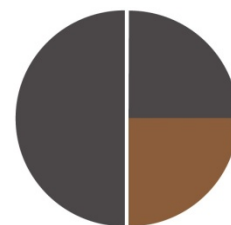


PORTFOLIO UPDATE AND FINANCIAL PLANNING NEWS



POLITIS
INVESTMENT STRATEGIES

March Quarter 2018

Market Movements

Data	31-Mar-18	Qtrly Change	FYTD Change
S&P ASX 200	5,759	-5.0%	0.7%
Dow Jones Industrial Average	24,103	-2.5%	12.9%
S&P 500	2,641	-1.2%	9.0%
Nasdaq	7,063	2.3%	15.0%
STOXX Europe 600	371	-4.7%	-2.2%
Japan Nikkei 225	21,159	-7.1%	5.6%
VIX Index (Volatility)	19.97	80.9%	78.6%
AUD/USD Exchange Rate	0.7670	-1.9%	0.0%
Australian 10 Year Gov't Bond Yield	2.58%	-7.9 bps	8.4 bps
US 10 Year Gov't Bond Yield	2.74%	30.6 bps	47.1 bps
Gold Price (Spot)	1,322.80	1.3%	6.6%
Crude Oil Brent Price (Spot)	70.27	5.1%	46.6%

Source: FactSet

Australian Market Sector Performance (S&P ASX 200)

Sector	Qtrly Change	FYTD Change
Health Care	6.1%	7.7%
Information Technology	0.7%	16.8%
Consumer Staples	-1.3%	11.0%
Industrials	-4.3%	-1.1%
Materials	-5.1%	12.3%
Consumer Discretionary	-5.3%	0.9%
Financials Ex A-REIT	-6.9%	-6.0%
A-REIT	-7.3%	-0.6%
Energy	-7.7%	15.5%
Utilities	-8.3%	-13.0%
Telecommunications	-12.8%	-24.6%

Source: FactSet

The Australian market finished the quarter down 5.0%, with Health Care (+6.1%) and Information Technology (+0.7%) leading the way while Telecommunications (-12.8%) and Utilities (-8.3%) lagged (see table on page 2).

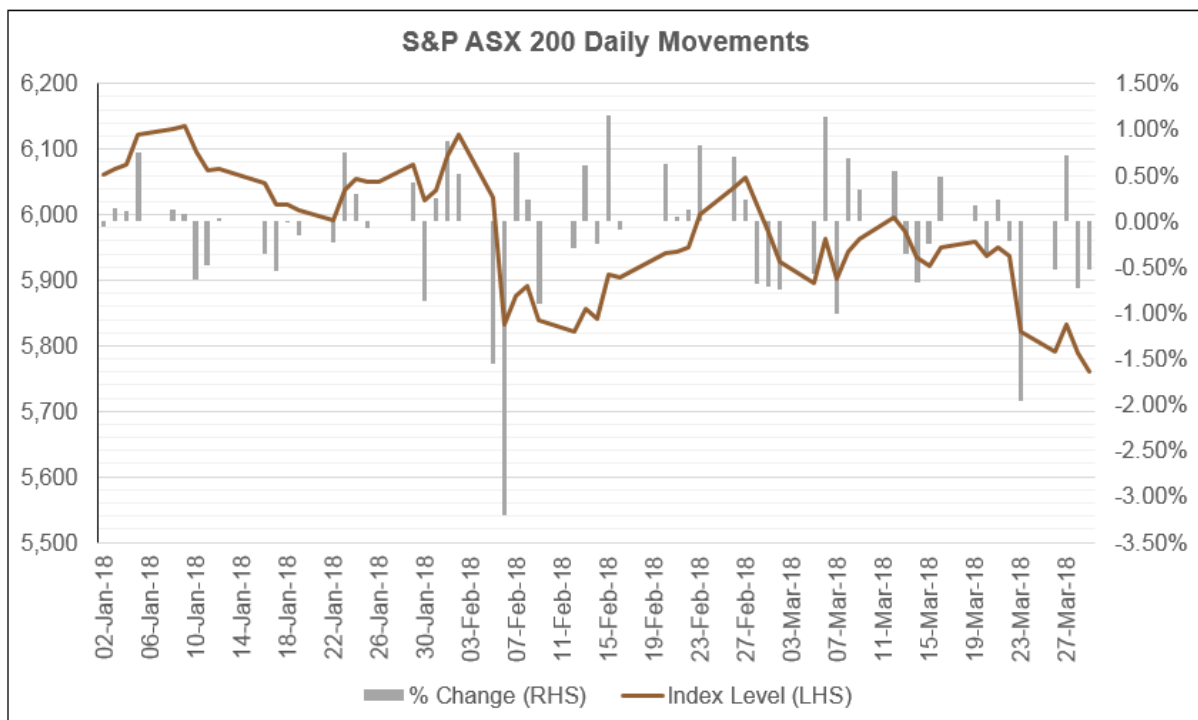
The broad US market indices finished the quarter lower, with the Dow Jones Industrial Average down 2.5% and the S&P 500 down 1.2%. The NASDAQ however finished the quarter up 2.3%. European markets finished the quarter down 4.7%.

Market volatility increased dramatically towards the end of January and into February. We expect this to be an ongoing feature of the market, with the Chicago Board Options Exchange (CBOE) Market Volatility Index (VIX) increasing by 80.9% during the quarter.

The US 10 year Government bond yield rose 30.6 basis points to 2.74%, while the Australian 10 year Government bond yield fell 7.9 basis points to 2.58%. These bonds influence lending rates in the global economy and also provide an indication of future inflation expectations.

The oil price rallied during the quarter with the Brent price up 5.1%. There has been some concern about higher oil prices starting to cause higher inflation and therefore higher interest rates in the global economy.

Australian Market Daily Performance



Source: FactSet

Global Market Commentary

In January, most major global equity markets posted strong returns during the month, albeit with a minor stumble in the last few days on concerns over bond market moves and possibly excessively bullish sentiment toward stocks. The U.S. market rallied strongly, propelled higher by a positive Q4 reporting season characterised by upward revisions to guidance driven by the Trump tax-overhaul. A falling U.S. Dollar was also likely boosting U.S. stocks and also boosted the US dollar returns of other markets.

The Australian market underperformed global counterparts, falling slightly during the month. The bond market 'scare' may have been a contributing factor, with bond yield sensitive sectors (such as Utilities and Real Estate Investment Trusts (REITs)) underperforming heavily – as was the case overseas. Health Care was by far the best performing sector domestically, aided by a strong result from Resmed.

