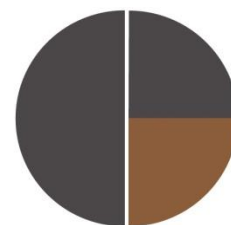


QUARTERLY NEWSLETTER: SEPTEMBER 2018



POLITIS
INVESTMENT STRATEGIES

Market Update

Market Movements

Data	30-Sep-18	Qtrly Change	FYTD Change
S&P ASX 200	6,208	0.2%	0.2%
Dow Jones Industrial Average	26,458	9.0%	9.0%
S&P 500	2,914	7.2%	7.2%
NASDAQ	8,046	7.1%	7.1%
STOXX Europe 600	383	0.9%	0.9%
Japan Nikkei 225	24,120	8.1%	8.1%
VIX Index (Volatility)	12.12	-24.7%	-24.7%

AUD/USD Exchange Rate	0.7236	-2.1%	-2.1%
AUD/EUR Exchange Rate	0.6229	-1.6%	-1.6%
AUD/GBP Exchange Rate	0.5548	-0.9%	-0.9%

Australian 10 Year Gov't Bond Yield	2.67%	3.0 bps	3.0 bps
US 10 Year Gov't Bond Yield	3.05%	20.2 bps	20.2 bps

Gold Price (Spot)	1,191.50	-4.8%	-4.8%
Crude Oil Brent Price (Spot)	82.72	4.1%	4.1%

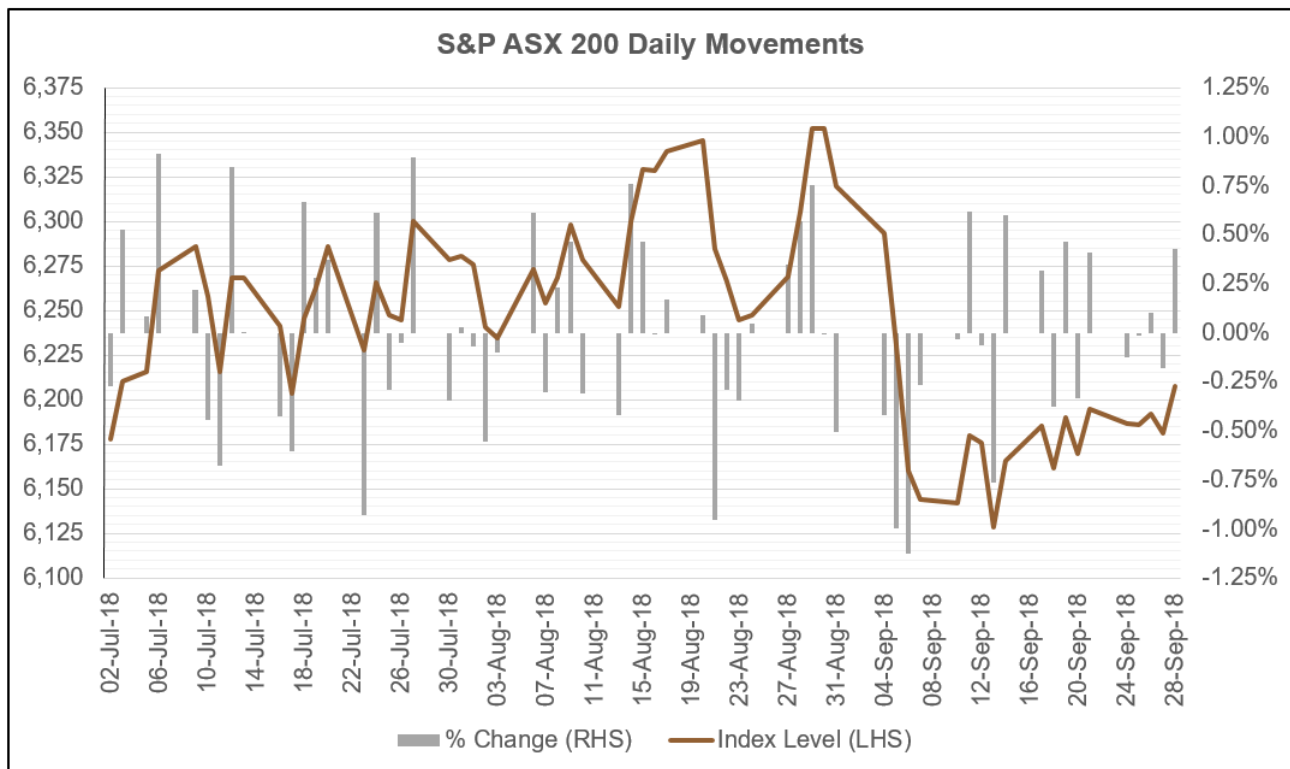
Source: FactSet

Australian Market Sector Performance (S&P ASX 200)

