ABG GROUP

CORPORATE BROCHURE

ABG MISSION STATEMENTS

ABG's ultimate goal is to educate and elevate the financial health of our clients by providing one-stop expert services.

We are committed to achieving trusted and long-term, mutually beneficial relationships with our clients.

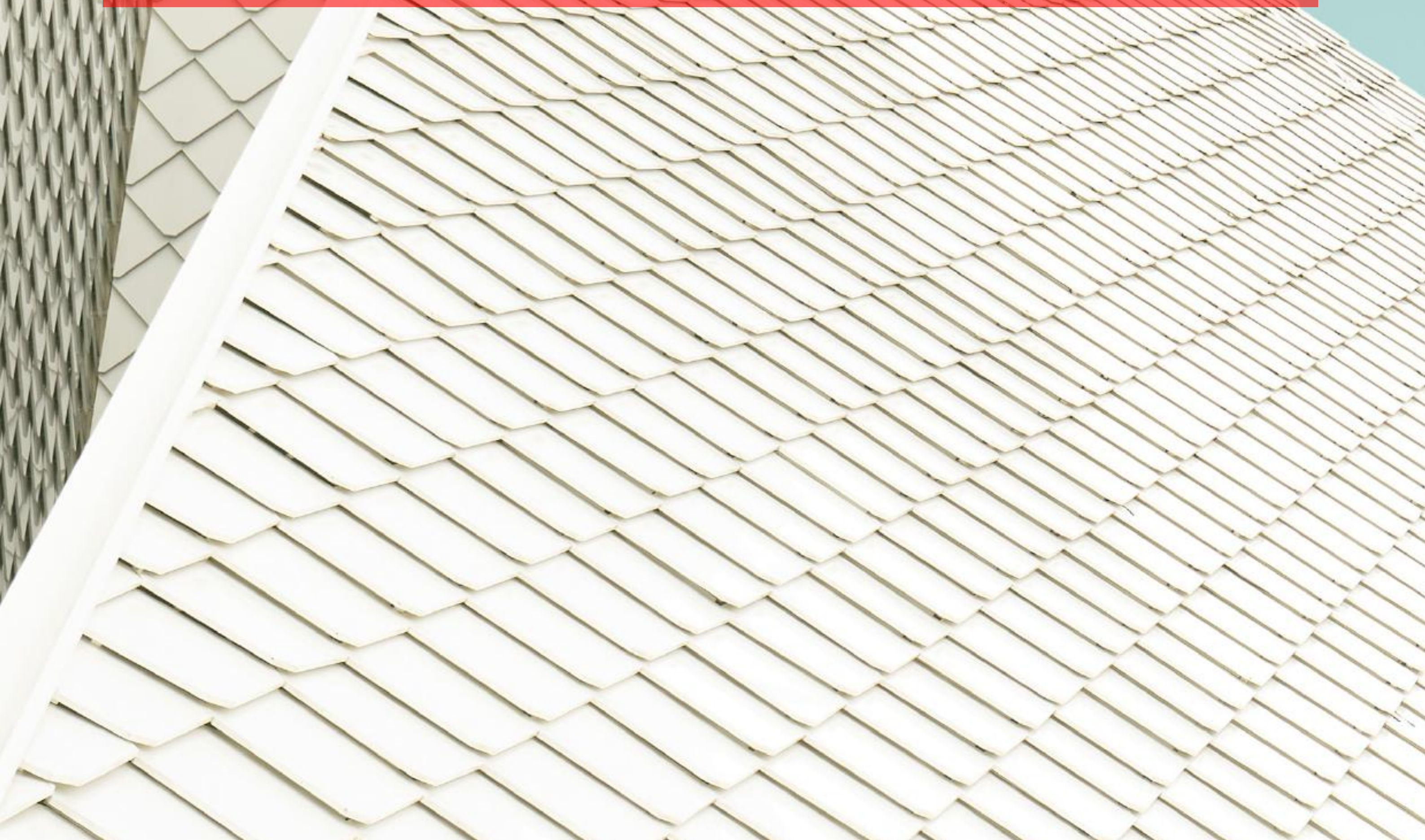
We guide and grow a diversified portfolio of clients with the single aim of delivering valuable, quality, efficient and cost-effective services to help them to achieve their various goals.

We can only achieve our mission through genuine partnerships with our Clients, Employees, Governments, Local Communities and other Stakeholders; based on INTEGRITY, COOPERATION, CAPABILITIES, and RESPONSIBILITIES.

OUR LICENSEE

ABG Wealth's AFSL (Australian Financial Services Licence) Licensee is Wealth Today Pty Ltd (AFSL 340289) (a wholly-owned subsidiary and main operating entity of ASX-listed WT Financial Group Limited (ASX: WTL)).

We are the largest non-institutional and non-product -producing financial adviser network in Australia, with over 600 advisory firms with total funds under management of more than $16 Billion AUD.



Contents

Our Approach

ABG works with clients throughout their business and life cycles, using our genuine partnerships to offer joined-up solutions to engineer positive outcomes.

Our one-stop services provide individuals and businesses efficiencies that enable them to make the best possible and cost-effective decisions by utilising our wide range of business resources and investment options.

ABG and its business partners have an extensive and diverse range of knowledge and experience to help our clients to achieve their goals. We achieve real results for our clients by utilising a variety of technologies, platforms, networks, and resources.

ABG's financial coaching service is designed to elevate financially aware clients, who will be confident and capable of making informed decisions to achieve their short-term and long-term business and life goals.

ABG believe in genuine partnership in working with both our clients and our business partners, where communication and transparency are key.

OUR SERVICES

Financial Advice

Whether you're just starting out or looking to grow/protect your wealth, ABG Group offers a fresh approach to financial advice tailored for your needs.

This is because instead of simply selling you products, our focus is to help establish your lifestyle and financial goals. We work with you to develop strategies tailored to your personal circumstances and goals. Then, after this process has been done, we adopt an open approach towards sourcing any specific product that we recommend, to ensure you have the right financial products for your needs.

Financial Planning

You can't put a price on financial security or peace of mind when it comes to financial planning. We are committed to working with you to achieve your lifestyle and financial goals by establishing your tailored plan and holding you accountable to take actions to create, manage and protect your wealth.

Investing in your future doesn't have to be complicated. Our team of experienced advisers and technical experts will work with you to understand your current circumstances, and evaluate and develop your goals that suit your needs; we'll then develop and implement plans to help achieve your objectives.

We offer a diverse range of services, including specialising in residential property investments and self-managed superannuation fund (SMSF).

Retirement Planning

We only live once! Our retirement planning advice is crucial in ensuring that your assets, capital, and income streams outlive you. We can help you by making sure the money from these sources will last long enough to enable you to enjoy the golden retirement life that you deserve!

We're here to help you create the retirement lifestyle that will make your days go by smoothly and worry-free. Our practical, helpful advice can assist you in reducing inflation's bite, generating tax-effective returns, and creating an appropriate income stream for your retirement. We can take care of this process for you no matter how many years are left to your retirement.