As was the case overseas, Discretionary Retailers performed strongly. Interestingly, while a rampant Amazon was the driver of Discretionary Retail performance overseas, in Australia it was a perceived receding of the 'Amazon threat' that drove Discretionary Retail outperformance domestically.

In February, global equity markets fell sharply in the first half of the month, with the DOW plunging a record 1175 points on February 5 after average hourly earnings printed "too strong", but staged a recovery after the S&P500 entered 'official' correction territory. The equity market sell off and ensuing volatility saw the VIX surge to the highest since 2015, seeing significant losses for investors exposed to inverse VIX products. Globally, the best performing sector was IT, while the worst performing sector was Energy, dragged down by the fall in oil prices.

The Australian market outperformed during February in local currency terms (even managing a modest rise), with the ASX200 dipping to 5821 before recovering. Health Care was the stand out sector, with the market responding well to earnings results from CSL and Resmed, while Telecommunications underperformed. In US dollar terms, the ASX200 performed only slightly better than global markets given the fall in the Australian Dollar.

In March, global equity markets started the month broadly flat, before selling off on fears of a trade war following US President Donald Trump's decision to impose a 25% tariff on steel imports and a 10% tariff on aluminium imports, as well as a 25% tariff on US\$50 billion of Chinese imports. Globally, the best performing sectors were the bond yield-proxies (utilities and REITs), while the worst were the higher beta financials, materials and IT sectors.

The Australian market gave up its February outperformance, with the ASX200 falling 3.8% in local currency terms and 5.3% in US dollar terms in March. By sector, telecommunications underperformed the most, followed by financials, which were dragged down by allegations of misconduct revealed by the Royal Commission. REITs were the only sector to rise, likely driven by the decline in bond yields.

Our View

We remain cautiously optimistic about the market and see it moving higher from here, albeit with increased volatility. We are slightly overweight cash compared to our target weightings, and will look to use this in the event of a market pullback.

Our Politis Australian Portfolios are skewed to companies with global revenue and earnings, particularly the United States and Europe. From a sector perspective, we remain overweight Energy, Health Care and Industrials. Higher oil prices (Energy) and higher growth (Health Care) has and will continue to benefit these exposures. We have zero holdings in Real Estate, Telecommunications, Utilities and Consumer Discretionary (excluding Tabcorp). We remain cautious of rising bond yields (Real Estate, Utilities) and rising competition (Telecommunications, Consumer Discretionary) in these sectors.

Our Politis Diversified Portfolios are also tilted towards global markets with almost 75% of growth assets invested in international shares. These portfolios are evenly split between the US and Europe, with some exposure to Japan. The portfolios have zero exposure to Emerging Markets because of the risk attached to investing in these countries.

Portfolio Additions and Removals

Additions – Australian Share Portfolios

The following shares were purchased in March Quarter 2018.

Investment	Investment Type	Date of Purchase	Purchase Price	Sector Exposure
Sydney Airport (SYD)	Additional Purchase	2 Feb 2018	\$6.81	5.36%
Tabcorp Holdings Ltd (TAH)	New Investment	2 Feb 2018	\$5.22	3.75%
Origin Energy Ltd (ORG)	New Investment	7 Feb 2018	\$9.06	3.66%
BHP Billiton Ltd (BHP)	New Investment	9 Feb 2018	\$29.22	5.17%
Brambles Ltd (BXB)	New Investment	9 Feb 2018	\$9.80	3.51%

Additions – Australian Diversified Portfolios

The following shares were purchased in March Quarter 2018.

Investment	Investment Type	Date of Purchase	Purchase Price	Sector Exposure
Betashares NASDAQ 100 ETF (NDQ)	New Investment	9 Feb 2018	\$14.15	6.63%

Removals – Australian Share Portfolios

The following shares were sold during the March Quarter 2018.

Investment	Full or Part Sale	Date of Sale	Sale Price	Average Unit Cost
ANZ Convertible Preference Shares (ANZPC)	Maturity	1 March 2018	\$100.00	\$99.69

Removals – Diversified Share Portfolios

The following shares were sold during the March Quarter 2018.

Investment	Full or Part Sale	Date of Sale	Sale Price	Average Unit Cost
Betashares US Dollar ETF (USD)	Full Sale	9 February 2018	\$12.48	\$13.53
Ramsay Health Care Ltd (RHC)	Full Sale	28 February 2018	\$64.53	\$77.64
ANZ Convertible Preference Shares (ANZPC)	Maturity	1 March 2018	\$100.00	\$100.67
Westpac Convertible Preference Shares (WBCPC)	Maturity	24 March 2018	\$100.00	\$99.99

ANZ Convertible Preference Shares (ANZPC)

The ANZ Convertible Preference Shares CPS3 (ANZPC) matured on 1 March 2018 and shareholders received \$100 per security.

Betashares US Dollar ETF (USD)

It was decided on 9 February to switch our investment in US dollars (USD) to investment in the NASDAQ index. This was decided due to the recent sharp fall in global equity markets.

Betashares NASDAQ 100 (NDQ)

Investment in the NASDAQ index was gained via investment in the Exchange Traded Fund (ETF) Betashares NASDAQ 100 (NDQ).

The investment is unhedged in terms of currency exposure and provides an index exposure to the largest 100 companies listed on the NASDAQ.

BHP Billiton Ltd (BHP)

On 9 February the holding in BHP was increased in the Politis Investment Strategies Australian Portfolios.

BHP was purchased for \$29.22 (incl. brokerage) bringing the average unit cost to \$25.69 (incl. brokerage). BHP represents an exposure of approximately 5.15% of the Australian share sector within our portfolios.

As expressed in our most recent newsletter, our outlook for the mining sector remains reasonably positive, and given the recent sell off, we viewed this as an opportunity to increase our exposure to this sector.

Given current commodity prices we expect BHP to release a solid result when it reports its half year results next week, with a strong chance of a buy back or special dividend for shareholders.

Brambles Ltd (BXB)

On 9 February Brambles was added to the Politis Investment Strategies Australian Portfolios.

Brambles was purchased for \$9.80 (incl. brokerage) and represents an exposure of approximately 3.50% of the Australian share sector within our portfolios.

Brambles is the world-leading provider of supply chain logistics solutions based on the provision of reusable pallets, crates and containers for shared use by multiple participants throughout the supply chain. Brambles operates in 60 countries and employs more than 14,000 people. Brambles operates primarily through the Chep brand for its timber pallets and the IFCO brand for its reusable plastic crates.