Sector	Qtrly Change	FYTD Change
Telecommunications	22.6%	22.6%
Information Technology	9.9%	9.9%
Industrials	3.4%	3.4%
Health Care	3.4%	3.4%
Energy	2.7%	2.7%
A-REIT	1.3%	1.3%
Consumer Discretionary	0.0%	0.0%
Financials Ex A-REIT	-1.4%	-1.4%
Consumer Staples	-2.2%	-2.2%
Materials	-2.8%	-2.8%
Utilities	-5.7%	-5.7%

Source: FactSet

Australian Market Daily Performance



Source: FactSet

September Quarter 2018 Commentary

The Australian market finished the quarter up 0.2%, with Telecommunications (+22.6%) and Information Technology (+9.9%) leading the way while Utilities (-5.7%) and Materials (-2.8%) lagged.

The broad US market indices finished the quarter higher, with the Dow Jones Industrial Average up 9.0% and the S&P 500 up 7.2%. The technology-heavy NASDAQ finished the quarter up 7.1%. European markets finished the quarter up 0.9%.

The Chicago Board Options Exchange (CBOE) Market Volatility Index (VIX), commonly referred to as the fear index, fell by 24.7% during the quarter as global markets rallied.

The Australian Dollar (AUD) fell 2.1% against the US Dollar (USD) to 0.7236 for the quarter.

The US 10 year Government bond yield rose 20.2 basis points (bps) to 3.05%, and the Australian 10 year Government bond yield rose 3.0 basis points (bps) to 2.67% during the quarter. These bonds influence lending rates in the global economy and also provide an indication of future inflation expectations.

The gold price fell 4.8% to \$1,191.50 and the oil (Brent) price rose 4.1% to \$82.72 during the quarter.

Our Market View

We remain cautiously optimistic about global equity markets. Our Investment Committee met in September and concluded that for the next two years, out to 2020, we expect global equity markets to continue rising from here.

Our Investment Committee also recognises the business cycle is maturing and that we have reached a point where there will be more volatility (i.e. sudden movements up or down) in global equity markets.

We continue to favour offshore economies over the Australian economy in the short term, particularly the United States. This is why our Australian Share portfolios are skewed to companies with global revenue and earnings. We also have approximately 60% of our International Share portfolios allocated to the United States.

Within the traditional Australian Share portfolios, we remain overweight Energy, Information Technology and Industrials. We are underweight Financials, Consumer Staples and Telecommunications.

Within the ethical Australian Share portfolios, we remain overweight Health Care, Information Technology and Industrials. We are underweight Financials, Telecommunications and Utilities.

The top three performers in the Australian Share portfolios were Brambles (+22.7%), Downer EDI (+16.4%) and Qube Holdings (+13.3%). The bottom three performers were Origin Energy (-17.6%), Scentre Group (-9.6%) and Janus Henderson (-9.4%).

The Exchange Traded Funds (ETFs) in our International Share portfolios performed well during the quarter. The NASDAQ ETF gained 10.3%, the S&P 500 ETF gained 10.2%, the Japan ETF gained 6.1% and the Europe ETF gained 4.7%. The Global Sustainability Leaders ETF in our Diversified Ethical portfolios also performed well during the quarter, adding 6.7%.

Portfolio Performance

At the start of the 2019 Financial Year we expanded our Australian Managed Discretionary Accounts to include Ethical Portfolios.

The Politis Australian Growth Portfolio, the Politis Australian Balanced Portfolio, and the Politis Australian Conservative Portfolio commenced in October 2009. All remaining portfolios commenced in July 2018.

Portfolio	3 months	6 Months	12 months	3 Years	5 Years	Since Inception
Politis Australian Growth Portfolio	2.44%	9.09%	13.37%	30.83%	43.03%	98.74%
Target Margin CPI + 5%	1.36%	5.76%	5.76%	16.80%	31.55%	74.20%
Politis Australian Ethical Growth Portfolio	0.94%					0.94%
Target Margin CPI + 5%	1.63%					1.63%
Politis Australian Balanced Portfolio	1.98%	5.74%	8.69%	25.73%	34.30%	80.71%
Target Margin CPI + 4%	1.16%	5.31%	4.93%	14.27%	26.62%	61.89%
Politis Australian Ethical Balanced Portfolio	0.80%					0.80%
Target Margin CPI + 4%	1.39%					1.39%
Politis Australian Conservative Portfolio	1.70%	3.86%	6.17%	23.06%	30.03%	71.33%
Target Margin CPI + 3%	0.96%	3.46%	4.12%	11.84%	21.91%	50.47%
Politis Australian Ethical Conservative Portfolio	0.61%					0.61%
Target Margin CPI + 3%	1.14%					1.14%
Politis Australian Defensive Portfolio	1.08%					1.08%
Target Margin CPI + 2%	0.90%					0.90%
Politis Australian Ethical Defensive Portfolio	0.32%					0.32%
Target Margin CPI + 2%	0.90%					0.90%

The Politis Diversified Growth Portfolio, the Politis Diversified Balanced Portfolio, and the Politis Diversified Conservative Portfolio commenced in May 2016. All remaining portfolios commenced in July 2018.