Superannuation Solutions

We're here to help you make the most of your superannuation. Our financial experts can help you take control of your superannuation, so its structures and strategies are properly aligned with your financial and lifestyle goals.

We can help you whether it's with the assessment and selection of fund managers or by helping establish and manage your own self-managed superannuation fund (SMSF). We are here for all stages in life. We specialise in acquiring real estate within an SMSF.

Superannuation planning is a crucial decision that can have lifelong implications. Structuring super investments and outcomes to meet your lifestyle goals in retirement will ensure you're prepared for the years ahead, whatever they may be!

Taxation Management

Whether you're a small business or an established enterprise, we can provide the expertise and guidance to ensure your taxes are properly managed. We ensure that you comply with tax legislation and knowing that your tax is always minimised legally.

We understand that managing taxation issues can have a significant long-term impact on financial outcomes. Hence, at ABG Group, our tax and accounting experts are here to help make sure your affairs, assets, liabilities, debts, investments and income streams are structured in the most tax-effective manner possible. This way, you pay as few taxes possible for years down the line! In the event that you have an existing accountant or tax adviser, we are happy to work alongside them.

Debt Structuring & Management

Loans and debt form big part of your investment strategy. If you use debt and loans wisely, they should make you rich and wealthy. We can help you secure the most appropriate loan structures and arrangements to suit your individual needs and requirements, to help achieve your investment goals.

With an extensive network of banks and lenders at our disposal, backed by our knowledge and expertise in the finance field, we can structure the most competitive loan products available in today's market to suit your unique needs.

We are not aligned with any particular financial institution, so we don’t have any conflict of interest. Thus, our recommendations will always be impartial and tailored specifically towards what's best suited in terms of where we stand as advisers!

Investment Advice

ABG Group has technical experts that span across all key investment groups, who can help you structure and manage your investment in a way tailored specifically to your unique goals.

Regardless of your portfolio size, or whether you're focused on wealth creation or are in the stage where you want to preserve what's already been accomplished, we can assist you to balance risks with potential returns by effective structuring and management of your investments. Consequently, we can ensure that your investments align with your lifestyle and financial plans.

Managed Funds

Managing investments is a difficult task that requires constant attention and effort. With our expert knowledge, technology and experience in the industry, we can help you make an informed decision about what type and amount of managed investments might be right for your ever-changing situation. We provide various tools to monitor your investment performance so that there are no surprises down the road!

With literally tens of thousands of managed funds and investment schemes to choose from, navigating the minefield can be dangerous. There are fees vs performance as well as risk vs reward that need to be considered for each investment; without extensive experience, the right tools, and deep knowledge, you can easily waste a lot of time but still fall into pitfalls. However, we're not aligned with any financial institution, so we make our recommendations based on what's best for you and your goals, not based on the manifestation of giant corporates or institutions' interests.

Direct Property Investments

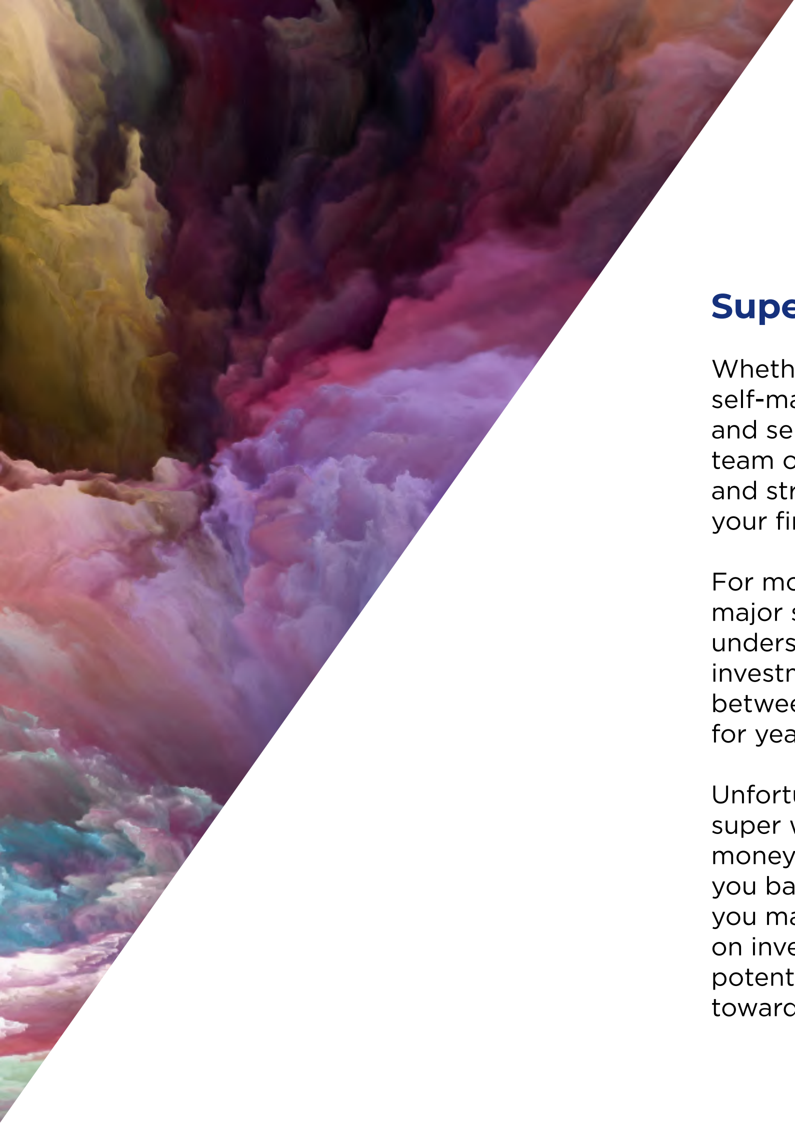
It's important to have a balanced perspective on property. We view it as an important asset with its own risk versus reward just like any other asset class. It is critical to know that we take a careful and independent approach with your property portfolio construction in order to maximise your financial returns.

The real estate market in Australia has been on an upwards trajectory for some time now and most Aussies are comfortable with direct investment in real estate. But most financial planners often overlook this asset class completely or offer little guidance about how to invest - leaving their clients in the dark to tackle this critical opportunity and all associated risks.

Direct Equities

We offer development and management of your direct equity investments, within your personal portfolio or super fund. You can view transactions and results with full visibility, so you know how we are performing in delivering on our promises!

By working with our team of experts, we can help you take control of your direct investments in shares and control your emotions. We will help ensure that the right companies are chosen for what's best suited to meet your goals and when is the most appropriate time to buy or sell them. This means investments will continue growing during tough economic times without losing value due to high volatility. We can also help you understand and decide whether equities are right for your circumstances and what role, if any, they should play in helping achieve the goals that matter to you most.