Revenue growth for Brambles was 6% in the September quarter supported by a rebound in Chep Americas, and an 8% rise in Europe Middle East and Africa. There are some short term cost pressures, being rising costs for timber, labour and transport costs, however we are taking a longer term view and feel that the revenue growth is sustainable and that profits will start to grow in the 2019 financial year.

Origin Energy (ORG)

On 7 February Origin Energy was added to the portfolios Politis Investment Strategies Australian Portfolios.

Origin Energy was purchased for \$9.06 (incl. brokerage) and represents an exposure of approximately 3.65% of the Australian share sector within our portfolios.

Origin Energy is an integrated Australian utilities company with an interest in the Australia Pacific LNG project in Queensland. Its integrated utilities business generates electricity to sell into the National Electricity market, and sells electricity, gas and LPG to almost 3.9 million retail, commercial and industrial customers.

Origins key exploration and production asset is a 37.5% stake in the 9 million tonne per annum Australia Pacific LNG project, which commenced operations in the 2016 financial year. Origin took on considerable debt to fund its share of Australia Pacific LNG construction.

Our confidence in Origin has grown given the company's strategy to reduce debt and costs, combined with the Brent oil price rallying from US\$50 a barrel to above US\$70.

At present Origin is not paying a dividend, however we see Origin moving to a 50% payout ratio in the 2019 financial year generating a dividend yield of 4.1%.

Ramsay Health Care Ltd (RHC)

On 28 February the holding of RHC was sold in the Politis Investment Strategies Diversified Portfolios.

This followed a soft result and outlook during the first half of FY17, with growth slowing in Australia and weaker earnings in the UK and France.

In light of these outcomes it was judged the valuation had become expensive and the position was subsequently sold.

Sydney Airport (SYD)

On 2 February 2018 we increased our investment in Sydney Airport in the Politis Investment Strategies Australian Portfolios by 1%.

Sydney Airport was purchased for \$6.81 (incl. brokerage) and represents an exposure of approximately 5.36% of the Australian share sector within our portfolios.

Tabcorp Holdings Ltd (TAH)

On 2 February 2018 Tabcorp Holdings Ltd was added to the Politis Investment Strategies Australian Portfolios.

Tabcorp Holdings was purchased for \$5.22 (incl. brokerage) and represents an exposure of approximately 3.75% of the Australian share sector within our portfolios.

The merger of Tabcorp and Tatts was finalised late in 2017. The merged entity (Tabcorp) is a huge wagering and lotteries operator with a strong online betting TAB brand, retail betting outlet monopolies in every state and territory save for Western Australia, a monopoly lotteries business and Keno and gaming services arms. The merged entity is expected to produce combined revenues in excess of \$5billion, with earnings before interest and tax, depreciation and amortisation of \$915 million across the two now-combined companies.

Westpac Convertible Preference Shares (WBCPC)

The WBC Convertible Preference Shares CPS (WBCPC) matured on 24 March 2018 and shareholders received \$100 per security.

Cash Positions

Politis Australian Growth Portfolio			
	Target Weighting	31 Dec 2017	31 Mar 2018
Cash	5.00%	24.11%	14.38%
Shares	95.00%	75.89%	85.62%
Total	100.00%	100.00%	100.00%

Politis Australian Balanced Growth Portfolio			
	Target Weighting	31 Dec 2017	31 Mar 2018
Cash	5.00%	21.84%	17.46%
Shares	75.00%	59.89%	67.05%
Hybrid Securities	20.00%	18.27%	15.49%
Total	100.00%	100.00%	100.00%

Politis Australian Balanced Portfolio			
	Target Weighting	31 Dec 2017	31 Mar 2018
Cash	5.00%	17.85%	20.02%
Shares	50.00%	40.48%	45.00%
Hybrid Securities	45.00%	41.67%	34.98%
Total	100.00%	100.00%	100.00%

Politis Australian Conservative Portfolio			
	Target Weighting	31 Dec 2017	31 Mar 2018
Cash	5.00%	14.20%	23.17%
Shares	25.00%	20.48%	22.59%
Hybrid Securities	70.00%	65.32%	54.24%
Total	100.00%	100.00%	100.00%

Politis Australian Capital Stable Portfolio			
	Target Weighting	31 Dec 2017	31 Mar 2018
Cash	10.00%	14.42%	29.65%
Hybrid Securities	90.00%	85.58%	70.35%
Total	100.00%	100.00%	100.00%

Politis Diversified Growth Portfolio			
	Target Weighting	31 Dec 2017	31 Mar 2018
Cash	5.00%	8.33%	9.49%
Australian Shares	95.00%	17.64%	16.22%
International Currency		4.86%	0.00%
International Shares		69.17%	74.29%
Total	100.00%	100.00%	100.00%

Politis Diversified Balanced Growth Portfolio			
	Target Weighting	31 Dec 2017	31 Mar 2018
Cash	5.00%	8.17%	19.14%
Hybrid Securities	20.00%	18.37%	9.15%
Australian Shares	75.00%	14.12%	12.96%
International Currency		4.59%	0.00%
International Shares		54.75%	58.75%
Total	100.00%	100.00%	100.00%

Politis Diversified Balanced Portfolio			
	Target Weighting	31 Dec 2017	31 Mar 2018
Cash	5.00%	7.39%	29.90%
Hybrid Securities	45.00%	41.70%	20.72%
Australian Shares	50.00%	9.85%	9.02%
International Currency		3.38%	0.00%
International Shares		37.68%	40.36%
Total	100.00%	100.00%	100.00%

Portfolio Update

Politis Australian Growth Portfolio

Portfolio Performance	
1 Month	- 2.91%
3 Month	- 3.56%
1 Year	3.90%
2 Year	15.17%
3 Year	9.71%
5 Year	39.92%
Inception (1 Oct 09)	83.26%

Politis Australian Balanced Growth Portfolio

Portfolio Performance	
1 Month	- 2.24%
3 Month	- 2.81%
1 Year	3.89%
2 Year	15.10%
3 Year	10.94%
5 Year	37.39%
Inception (1 Oct 09)	77.97%

Politis Australian Balanced Portfolio

Portfolio Performance	
1 Month	- 1.43%
3 Month	- 1.88%
1 Year	4.04%
2 Year	15.23%
3 Year	12.76%
5 Year	34.44%
Inception (1 Oct 09)	71.70%

