy level of income generation going forward.

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Equities spotlight – CrowdStrike Holdings (CRWD)

Introduction

CrowdStrike is a leading provider of cybersecurity software solutions globally. The core offering of the business lies in endpoint security, its software solutions designed to protect devices e.g. laptops and smartphones that have access to a network from malicious activity. This could range from shielding against external hacking (programs and/or human users trying to break into or takeover a given network) as well as protecting against malware (malicious software) attacks.

As highlighted below in a Sep-24 Gartner Report “Magic Quadrant for Endpoint Protection Platforms”¹⁴ we see CrowdStrike is well positioned as a leading provider in both execution and vision for endpoint solutions globally. This report also details the long-term secular trend underpinning these software solutions with Gartner anticipating that by 2029 at least 50% of organisations will evaluate these solutions as part of a comprehensive IT security strategy, up from 20% in 2024. This represents a dramatic increase on the existing customer base of the sector and should support revenue (and earnings) growth over the medium term.

Magic quadrant for endpoint protection platforms



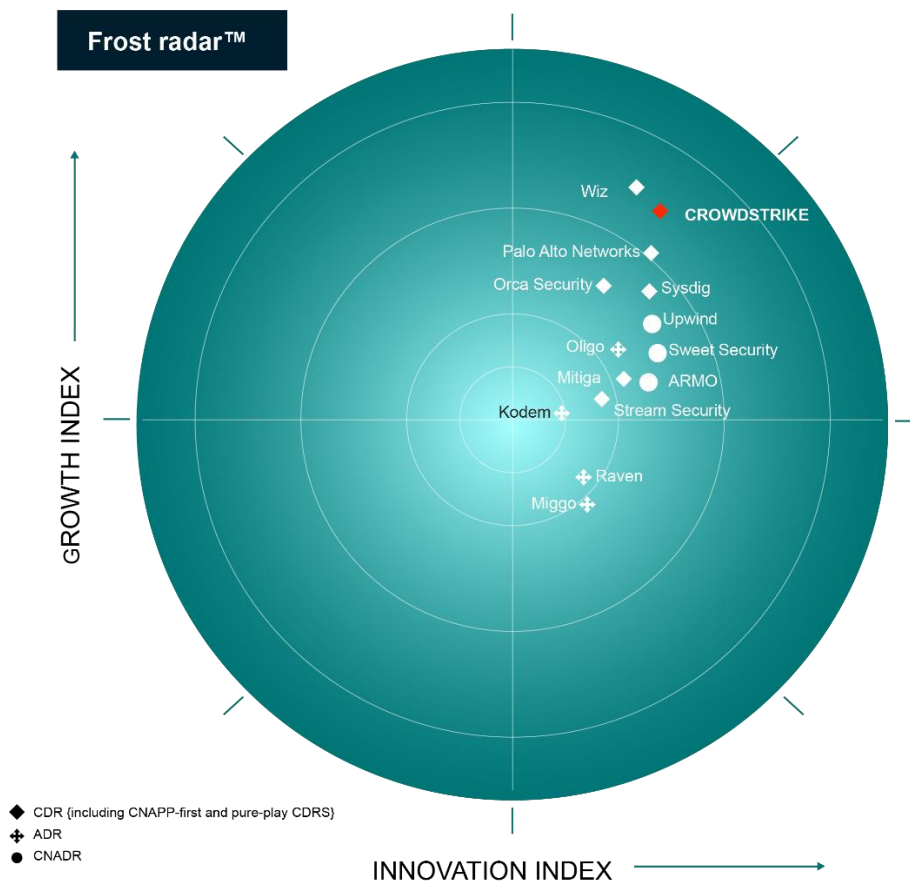
Source: Gartner

More recently the company has looked to broaden its offering into cloud and identity protection solutions as a means of increasing its total addressable market and enhancing its value proposition for customers. This has earned its recognition amongst peers as a notable innovator in the space. These efforts should support further cross-selling across its leading cloud-based security platform, Falcon, as the company looks to expand the range of security problems it solves for customers.

¹⁴ E. Mirolubov & F. Hinner, 'Magic Quadrant for Endpoint Protection Platforms', *Gartner* (23 September 2024), <https://www.gartner.com/doc/reprints?id=1-2IV5W7LE&ct=240920&st=sb>, (accessed 20 May 2025).



Comparison of growth and innovation outcomes across leading cybersecurity businesses



Source: CrowdStrike financial results Q1 FY 2026¹⁵

Finally, the deployment of its “Charlotte” artificial intelligence (AI) across 30 different software modules should encourage further customer uptake by removing friction in onboarding efforts.