Superannuation Investments

Whether you need help establishing your own self-managed super fund or need help assessing and selecting the best performing fund managers, our team of experts can help you take control of strategies and structures and offer tools that in alignment with your financial goals.

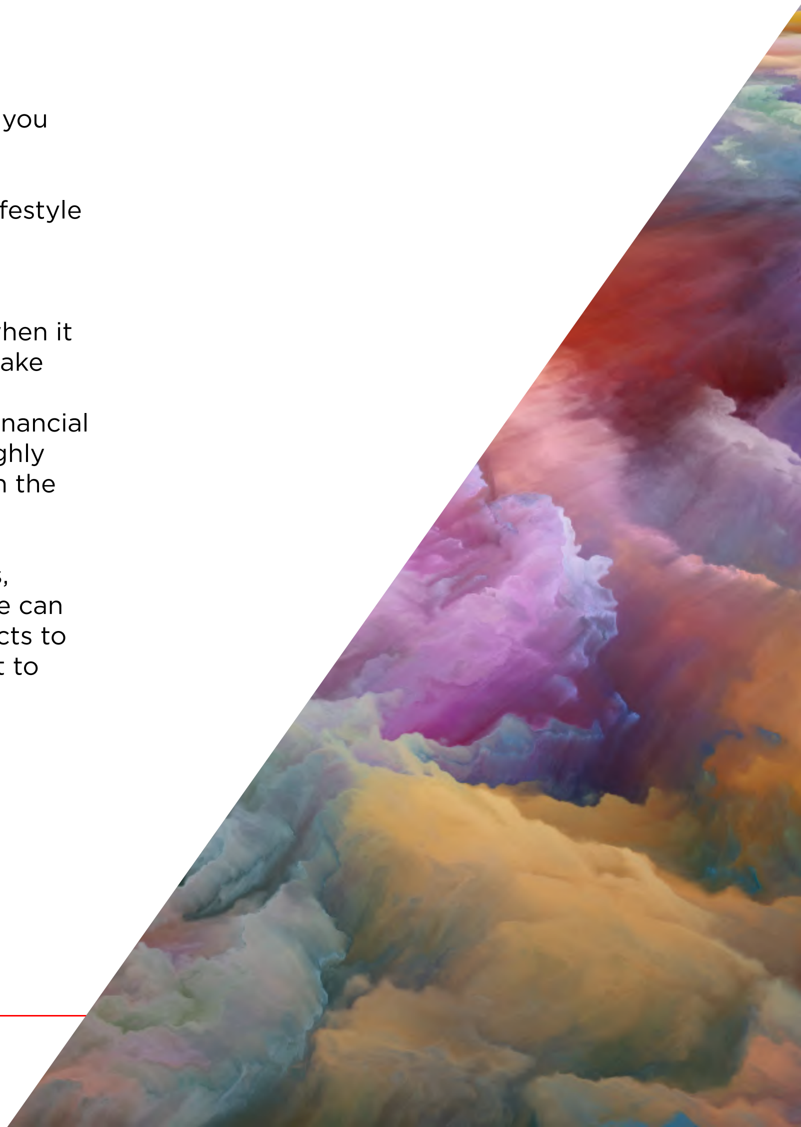
For most Australians, their superannuation will be the major source of income in retirement. As such, understanding the right structure and achieving investment outcomes can make all the difference between enjoying your retirement life or working for years to end without any financial security.

Unfortunately, many people do not understand how super works and what they should be doing with their money when they retire. However, this doesn't have to hold you back from getting on track; we are here to help you make the right decisions by providing regular updates on investment performance as well as helping identify potential risks and opportunities along this journey towards your ultimate financial independence.

Other Investments

We are your team of experts who can help you assess and decide which, if any, alternative investment types that will suit to your circumstances and help you achieve your lifestyle and financial goals.

We can help you make the right decision when it comes to your alternative investment. We take into account all of your unique needs and circumstances and help you achieve your financial goals by analysing the myriad of safe to highly speculative investment choices available on the market - such as shares, fixed/variable, interest-bearing, capital/partial-capital guaranteed, debentures, derivatives, bonds, deposits and other structured products. We can also create our own unique financial products to push into the market if there is a need for it to achieve the best results for us.



Risk Management

The ABG Group is here to help you establish ways of protecting against unforeseen circumstances and risks that might arise on life's journey.

Managing risks in your financial plans to protect you and your family's assets is a crucial task that can help you achieve any goals no matter what twists and turns life might throw at you. ABG Group has the deep experience and know-how to help you develop a risk management plan either directly or through association with third-party advisers.

Risk Assessment

We know that deciding which type and level of insurance are right for you can be a daunting task. That's why we offer a comprehensive needs-and-risk assessment service to help select the best coverage that suits your specific circumstances and goals, with all aspects carefully considered. This way, your will not be left vulnerable or relying on just one provider.

We at ABG Group have the expertise to find the best option and structure for your particular circumstances, selecting the right products and levels of cover that will protect your income stream from financial ruin in case of illness or injury. In addition we can provide a safety net should something happen such as death or disability, so your family are never left high-and-dry without assistance; we add all possible value in the process while maximising your savings every step of the way!

Personal Insurance

We understand that serious illness, or even death, can have a huge impact on your family's finances. We will help you manage the effects so these events do not seriously jeopardize their financial well-being.

We are not aligned with any financial institution, which means we have access to a range of products from leading providers. We don't want our clients' decisions to be limited to a particular corporate or intuitional offering that may not work for their best interest. So, whether it's life, trauma, total & permanent disability, income protection, or other insurance across your investment and lifestyle assets, ABG Group can assist.

Business Insurance

We know that running a business is tough, and sometimes, things can happen that prevent you from continuing. We can help ensure the safety of your business in case you are unable to fulfil your role as the owner/partner/shareholder due to illness, disability or death.

ABG Group can help you develop a strategy for maximum protection, so that your company is not left with a reduction in revenue if something happens to you or one or more other stakeholders named in the policy. In addition, we can arrange business insurance to cover your fixed business expenses should any revenue generating ability of your business be hamstrung by your inability to work due to illness or disability.

Estate Planning

ABG Group is here to help you with any estate plan needs. We can assist in developing and establishing wills, powers-of-attorney and beneficiary arrangements that suit your particular need, requirements, situations and desires.

Through our network of specialist lawyers, or by working directly with your own legal team, we can help you plan against unforeseen circumstances that may arise in your estate's future. We will ensure all your finances and assets are protected and dealt with according to what you have envisaged and intended.

Tax and Accounting

Keeping up with the changing financial landscape is hard enough without worrying about how tax law changes will affect you. We can help you keeping your finger on the pulse with your financial investment, while helping you make the most of the taxation benefits available to you in an ever-changing environment.

ABG Group has a variety of platforms, systems and tools to assist you in keeping track of all financial transactions and movements. At the same time, you can monitor the performance of your investments, to see whether you are achieving your goals and objectives. With our help, you can ensure that you do not pay more tax than you need to. We will also guide you through all of the compliance requirements for your businesses to keep things running smoothly and avoid any surprises on audit day!