Politis Australian Conservative Portfolio

Portfolio Performance	
1 Month	- 0.61%
3 Month	- 0.92%
1 Year	4.19%
2 Year	15.36%
3 Year	14.62%
5 Year	31.40%
Inception (1 Oct 09)	65.55%

Politis Australian Capital Stable Portfolio

Portfolio Performance	
1 Month	0.23%
3 Month	0.07%
1 Year	4.19%
2 Year	14.85%
3 Year	15.89%
5 Year	27.43%
Inception (1 Oct 09)	57.14%

Australian Indices March 2018 Quarter Performance

ASX 200 Market 58,092
Accumulation Index -3.86%

ASX 200
Property Trust Index -7.26%

ASX 200
Financials Index -6.90%
(Exc Property Trusts)

ASX 200
Industrials Index -4.32%

ASX200
Healthcare Index 6.10%

ASX200
Energy Index -7.72%

ASX 200
Consumer Discretionary Index
-5.34%

ASX 200
Consumer Staples Index -1.31%

ASX 200
Materials Index -5.07%

ASX 200
Utilities Index -8.33%

ASX 200
Telecoms Index -12.83%

RBA Cash Rate
1.50% unchanged

Portfolio Update

Politis Diversified Growth Portfolio

Portfolio Performance

1 Month	-2.17%
2 Months	-2.36%
3 Months	-0.78%
6 Months	4.58%
9 Months	5.22%
12 Months	7.13%
Inception (23 May 16)	11.11%

Politis Diversified Balanced Growth Portfolio

Portfolio Performance

1 Month	-1.55%
2 Months	-1.87%
3 Months	-0.57%
6 Months	4.02%
9 Months	4.60%
12 Months	6.44%
Inception (23 May 16)	10.87%

Politis Diversified Balanced Portfolio

Portfolio Performance

1 Month	-0.79%
2 Months	-1.30%
3 Months	-0.29%
6 Months	3.41%
9 Months	3.94%
12 Months	5.68%
Inception (23 May 16)	10.68%

International Indices March Quarter 2018 Performance

DOW JONES Index -2.49%

S & P 500 Index -1.22%

NASDAQ Index +2.32%

FTSE Index -8.21%

DAX Index -6.36%

NIKKEI 225 Index -5.76%

HANG SENG Index 0.58%

SHANGHAI Index -4.18%

Gold (Spot / Ounce)
US \$1,323.85 +\$6.70

Oil (Spot) \$67.64 / barrel
US +\$0.02

Australian Dollar

76.80 US cents
- 1.24 US cents

54.75 British Pence
- 3.01 British Pence

81.63 Japanese Yen
-6.345 Japanese Yen

6.03 Hong Kong Dollars
- 0.0696 Hong Kong Dollars

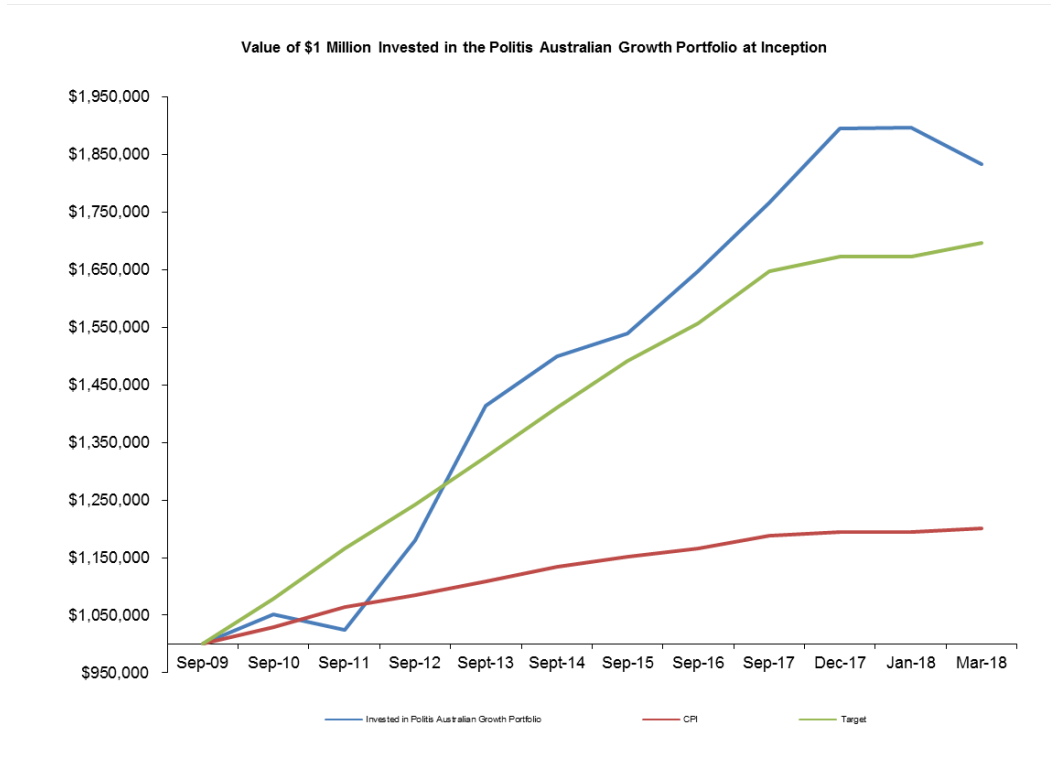
4.8196 Chinese Yuan Renminbi
- 0.2575 Chinese Yuan Renminbi