Business model

The company works on a subscription model where it sells software-as-a-service (SaaS) to business clients around the world. Previously technology businesses would sell software as a one-off product with perpetual licenses, for example a Norton anti-virus program. SaaS offerings by contrast are less profitable upfront but, over time, tend to earn higher margins. This is because subscription fees increase at or above inflation over time and, provided the software is upgraded and provides a good service, customer retention ensures higher earnings in time. The marginal cost of delivering a new piece of software in the world of the internet is effectively zero. This means that retaining and growing your customer base allows for an increasingly higher proportion of fixed costs to spread across greater sales and promotes higher profitability in the longer term.

Importantly, unlike predecessors offering licensed anti-virus or anti-hacking solutions CrowdStrike is cloud-native. This means its solutions benefit from the ongoing trend of businesses migrating to cloud based solutions for both their data and software as they need increasingly more varied products to secure their businesses against cyber threats.

¹⁵ ‘Crowdstrike Financial Results Q1 FY 2026’, *Crowdstrike* (3 June 2025), <https://ir.crowdstrike.com/static-files/7fbbeb91-b0fa-4fe7-9891-832d96959b89>, (accessed 5 June 2025).



Key business drivers

CrowdStrike's future success will hinge on several factors including but not limited to:

- **Customer retention:** For a SaaS business this is critical as the longer a customer stays with your solution then the more that subscriptions over time (coupled with price increases) help recuperate the considerable investment costs in both research and development and marketing. Quality service and product offerings are key to maintaining the relationship over the long term.
- **Cross-selling:** The Falcon Platform in its umbrella approach to cybersecurity will be an important driver of business success. One criterion we are monitoring closely is management's ability not only to generate new customer growth but also justify the investment in its varied modules by driving upselling across the existing customer base.
- **Reinvestment:** Reinvestment in product and staff are important facets for maintaining industry leadership with a long list of management teams who "rested on their laurels" and subsequently saw their businesses permanently decline. We want to see prudent capital spending to ensure customer retention and growth are maintained over the long run.
- **Secular trends:** Lastly as highlighted in the above Gartner report cybersecurity is expected to be a strong source of business spending over the medium term. We expect this to be supportive across the broader sector but those players that can differentiate on solution quality should see even higher dividends in the form of market share growth as well.

Key risks to the outlook

- **Operational excellence:** Cybersecurity is a critical feature for business customers given the reputational and or financial damage caused by hacks, data leaks and other breaches. A pertinent example can be seen in last year's Windows outage (approximately 8.5 million devices directly affected many running critical operations such as airports¹⁶) caused by an erroneous Falcon Platform update. The company has responded with a more rigorous approach to responding to new threats with the outage in part attributable to prioritising speed of implementation to have protection in place over the time taken to check the code more thoroughly. In addition customers can now opt for different speeds in update adoption where such expediency is not required.
- **Competition:** The business operates within a large addressable market of some US\$116 billion in 2025¹⁷. This makes the space tempting for both new entrants and existing incumbents to offer alternative solutions. The company could be vulnerable to cross selling by cloud vendors such as Alphabet spruiking their own cybersecurity products. This, at least, appears to be a real possibility with Alphabet paying US\$32 billion to acquire Israeli cybersecurity startup Wiz representing a 45.7x multiple of current annual recurring revenue¹⁸ (CrowdStrike trades at 24.2x by contrast).
- **Technology risk:** Lastly the technology sector is an innovative space with new challenges and solutions being created each year. Artificial Intelligence (AI) is one example where we have seen a sizeable capital spending boom by large technology businesses looking to build ahead of future household and business demand for AI-based solutions. AI can be a boon e.g. CrowdStrike's Charlotte AI offering but could also be a new source of weakness as AIs are used to generate more sophisticated hacking efforts for example. To give a broad metaphor, the company provides a moat for its many enterprise customers, their data and operations. Technological innovation will need to be met with its own ongoing research and development efforts to ensure the moat remains deep enough to confront these new threats.

¹⁶ S. Kerner, 'CrowdStrike outage explained: What caused it and what's next', *TechTarget* (29 October 2024), <https://www.techtarget.com/whatis/feature/Explaining-the-largest-IT-outage-in-history-and-whats-next>, (accessed 20 May 2025).

¹⁷ 'Crowdstrike Financial Results Q1 FY 2026', *Crowdstrike* (3 June 2025), <https://ir.crowdstrike.com/static-files/7fbbeb91-b0fa-4fe7-9891-832d96959b89>, (accessed 5 June 2025).