Financial Reporting

ABG Group will help you keep track and stay informed about the performance of your assets, to ensure that all details are accurately recorded on a timely basis.

We have a team of accounting staff who are highly qualified and up-to date with current legislation and follow best practices. We use the latest technology and software to ensure your accounting records are efficiently and effectively prepared; Also, we produce comprehensive and transparent financial reports to allow you to understand your investment, so you can gauge their performance and achievements.

Taxation Management

We have the expertise to help you navigate your way through any taxation issues, and ensure that both compliance with tax law is maintained. Meanwhile, we assist with taking advantage of all available taxation benefits on an ongoing basis.

Managing tax issues can have a significant impact on your financial outcomes. Taxation is a very complex area of legislation. However, it's not impossible to navigate the regulations and find success! We understand how important it is for you to keep taxes at a minimum! Hence, our team of tax and accounting experts will make sure that your affairs, assets, liabilities, debts, investments and income streams are structured in the most tax-effective manner possible. Alternatively, we can work with your existing accountant or tax adviser.

Tax Return Preparation & Lodgement

The accounting experts at ABG Group have years of experience with a range of tax matters. So, you can be sure our team know how to keep your taxes down to a minimum without sacrificing compliance.

ABG Group can assist you with the preparation of income tax returns (for companies, trusts, self-managed superannuation funds, partnerships and individuals), business activity statements and compilation of financial and other information required to comply with requirements of the ATO, lodging directly on your behalf, accurately and on-time to avoid penalties and fines.

SMSF Specialists

ABG Group is here to help you take advantage of the many tax-effective benefits available through a Self-Managed Superannuation Fund while maintaining the compliance with legislation.

We can assist with a range of SMSF services; assisting you with your questions and making recommendations, re-structures, establishments, upgrades, compliance, administration (maintaining accounting records, reconciling member's accounts, commencing pensions, actuarial certificates, arranging independent audits), lodgements with ASIC and the ATO.

Corporate Compliance

ABG Group's qualified and experienced staff attend to all your ASIC (Australian Securities and Investments Commission) and corporations Act requirements relating to trading companies or corporate trustees for SMSFs. We use Nowinfinity as our companies' management platform linking with ASIC to manage all relevant matters efficiently.

Our services ensure companies comply with legal and statutory requirements, including updating ASIC of changes to company details (such as addresses, officeholders, shareholdings), reviewing Annual Company Statements, and attending to formal requirements required under the Corporations Act (such as minutes, notices and resolutions).

CASE STUDY : 1

Our Expertise and Service Quality Supports a $75m Acquisition

Our Client

Exergen, is an Australian clean coal company that uses 'vertical autoclave technology' to reduce emissions by dewatering high moisture coal. Exergen claims its new technology, teamed with modern coal-fired power station technology, will deliver up to 40 per cent emissions reductions. When the firm made the decision to purchase the Wilie Creek Coal mine for $75m they needed specialist accountancy advice to ensure they made the best decisions to lay the foundations for future strategic success.

Without ABG we would never have been able to leverage our cash flow to make effective strategic decisions. Their contribution to our current and future financial position was essential to overcome the inevitable challenges of due diligence during the acquisition of the Wilkie Creek Mine.

- Trevor Bourne (CEO of Exergen)

ABG's assistance during a challenging period for the business was greatly appreciated. Their team's attention to detail and complete focus on our business was just what we needed. Unlike other accountancy firms we have worked with, ABG are great action takers. They add real value to our business and always achieve results.

- Martin Albrecht (Chairman of Exergen and previous CEO of Thiess)

The Challenge

Generally large firms in Australia use one of the big 4 international accountancy firms to manage their financial affairs. This means they often pay unaffordable fees and don't really receive a commensurate level of service or expertise.

When it comes to specialist sectors such as mining there are some critical considerations for tax and accountancy purposes, particularly ensuring that the tax entitlement for research and development is offset. This is often missed by general accountancy firms because they frequently fail to communicate effectively with all the key people in the business, such as the principal engineer.

There are also other services including legal advice, strategic consulting, capital raising and Joint Venture Partners Sourcing which are not provided effectively or even considered unless the client has paid in advance for a specific service. That's where we're different.

When Exergen approached us to help with some really important financial decisions to make during the mining downturn in Australia we were able to deliver really impressive results.

Our Approach

We have specialist expertise in the mining sector, so we know just how to deliver the best results for our clients. For this project it was essential we were able to provide a one-stop service for Exergen, reviewing and repositioning their financial situation during the acquisition of the Peabody owned Wilkie Creek mine.

We engaged their existing international law firm and worked closely together to provide due diligence checks on the new business whilst we ensured that Exergen was in the best possible position for a successful acquisition. Working with the principal engineer we carried out a full review of the business with a particular focus on the research and development costs, because this is an area that is often undervalued when it comes to offsetting tax.

In liaison with the firm's Chief Financial Officer we delivered a full analysis of the firms cash flow, reporting their finances in accordance with international standard reporting and a range of other relevant requirements. In addition to also providing a full range of bookkeeping and accounting services we transitioned the firm to a Xero based system from their previous manual system and consulted with the client on potential joint venture partners and capital structures to finance the deal.

Finally, we liaised with the ATO to submit all relevant reports and address any queries raised in advance of the acquisition.

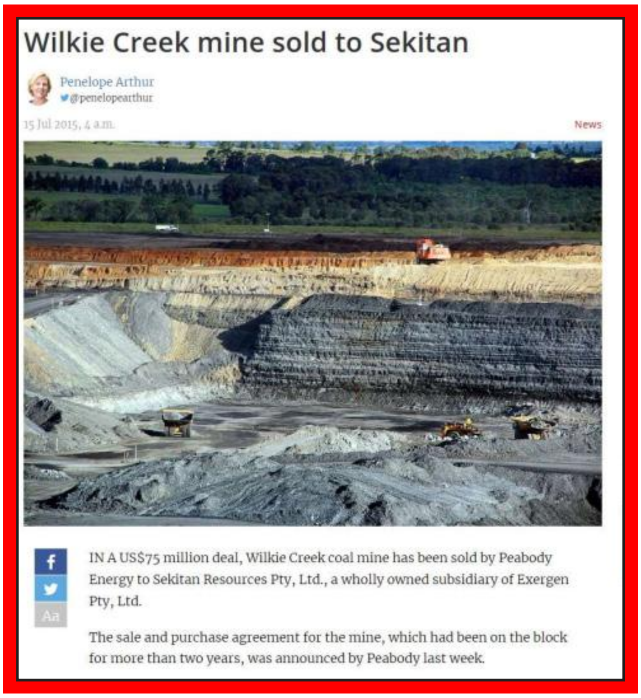
The Results

Of course, the highlight of our work with Exergen was the successful acquisition of the Wilkie Creek Mine, a transaction that went ahead very smoothly as a result of our detailed preparation work and the support of their international law firm.