0.6231 Euros
- 0.027 Euros

Portfolio Performance

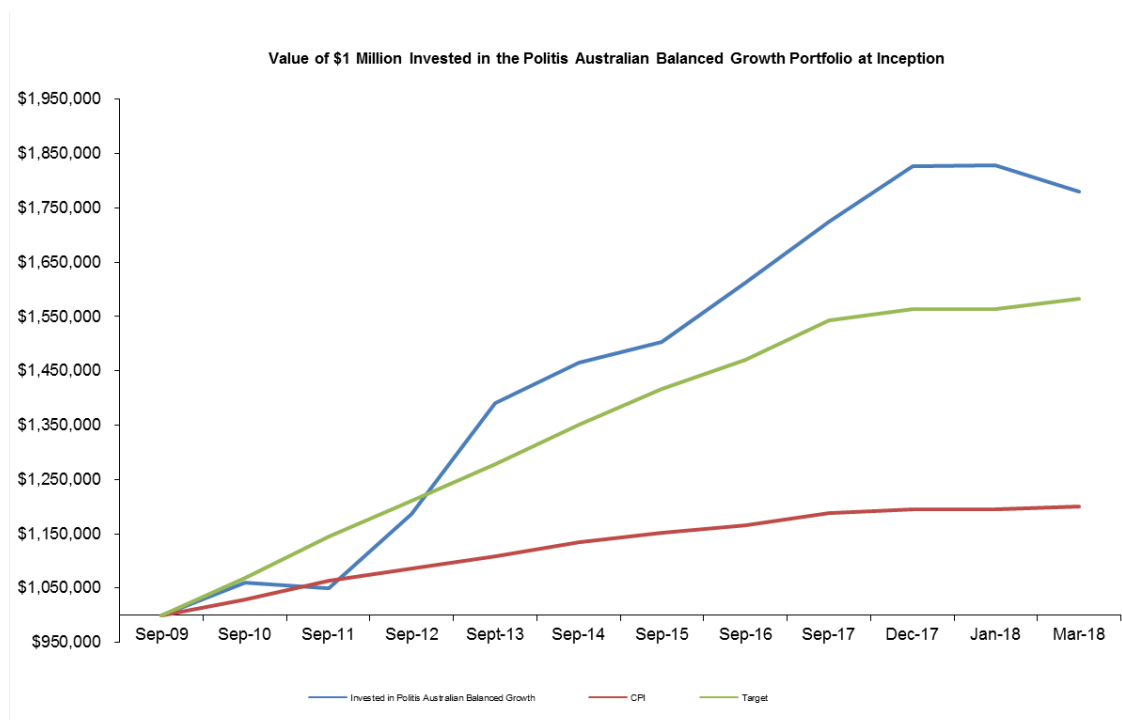
Politis Australian Growth Portfolio

Since inception (October 2009) the Politis Australian Growth Portfolio has seen an increase of 83.26% compared to the Target Return (Consumer Price Index (CPI) +5%) which has seen an increase of 69.60% over the same period, representing an outperformance of 13.66%. \$1 million invested in the growth portfolio at inception would now be valued at \$1,832,568.



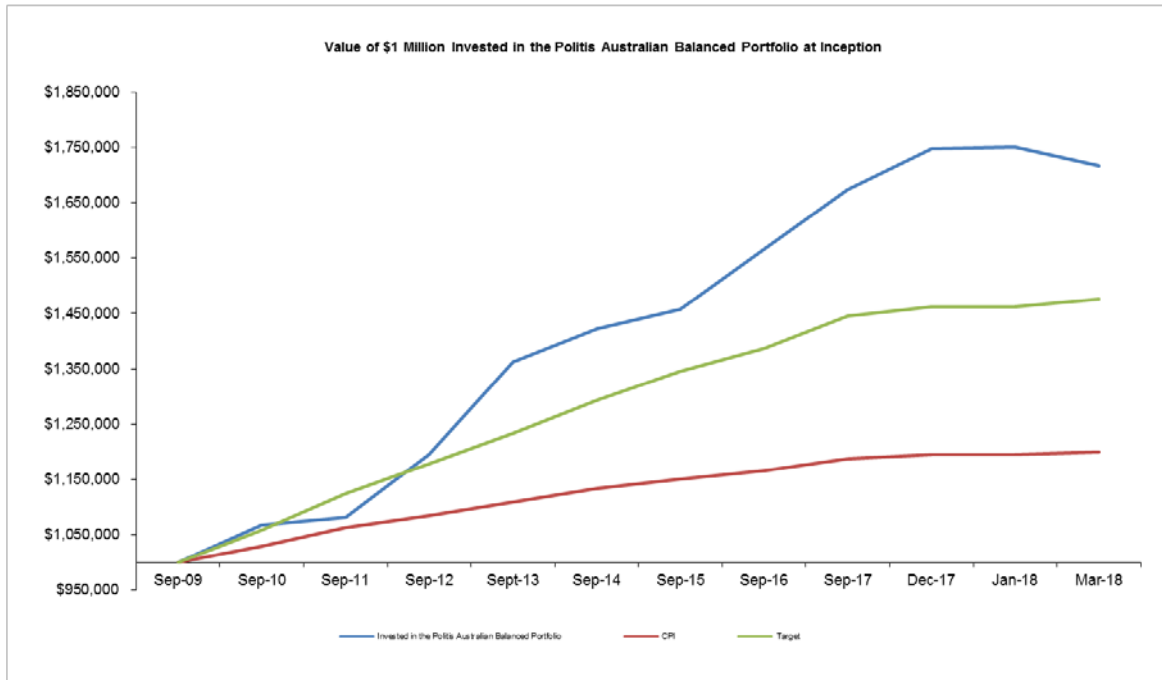
Politis Australian Balanced Growth Portfolio

Since inception (October 2009) the Politis Australian Balanced Growth Portfolio has seen an increase of 77.97% compared to the Target Return (CPI +4%) which has seen an increase of 58.28% over the same period, representing an outperformance of 19.72%. \$1 million invested in the balanced growth portfolio at inception would now be valued at \$1,779,681.