Portfolio	3 months	6 months	12 months	2 years	Since Inception
Politis Diversified Growth Portfolio	4.33%	9.01%	13.97%	23.17%	21.03%
Target Margin – CPI + 6%	1.77%	3.53%	7.53%	22.83%	20.54%
Politis Diversified Ethical Growth Portfolio	3.24%				3.24%
Target Margin – CPI + 6%	1.87%				1.87%
Politis Diversified Balanced Portfolio	3.56%	6.50%	10.09%	17.52%	17.75%
Target Margin – CPI + 5%	1.54%	3.07%	6.58%	18.08%	17.83%
Politis Diversified Ethical Balanced Portfolio	2.72%				2.72%
Target Margin – CPI + 5%	1.63%				1.63%
Politis Diversified Conservative Portfolio	2.27%				2.27%
Target Margin – CPI + 4%	1.39%				1.39%
Politis Diversified Ethical Conservative Portfolio	2.10%				2.10%
Target Margin – CPI + 4%	1.39%				1.39%

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.

Portfolio Additions and Removals

Commencing 1 July 2018, Politis Investment Strategies transitioned to our new Investment Programs. We now operate 14 Investment Programs:

Politis Investment Strategies Australian Portfolios:

1. Politis Australian Growth Portfolio
2. Politis Australian Ethical Growth Portfolio
3. Politis Australian Balanced Portfolio
4. Politis Australian Ethical Balanced Portfolio
5. Politis Australian Conservative Portfolios
6. Politis Australian Ethical Conservative Portfolio
7. Politis Australian Defensive Portfolio
8. Politis Australian Ethical Defensive Portfolio

Politis Investment Strategies Diversified Portfolios:

9. Politis Diversified Growth Portfolio
10. Politis Diversified Ethical Growth Portfolio
11. Politis Diversified Balanced Portfolio
12. Politis Diversified Ethical Balanced Portfolio
13. Politis Diversified Conservative Portfolio
14. Politis Diversified Ethical Conservative Portfolio

Politis Australian Growth Portfolio

The number of holdings in the traditional Australian Share portfolio has increased from 21 to 30 stocks.

We have diversified the sector exposures and added the following stocks to the portfolio:

- Aristocrat Leisure
- Computershare
- Amcor
- Cleanaway Waste Management
- Downer EDI
- Goodman Group
- Lend Lease
- Scentre Group
- Vicinity Centres

As part of this process, some holdings have been rebalanced but we have not sold out of any existing positions.

Politis Australian Ethical Growth Portfolio

The ethical Australian Share portfolio will hold 24 stocks and will not invest in any company primarily involved with the following:

- Gaming
- Tobacco
- Mining
- Oil and Gas

Or because of particular behaviours or incidents that the Investment Committee considers to be significant ethical violations (e.g. human rights abuses, environmental destruction).

Compared to the traditional Australian Share portfolio, the ethical Australian Share portfolio will hold three new stocks:

- Duluxgroup
- Orora
- Wesfarmers

The Politis Investment Strategies Australian Portfolios will retain an investment in Hybrid Securities (with the exception of the Growth and Ethical Growth). These will mature over the next 12 months and be invested in Exchange Traded Funds (ETFs) that hold underlying investments in Australian (Federal and State) Government and Corporate Debt.

In addition, the Conservative and Defensive portfolios also hold an investment in the iShares Treasury Exchange Traded Fund (ETF). This ETF invests exclusively in Australian Federal Government Bonds which will provide investors with high levels of liquidity and capital stability.

Politis Diversified Portfolios

Exposure to International Shares in the traditional Investment Programs will be achieved through the following allocation:

- 45% to the iShares S&P 500 ETF
- 30% to the iShares Europe ETF
- 15% to the BetaShares NASDAQ 100 ETF
- 10% to the iShares MSCI Japan ETF

We have exited the following positions in the traditional Investment Programs:

- iShares Global Consumer Staples ETF
- iShares Global Healthcare ETF

Exposure to International Shares in the ethical Investment Programs will be achieved by investing in the BetaShares Global Sustainability Leaders ETF.

The Politis Investment Strategies Diversified Portfolios will retain an investment in Hybrid Securities (with the exception of the Diversified Growth and Diversified Ethical Growth). These will mature over the next 12 months and be invested in Exchange Traded Funds (ETFs) that hold underlying investments in Australian (Federal and State) Government and Corporate Debt.