There have been some other impressive benefits demonstrate the added value we bring to our clients' businesses.

With the new Xero accounting platform directors have easy access to financial data to make more informed decisions more quickly.

Our work reviewing the research and development tax offsetting has resulted in a seven-times higher grant. This made a significant difference to Exergen's financial stability during the due diligence period where cash flow and liquidity were key issues for securing a deal.



Wilkie Creek mine sold to Sekitan

Penelope Arthur
@penelopearthur

15 Jul 2015, 4 a.m.

News

IN A US$75 million deal, Wilkie Creek coal mine has been sold by Peabody Energy to Sekitan Resources Pty, Ltd., a wholly owned subsidiary of Exergen Pty, Ltd.

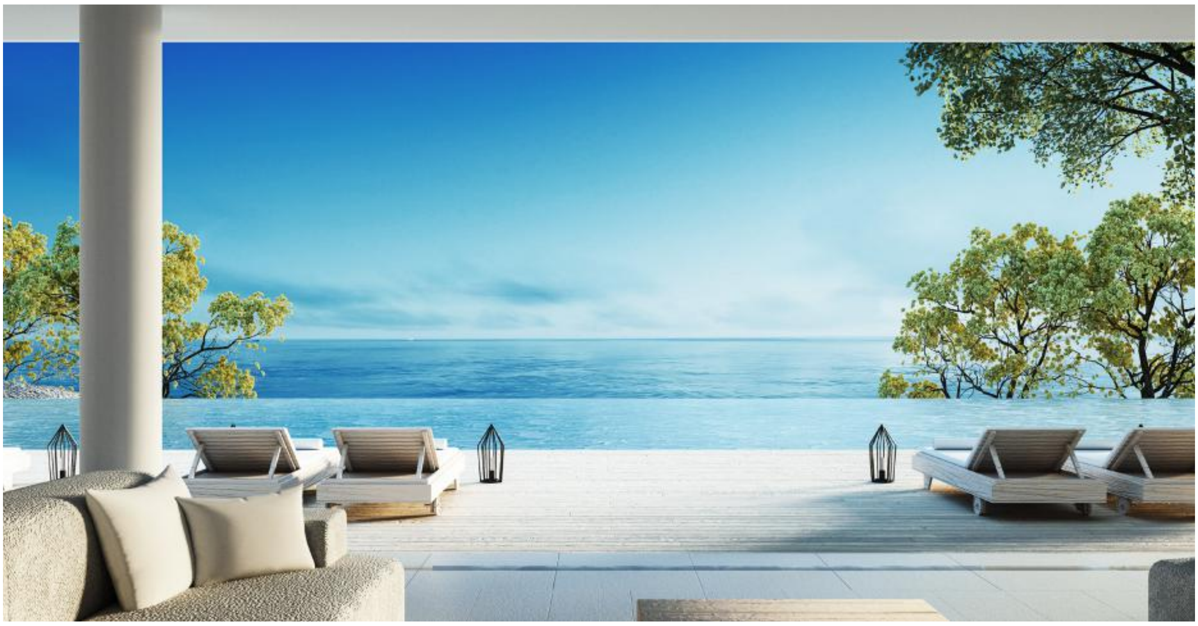
The sale and purchase agreement for the mine, which had been on the block for more than two years, was announced by Peabody last week.

CASE STUDY : 2

Providing Effective Investment Advice and Wealth Management Solutions for Private Clients

Our Client

This case study discusses one of our private individual clients with a high income as a result of his work within a national oil & gas company in Australia.



The Challenge

Our client was earning an excellent income from his work within the oil and gas industries, but this required a considerable investment in his time. This made it much more difficult to find the time to achieve his financial goals, especially as he had occasional cash flow limitations.

Whilst our client had spoken to a number of financial planners he hadn't been impressed. In one case, after the first meeting there was no further contact despite charging hefty up-front fees. Property investment was an exciting opportunity, but every financial planner has suggested investing in shares, without really evaluating all the different options, or taking the time to really listen to his interests. Our client already knew what he wanted to do but required advice on the best way to achieve these goals.

He also had a feeling that he was paying far too much tax but his current tax accountant hadn't provided any meaningful opportunities to reduce his tax bill.

As a result of engaging a number of different accountants our client was paying multiple sets of professional fees for accountancy, legal, financial planning and tax, whilst none of these different professionals had a holistic understanding of his financial situation.

ABG only charge us when they achieve results, whether it's tax minimisation, refinancing of loans, reviewing our insurance and even when they find a tenant for us! I don't think there is another firm that exists that is able to truly provide such a range of highly professional in-house services as ABG can and also help me achieve results!

- Carlos Sanchez Marin (private client)

I have never previously experienced such great service and expertise from a single business. ABG provides us with a client referral portal and a modern marketing system, together with ready-to-use marketing materials to allow us to run our own side business and make our own money. It's great to have access to an accountant, finance broker,financial planner and real estate agent in-house who want to MAKE YOU money! You can escape your full-time job, aka "rat race", and start your own side or full business by working with ABG!

- Marcell Vasauez (private client)

Our Approach

We took the time to listen to our client, fully understand his financial situation, and clearly define his financial goals and objectives. Having all the expertise he needed in-house, including accounting, finance, financial planning, legal and real estate, which meant he no longer needed to talk to different people, or pay multiple sets of fees. Packaging together a tailormade suite of services resulted in a much lower overall cost, and to help with cash flow, we agreed to charge our fees only after we had delivered some results.

We have developed a model to refinance his current home loan to significantly reduce his annual interest expenses. As a result of this, we were able to help our client to get approval for finance to purchase a property and land investment and have subsequently been able to reduce our clients tax bills by claiming new house and land building allowances and capital works.

The changes we made to his tax bill have improved his cash flow dramatically, and we also reviewed his insurance premium to reduce his current premium and helped our client set up a self-managed super fund.

Once the land purchase was completed, we were able to leverage further expertise internally to liaise with the building company manager to ensure progress on the property development was progressing as expected.

The Results

Our client has set up a positive cash flow property portfolio generates over $90k passive rental income per year just within a 2 year timeframe. Our client's net wealth has increased by 10 times after implementing our various strategies within this short 2 year timeframe. Our client no longer needs to worry about the cost of professional fees. In fact, these have been easily absorbed into the tax savings we identified. The client is delighted with our service and values our professional and friendly approach. Because we offer all our services in-house there are no problems with communication, and we are always able to provide meaningful advice and support. Reductions in loan costs, tax payments and insurance premiums have greatly improved the client's cash flow. The property development has been well managed, and the development was completed on time with a lifetime structural guarantee. The building company was able to refer our client to a real estate agent who had tenants ready and waiting to move in, with a 10-year rental return guarantee.