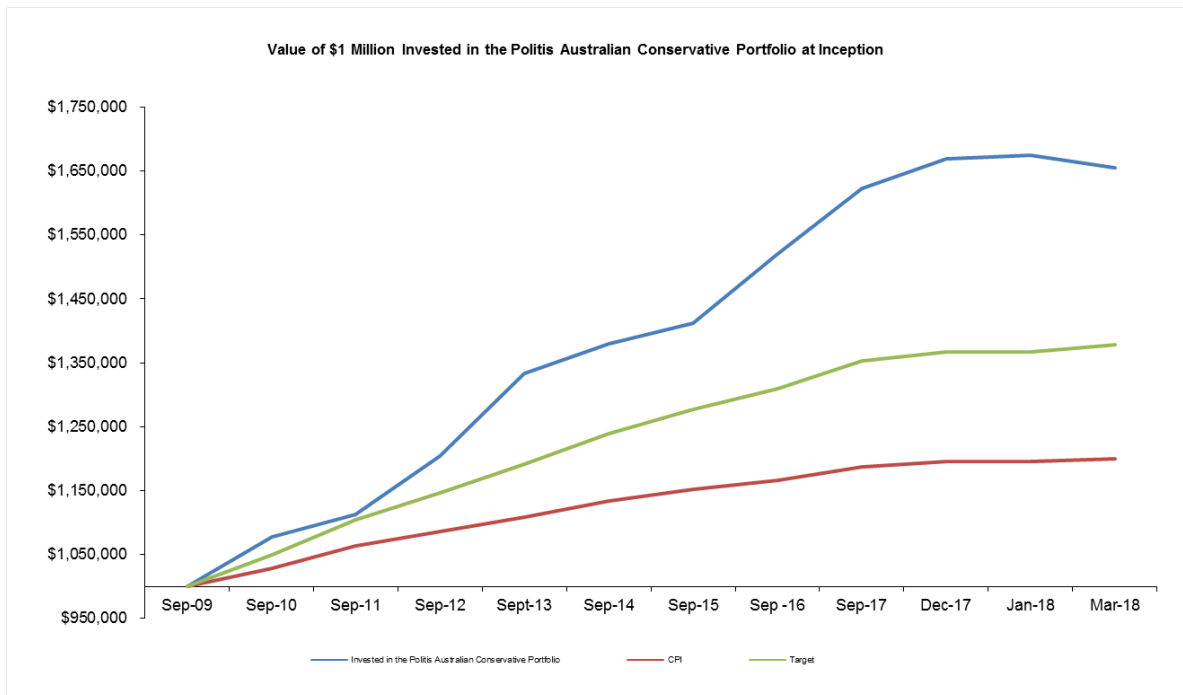
Politis Australian Balanced Portfolio

Since inception (October 2009) the Politis Australian Balanced Portfolio has seen an increase of 71.70% compared to the Target Return (CPI +3%) which has seen an increase of 47.66% over the same period, representing an outperformance of 24.04%. \$1 million invested in the balanced portfolio at inception would now be valued at \$1,716,998.



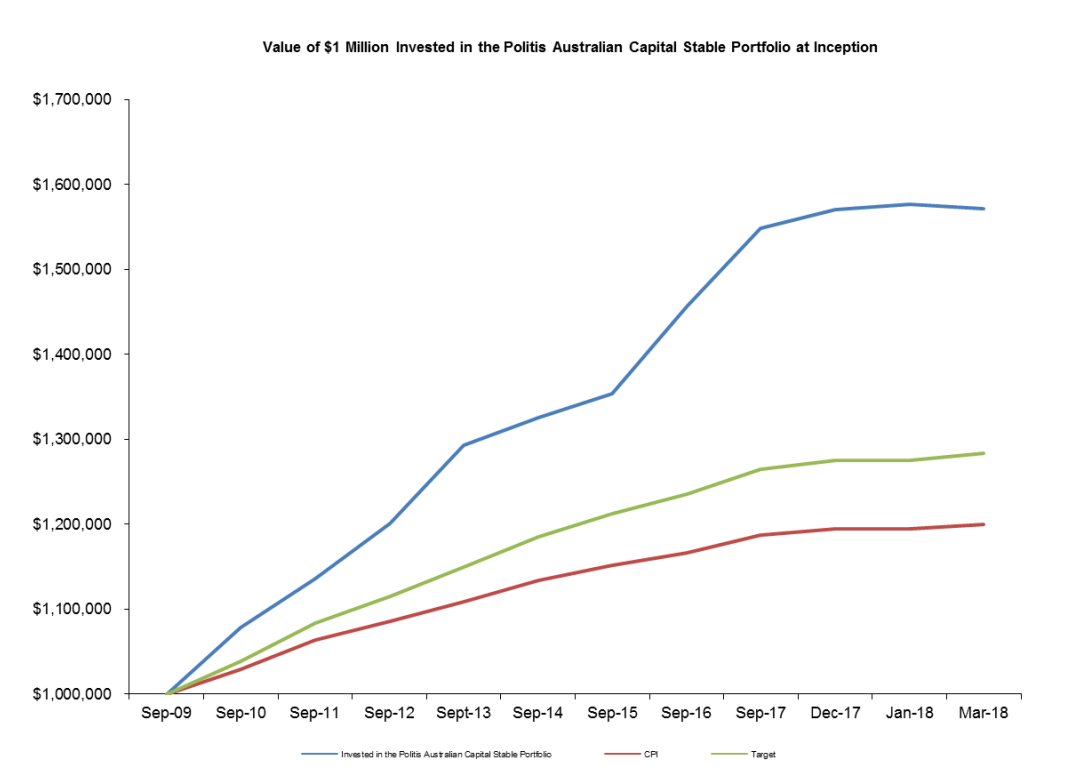
Politis Australian Conservative Portfolio

Since inception (October 2009) the Politis Australian Conservative Portfolio has seen an increase of 65.55% compared to the Target Return (CPI +2%) which has seen an increase of 37.79% over the same period, representing an outperformance of 27.76%. \$1 million invested in the conservative portfolio at inception would now be valued at \$1,655,456.



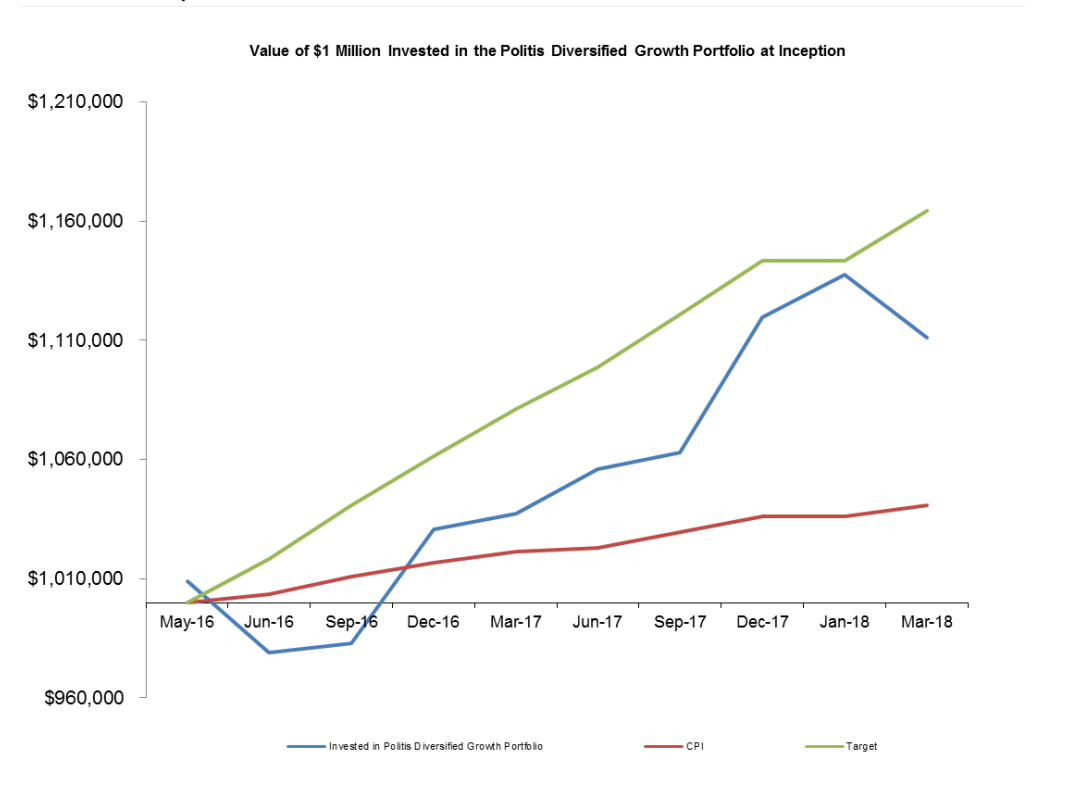
Politis Australian Capital Stable Portfolio