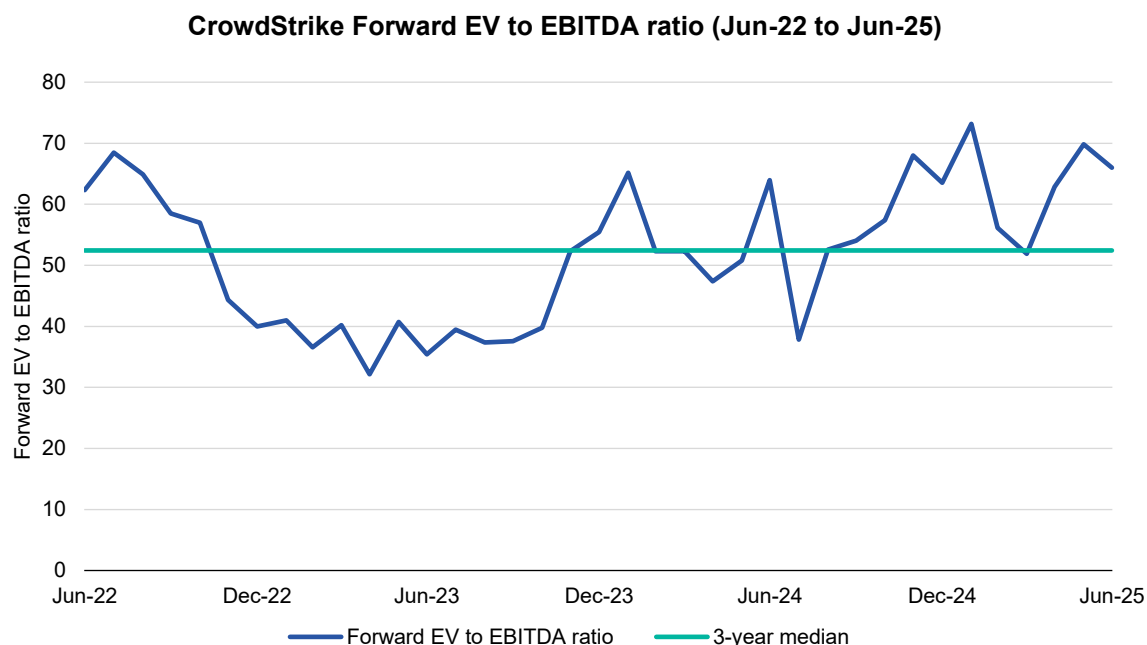
¹⁸ 'W is for Wiz: Alphabet's Audacious Acquisition', *Strategy of Security* (19 March 2025), <https://strategyofsecurity.com/p/w-is-for-wiz-alphabets-audacious-acquisition>, (accessed 5 June 2025).



Valuation

As a fast-growing software business CrowdStrike commands a premium against the broader market. Given its fast growth and limited trading history we believe an enterprise value (EV) to earnings before interest, tax, depreciation and amortisation (EBITDA) multiple is one appropriate metric to value the business against. CrowdStrike EBITDA is expected to grow over 29% p.a. over the next three years compared to 12.4% p.a. growth by the tech-heavy Nasdaq 100 Index.

The recent valuation history in the post-pandemic period appears as follows.



In assessing valuation we chose a combination of two methods:

1. Assess the current multiple against forward earnings and how this compares to history, and
2. Construct a discounted-cashflow model with some conservatism to appreciate the longer-term prospects of the business.

The average of these two methods sees the stock trading at a slight discount to intrinsic value, an attractive starting point for a business with high growth and a strong competitive position. In addition we can cross-check against broker and investment bank analyst consensus. Their collective target price is also at a slight premium. This supports our view that whilst CRWD shares are not “cheap” on a valuation basis nor are they excessively expensive for the business quality and growth potential on offer here.

Valuation method summary	
EV to EBITDA intrinsic value (\$)	508.11
DCF intrinsic value (\$)	497.45
Intrinsic value (average, \$)	502.78
Current share price (\$)	476.3
Upside/downside	+5.6%
Consensus target price	479.98
Current share price (\$)	476.30
Upside/downside	+0.8%

Source: PPSPW calculations, Bloomberg as at 20 June 2025



Summary

We regard the prospects of CrowdStrike highly over both the medium and longer. This business is operating in a market with strong secular tailwinds that should continue to underpin growth and higher profits over time. In addition, it is responding proactively to new challenges and looking to position itself as the leading cybersecurity solution globally. We feel that while optimism is priced into the current valuation the business quality and long runway of growth prospects remains attractive in our opinion and a position we continue to recommend accordingly.

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This view is general advice only and does not take into account your personal circumstances or finances. If you have further questions, we encourage you to consult with your advisor.



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