Exposure to Australian Debt Securities in both the traditional and ethical Investment Programs will be achieved through the following allocation:

- 80% to the iShares Treasury ETF
- 20% to the BetaShares Australian Bank Senior Floating Rate Bond ETF

Portfolio Allocations as at 30 September 2018

Portfolio Name	Australian Shares	Australian Infrastructure	Australian Property	International Shares	International Currency	Australian Debt Securities	Cash	Total
Politis Australian Growth Portfolio	70.30%	8.33%	7.91%			0.00%	13.46%	100.00%
Politis Australian Ethical Growth Portfolio	57.97%	8.40%	7.99%			11.90%	13.74%	100.00%
Politis Australian Balanced Portfolio	49.84%	6.84%	6.41%			22.94%	13.97%	100.00%
Politis Australian Ethical Balanced Portfolio	48.58%	6.99%	6.67%			24.89%	12.87%	100.00%
Politis Australian Conservative Portfolio	37.13%	5.18%	4.95%			39.76%	12.98%	100.00%
Politis Australian Ethical Conservative Portfolio	36.75%	5.30%	5.05%			39.87%	13.03%	100.00%
Politis Australian Defensive Portfolio	18.56%	2.61%	2.51%			64.57%	11.75%	100.00%
Politis Australian Ethical Defensive Portfolio	18.34%	2.64%	2.54%			64.94%	11.54%	100.00%
Politis Diversified Growth Portfolio	45.74%	5.57%	5.35%	31.55%	0.00%	0.00%	11.79%	100.00%
Politis Diversified Ethical Growth Portfolio	33.46%	5.10%	4.86%	32.68%	0.00%	11.66%	12.24%	100.00%
Politis Diversified Balanced Portfolio	28.75%	4.08%	3.89%	26.42%	0.00%	24.40%	12.46%	100.00%
Politis Diversified Ethical Balanced Portfolio	27.78%	4.09%	3.93%	27.54%	0.00%	24.40%	12.26%	100.00%
Politis Diversified Conservative Portfolio	22.17%	3.09%	2.94%	21.28%	0.00%	39.20%	11.32%	100.00%
Politis Diversified Ethical Conservative Portfolio	21.63%	3.11%	2.99%	21.31%	0.00%	39.27%	11.69%	100.00%

Financial Planning News

SMSF Trustees and Mental Incapacity

All members of a Self Managed Superannuation Fund (SMSF) must be individual trustees or Directors of a corporate trustee. The position often entails extensive duties and responsibilities, and the formality is required as one should not be given such a position easily or automatically.

A person under a legal disability (such as mental incapacity) cannot be a trustee or director of corporate trustee of an SMSF.

As a result, if a trustee loses mental capacity whether by deteriorating health conditions or by tragic accident, appropriate actions need to be taken within 6 months in order for the fund to comply with the above requirement and maintain the fund's complying status.

For example, consider a standard SMSF with husband and wife as individual trustees. They both lose mental capacity in a tragic accident. They had previously signed a valid enduring power of attorney appointing their son as their attorney. Their son now wishes to act as a trustee of the SMSF in place of his parents. The superannuation law provides that an enduring attorney of a member who lost mental capacity may be a trustee of an SMSF (or director of the corporate trustee) in place of the member.

However, it is important to understand that this is not an automatic replacement and not always easily achieved. Formal appointment of the enduring attorney as replacement trustees as well as the retirement of the parents as the current trustees are required in accordance with the trust deed and relevant laws. This requirement for formal appointment and retirement also applies to any director of a corporate trustee of an SMSF.

Accordingly, preparing for loss of legal capacity requires more than just an enduring power of attorney. Additional complications and costs may be incurred if the trust deed does not allow an alternative decision maker to formally appoint replacement trustees in the event of both trustees/members losing mental capacity.

If the trust deed only allows the current trustees or members (i.e. the parents) of the SMSF to appoint replacement trustees, then this appointment power can no longer be exercised as the current trustees/members have both lost their legal capacity. Their son would need to apply to the court, adding both time and costs to the process.

To avoid this, SMSF members should obtain advice regarding the trustee structure and terms of the current trust deed to allow appropriate means of appointing replacement trustees to protect against the risk of members losing mental capacity. If you have any questions, please speak to your Financial Planner.

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

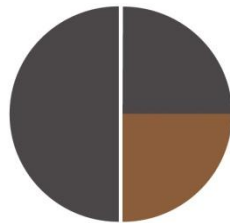
Head Office Contact

T: (02) 4962 5525

F: (02) 4962 5526

reception@politis.com.au

www.politis.com.au



P O L I T I S

INVESTMENT STRATEGIES