Since inception (October 2009) the Politis Australian Capital Stable Portfolio has seen an increase of 57.14% compared to the Target Return (CPI +1%) which has seen an increase of 28.33% over the same period, representing an outperformance of 28.81%. \$1 million invested in the hybrid income portfolio at inception would now be valued at \$1,571,415.



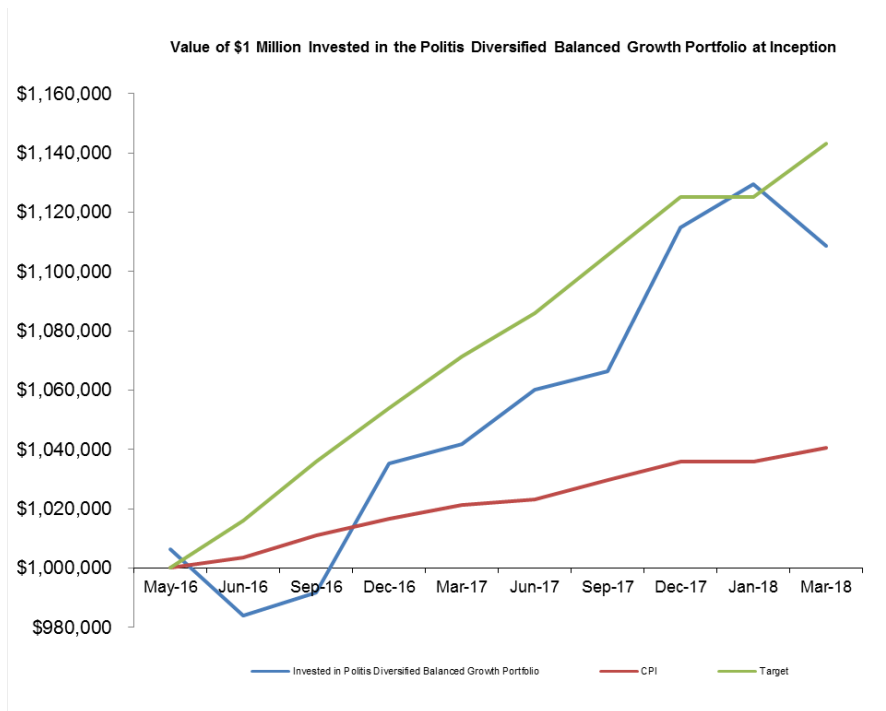
Politis Diversified Growth Portfolio

Since inception (May 2016) the Politis Diversified Growth Portfolio has seen an increase of 11.11% compared to the Target Return (CPI +6%) which has seen an increase of 16.43% over the same period, representing an underperformance of 5.31%. \$1 million invested in the Politis Diversified Growth Portfolio at inception would now be valued at \$1,111,146.



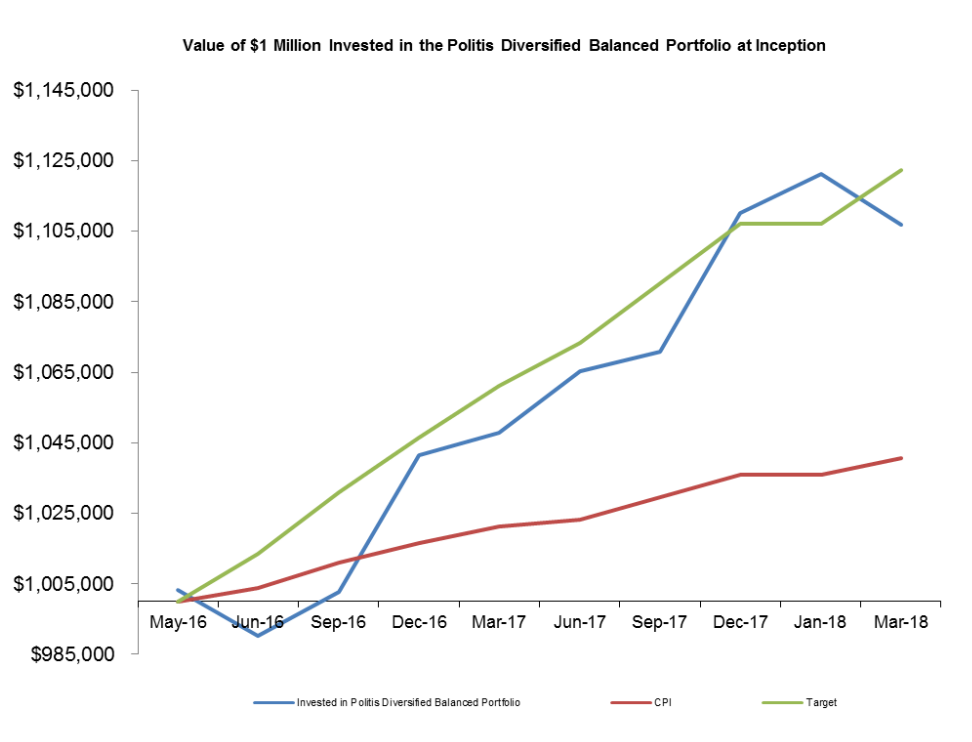
Politis Diversified Balanced Growth Portfolio

Since inception (May 2016) the Politis Diversified Balanced Growth Portfolio has seen an increase of 10.87% compared to the Target Return (CPI +5%) which has seen an increase of 14.32% over the same period, representing an underperformance of -3.44%. \$1 million invested in the Politis Diversified Balanced Growth Portfolio at inception would now be valued at \$1,108,742.