AN INTRODUCTION TO INVESTING

INTRODUCTION

The principle of saving is well known. Money is put away in a savings account or a term deposit, generally achieving a fixed rate of interest with minimal risk.

Unfortunately, a savings account can offer returns little better than inflation. In real terms, that means you may end up losing money on your initial investment.

Investing, on the other hand, is the commitment of money today which, with an appropriate level of risk, comes with the expectation of realising your future financial goals.

It's about making your money work harder for you than just saving alone can.

With its rewards, however, investing can also be challenging and confusing. Whether you dream of a new house or an investment property, money for your children's education or the comfort of security and freedom in retirement —understanding the principles of good investing is the foundation of achieving your financial goals. Achieving these goals shouldn't be luck. It requires commitment, research and patience, to ensure the outcome will be anything but uncertain. And, as with most things, you should plan ahead before you start.

This guide aims to build your understanding of the basics of investing and help get you started today on the path to securing your financial independence tomorrow. However it is just one part or understanding your investments. We strongly recommend engaging with a financial adviser to develop the strategies you need to reach your financial goals.

UNDERSTANDING RISK

Risk and investing are intrinsically linked. Risk is defined as the chance you will lose money on an investment - however, crucially it is also the driver for making money.

While every investment carries some risk, your appetite for risk will probably be very different to the next person. For some, crossing the road against the lights might seem risky, while others wouldn't think twice about skydiving. Risk is a perception based on your unique experiences and personality.

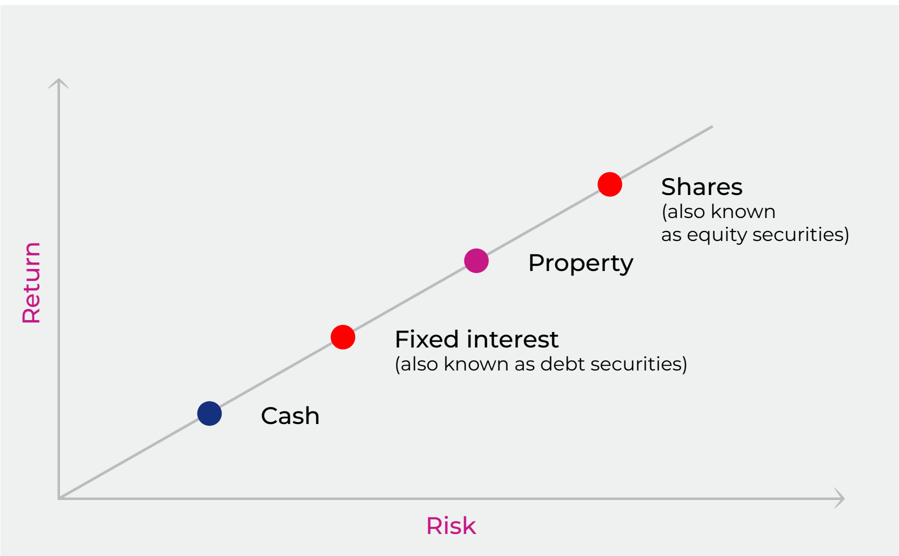
As all investments come with varying degrees of risk, it is important to recognise your appetite for risk and build a portfolio that suits your risk tolerance. There are several factors that, when considered wholly and in line with your goals, will measure your risk tolerance.

- **Desire to take risk:**
  Some investors enjoy the inherent uncertainty of investing and are inclined to take on high-risk investments. More common however is an aversion to the stress that a large fall in an investment's value can produce. As a test, ask yourself how you would feel if you woke up and the value of your investment had fallen by 10%? 20%?

- **Financial capacity to take risk:**
  A couple with a new baby and a mortgage will have a considerably different capacity to take risks than a single person just starting out in the workforce.

- **Your need to take risk:**
  This is tied to your investment time frame. If you are 30 years old and planning 35 years ahead for retirement, you will probably be happy to accept greater risk (as short-term volatility is smoothed out), to achieve your goals. On the other hand, if you are nearing retirement, you'll probably not want to risk losing your money as there isn't the luxury of time to recover from losses.

Risk and return comparison



Risk and return comparison

With greater risk, there is the opportunity for greater returns. Different types of investments, as shown in the graph to the left, have greater risk -and the possibility of higher returns.

Your financial adviser is there to help you understand your risk profile and help you build a portfolio of investments which matches your risk profile and your investment objectives.

Types of risk

The most common types of risk are:

- **Business risk:**
  This is the risk that a company's value will decrease or even go bankrupt. This may be unique to a company, or even a sector of the economy, however if you are invested heavily, your portfolio can face significant losses.
- **Market risk:**
  Also known as systematic risk. This is the risk that market-wide downturns will diminish your portfolio.
- **Currency risk:**
  This is risk that arises from the change in value of one currency against another. For example, if your investment is in US dollars, a stronger Australian dollar will diminish your returns when the investment is repatriated to Australia.
- **Political risk:**
  Changes in government, or government policy, can significantly affect the returns on an investment. While this affects foreign investment in volatile developing countries, in Australia legislative changes, such as taxation law, can still pose a risk to investment returns.
- **Interest rate risk:**
  If your investment is tied to the interest rate, such as property or bonds, then changes in the interest rate can affect your investment returns.
- **Liquidity risk:**
  This is the risk that an investment may be difficult to sell at the time you want to sell. While shares are usually very liquid, assets such as property may take longer to sell, creating liquidity risk.
- **Inflation risk:**
  This is the risk that your investment will not keep pace with inflation — and will lose money in real terms.

Avoiding risk

While risk is an unavoidable part of investing, there are steps you can take to minimise your exposure to unintended risk.

Diversification

As the saying goes, don't put all your eggs in one basket. Typically, different types of investments such as shares and bonds, perform well at different times. With a mix of investments, if one part of your portfolio suffers losses, other investments may remain steady or even appreciate. Over time this will smooth out the returns of your portfolio and protect against the risk of catastrophic losses.

There are different levels of diversification to properly manage risk:

Between asset classes

Diversify across different asset classes — cash, fixed interest, property, shares

Within asset classes

Diversify across market sectors, such as cyclical (eg mining stocks) or defensive (eg healthcare, consumer staples)

Within market sectors

Diversify across different companies within sectors (eg Westpac and Commonwealth Bank within the financials sector)

Long-term investments

While your age, investment goals and financial situation will affect where you put your money, generally speaking longer-term investments present smoother returns as short-term volatility is smoothed out.

Research

The more you understand about an investment and the financial markets, the less likely you'll be to make an investment which doesn't match your financial goals.

INVESTMENT CONCEPTS

Compound interest

Compound interest is your money working for you. You earn interest on the money you deposit, and in time you earn money on this interest. When you are earning interest on your interest that's compound interest, and it's one of the most important principles of investing and a great reason to start investing as early as possible.

Compounding interest can have a big impact on your final portfolio value. Here's an example of how it works. You invest an initial sum of **$50,000 at 8%** interest and have the choice to have this interest paid out to you - or you can re-invest it.