Politis Diversified Balanced Portfolio

Since inception (May 2016) the Politis Diversified Balanced Portfolio has seen an increase of 10.68% compared to the Target Return (CPI +4%) which has seen an increase of 12.23% over the same period, representing an underperformance of -1.54%. \$1 million invested in the Politis Diversified Growth Portfolio at inception would now be valued at \$1,106,846.



Disclaimer - Please note our percentage returns and accumulated valuation figures are calculated using a methodology which accounts for realised and unrealised gains or losses over the specified period (net of share brokerage costs) in addition to investment income including franking credits. Our Returns are calculated on a pre-tax basis and exclude all fees. The performance information reported above is based on historic returns and there is no assurance that these returns are indicative of future returns.

Financial Planning News

Labor's Proposed Franking Credit Policy

There has been significant media attention recently regarding the Australian Labor Party's proposed policy to stop Self-Managed Superannuation Funds (SMSFs) from receiving tax refunds for franking credits received from Australian company dividends.

The proposed policy would result in SMSFs and other low paying tax entities no longer being able to receive a tax refund for the franking credits they receive. This has the potential to affect all SMSFs that own Australian shares, especially funds that have received tax refunds in recent years.

According to the SMSF Association, a SMSF with approximately a 40% allocation to Australian shares in retirement phase, earning an income of \$50,000 per annum, will lose about \$5,000 of income. This equates to over \$90 per week and for many retirees would be a substantial impact on their annual retirement income and lifestyle.

Under Labor's proposal, the only SMSFs that will be exempt are those that currently have at least one member receiving the Age Pension. This has been dubbed the 'Pension Guarantee'. In the future there will be no protection for SMSF retirees who may need to access a government part pension to supplement their superannuation income, creating a two tiered and complex treatment of SMSF members who access the Age Pension in retirement.

The following are some examples of how the franking credit policy proposal could affect SMSF trustees.

Case Study 1

A home owner couple both aged 70 have superannuation assets totalling \$850,000. Given their assets exceed the age pension means test limit (\$837,000) they are not entitled to any government income support, which makes them 'self-funded' retirees.

The following simplified asset allocation illustrates the role refundable franking credits play in their retirement income and the negative effect on their income that the Labor proposal would have:

Asset	Allocation	Return	Income
Cash	\$250,000	2.5%	\$6,250
Managed Investments	\$250,000	5.0%	\$12,500
Shares	\$350,000	5.0%	\$17,500
Franking Credits			\$7,500
Current Income			\$43,750
ALP Proposed Income			\$36,250

This equates to a reduction of over \$144 per week or an annual income decrease of 17.14% under the proposed Labor policy.

In the above scenario the income they receive from being a self-funded retiree under the Labor proposed policy of \$36,250 is only about \$1,200 above the full age pension of \$35,048 which can be accessed by a home owning couple with less than \$380,500 in assets.

The post-tax return on their assets with refundable franking credits is 5.14%. Without refundable franking credits it drops to 4.26%.

Currently the above couple does not access any government income support, however, maintaining their income level by drawing down on their SMSF capital will mean they would fall below the \$837,000 part pension assets test threshold within a few years, allowing them to then start accessing the age pension, placing additional pressure on future government funded pensions.

Case Study 2

Couple 1: A homeowner couple with \$700,000 of assets within their SMSF receive a part age pension payment and an income stream from their SMSF. They have a 40% asset allocation to Australian shares which yield 5% in dividends. The overall return on their SMSF investments is 5%.

Under current tax rules the above couple receive refundable franking credits. They will be protected by the 'Pensioner Guarantee' if they were receiving a pension on 28 March 2018, meaning they will still benefit from the refundable franking credits if the Labor policy is implemented.

Breakdown of their retirement income under the Labor Policy:

Home owner and SMSF worth \$700,000

SMSF Income	\$35,000
Franking Credits	\$6,000
Age Pension (part)	<u>\$9,900</u>
Total Income	<u>\$50,900</u>

Couple 2: A homeowner couple with \$900,000 of assets within their SMSF receive an income stream from their SMSF and do not receive a part age pension as their assets exceed the \$837,000 asset threshold. They have a 40% asset allocation to Australian shares which yield 5% in dividends. The overall return on their SMSF investments is 5%.

Under current tax rules, the above couple receive refundable franking credits of \$7,700 per year in addition to \$45,000 in SMSF income giving them a total retirement income of \$52,700. Under Labor's proposed policy they would lose their refundable franking credits worth \$7,700.

Breakdown of their retirement income under the Labor Policy:

SMSF Income	\$45,000	
Franking Credits	\$0	(currently \$7,700)
Age Pension	<u>\$0</u>	
Total Income	<u>\$45,000</u>	(currently \$52,700)

The above example highlights that the proposed Labor policy could leave some SMSF members worse off than those with less savings but receiving a part age pension.

Under Labor, the couple with \$900,000 would be denied their refundable franking credits, reducing their income from \$52,700 to \$45,000 per annum. Although couple 2 have accrued a greater level of wealth to support themselves in retirement, under the Labor proposal they end up with less income than the couple on \$700,000.

Going forward the outcome demonstrated above may change the incentive to save within the superannuation environment to achieve self-sufficiency or at the very least impact the savings vehicles utilised by future retirees.

Should you have any questions specific to the above proposal we recommend that you speak with your Financial Adviser.

Disclaimer - The information in this newsletter is general in nature and does not take into account your personal circumstances, financial needs or objectives. Before acting on any information in this newsletter, you should consider the appropriateness of it having regard to your objectives, financial situation and needs. In particular, you should seek financial advice prior to acting on any of the information.

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POLITIS INVESTMENT STRATEGIES

Head Office Location

1st Floor, NCYC Commercial Centre
91 Hannell St, Wickham NSW 2293

Head Office Postal

PO Box 168, Wickham NSW 2293

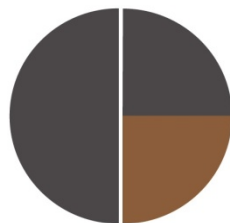
Head Office Contact

T: (02) 4962 5525

F: (02) 4962 5526

reception@politis.com.au

www.politis.com.au



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