	Interest paid out		Interest re-invested	
End of year	Investment Amount	Interest amount	Investment amount	Interest amount
1	$50,000	$4,000	$50,000	$4,000
2	$50,000	$4,000	$54,000	$4,320
3	$50,000	$4,000	$58,320	$4,666
4	$50,000	$4,000	$62,986	$5,039
5	$50,000	$4,000	$68,024	$5,442
6	$50,000	$4,000	$73,466	$5,877
7	$50,000	$4,000	$79,344	$6,347
8	$50,000	$4,000	$85,691	$6,855
9	$50,000	$4,000	$92,547	$7,404
10	$50,000	$4,000	$99,950	$7,996
		$40,000		**$57,946**

After 10 years, with interest paid out, you would have received $40,000 in total interest payments. Meanwhile if you chose to re-invest the interest instead, you would have $57,946 in interest - that's nearly $18,000 or 45% more at the end of 10 years.

And just as with most investments, time invested makes all the difference. Starting early can leave you with a larger balance at retirement than investing more money later in life.

In the following example, sisters Jane and Jenny invest $1,000 each year at 10% interest. Jane starts on her 18th birthday - but invests nothing after her 25th birthday, for a total $8,000 investment. Jenny, on the other hand, starts on her 25th birthday, investing every year until she retires at 65 - a $40,000 investment. Despite this, at 65 Jane will have nearly $31,000 more in her portfolio.

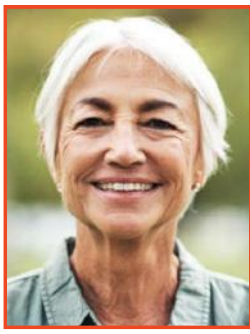
Investment examples | Jenny and Jane

Jenny invests

$1,000 every year at 10% from her 25th to her 65th birthday.

At 65, her investment is worth nearly $487,000 or more than 12 times her initial investment.

Jenny's Investments



Jane invests

$1,000 every year at 10% from her 18th to 25th birthday only.

At 65, her investment is worth nearly $518,000 or more than 64 times her initial investment.

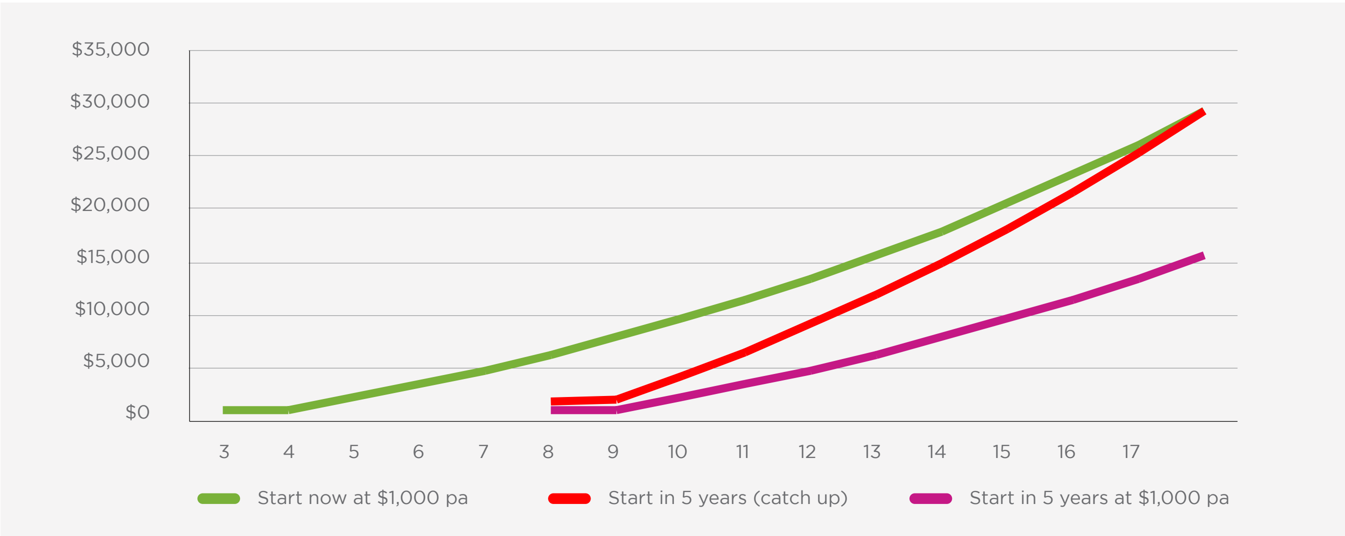
Jane's Investments

Case study

It's never too early to start

Peter and Karen have a son, Mark, aged 3. After reviewing their budget they realise they can afford **$1,000** each year to put towards Mark's university education. As Mark will likely start university when he is 18, their investment time horizon is **15 years**.

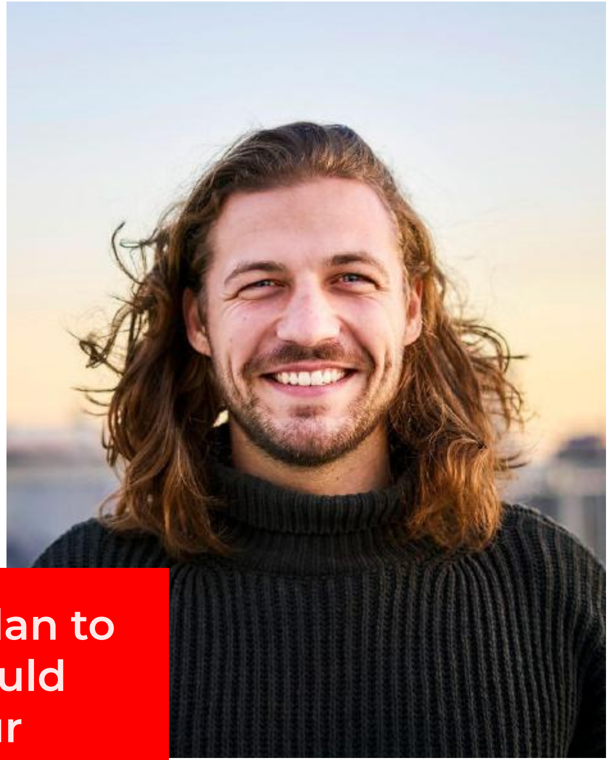
The following chart indicates the difference between starting to invest now, or waiting 5 years until Mark is 8 before starting to invest.



Assume a return of 8% pa and dividends reinvested.

By waiting 5 years Peter and Karen will need to invest $1,874 every year to reach the same final balance of $29,324.

Dollar cost averaging



Dollar cost averaging (DCA) is the strategy of investing regular, incremental amounts into your portfolio—such as setting up automatic deposits from your regular pay. As the same amount of money buys you more of something when the price is low, regular deposits over time (for investments such as shares which rise and fall in value over time) could lower the average cost of your investment.

This method of investing also lessens the down-side risk of investing a large lump sum right before a market fall.

DCA is most effective in falling markets, however predicting when a market will rise or fall is never simple. This strategy lets you take the emotion out of investing and frees you up from watching the market every day.

A steady, regular contribution plan to your investment portfolio should lower the overall cost of your investment and ultimately increase your returns.

Case study

John chooses to invest a regular amount of $1,000 each month. As the unit price rises and falls over the course of the year, by investing each month, John is investing at different unit prices and achieves a lower unit cost than if he had invested from April to September.

To find the average cost per unit John achieved over the last twelve months we look at the total amount invested divided by the amount of units John bought: **$12,000 /417 = $28.78**

Over the whole period of twelve months, the average cost per unit was $28.78, so not the lowest or the highest price that the units were purchased at during that time.

Additionally, if John had invested $6,000 in each of June and July, he would have only been able to buy 338 units, against 417 by investing steadily over the whole year.

	Amount invested	Unit price	Number of units
January	$1,000	$22	45.45
February	$1,000	$24	41.67
March	$1,000	$27	37.04
April	$1,000	$32	31.25
May	$1,000	$31	32.26
June	$1,000	$36	27.78
July	$1,000	$35	28.57
August	$1,000	$34	29.41
September	$1,000	$32	31.25
October	$1,000	$27	37.04
November	$1,000	$26	38.46
December	$1,000	$27	37.04
Total amount invested	**$12,000**		**Total units: 417**

Borrowing to invest

Borrowing to invest, or gearing, is an investment strategy usually considered by more experienced investors and those with a higher risk appetite. This is because, while gearing can increase the value of your portfolio faster than otherwise possible, it will also magnify your losses in a market downturn.

The principle behind a successful gearing strategy is that the value of your investments will increase faster than the after-tax cost of servicing the debt. However in volatile markets a loss on the investment may mean you are unable to service the debt and can be forced to sell the investment at a loss.

The following tables show the benefits and risks of gearing an investment in Australian shares:

If the share price doubles

		5-year term
Chris' own capital	**$100,000**	**$100,000**
Loan	$0	$75,000
Total initial investment	**$100,000**	**$175,000**
Total income received[1]	$10,000	$17,500
Less interest costs[2]	$0	-$26,250
Increase in portfolio value	$100,000	$175,000
Total return	**$110,000**	**$166,250**
Less loan amount	$0	-$75,000
Net value of shares	**$200,000**	**$275,000**

If the share price halves

		5-year term
Chris' own capital	**$100,000**	**$100,000**
Loan	$0	$75,000
Total initial investment	**$100,000**	**$175,000**
Total income received[1]	$10,000	$17,500
Less interest costs[2]	$0	-$26,250
Decrease in portfolio value	-$50,000	-$87,500
Total return	**-$40,000**	**-$96,250**
Less loan amount	$0	-$75,000
Net value of shares	**$50,000**	**$12,500**

1. 2% pa yield from investment
2. 7% pa interest rate on loan

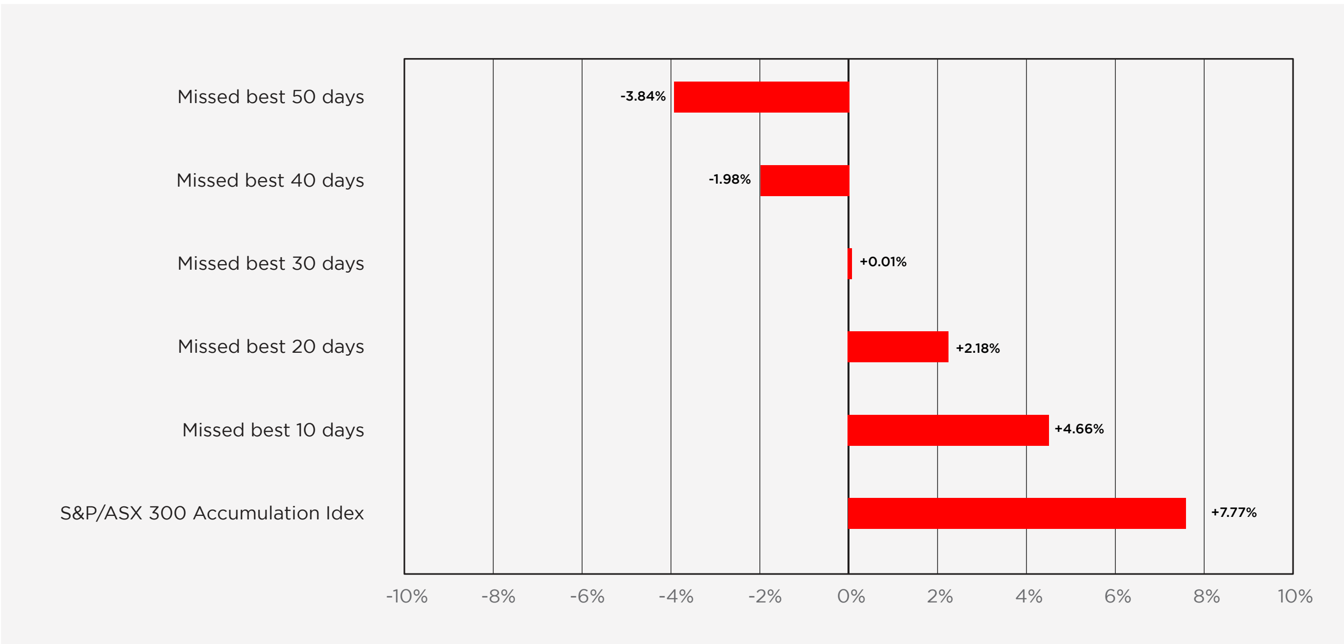
Note: The examples above assume interest costs of 7% pa. and income from the shares of 2%. For simplicity income is not reinvested in the above. The example does not consider tax or franking credits.

Time in — not timing

'Timing the market' by consistently selling high and buying low is very difficult. Unfortunately, markets are unpredictable and taking this strategy leaves investors prone to missing out on relief rallies — not to mention the tax implications on profit-taking.

As you can see from the graph on the next page, missing out on just 10 of the best trading days in Australia over the last 10 years virtually erased any gain you made.

Australian Share Market annualised total returns (Dec-09 to Dec-19)



Sources: FactSet, IOOF calculations
Past performance is not a reliable indicator of future performance.

Tax-effective investing

When you receive money from most investments, or crystallise a capital gain by selling an asset, you are generally required to pay tax on that income or gain. It's important to consider the impact of tax on your investment and how tax-effective investments can improve your returns.

A tax-effective investment is one which offers a taxation benefit to you and could include investment bonds, negative gearing, superannuation and pensions, and Australian shares.

Investment bonds (see page 45)

Simply put, an investment bond is a tax paid investment. This means that the tax on investment earnings is paid by the investment bond issuer at the current company tax rate of 30%.

While funds are invested, there is no need for the investor to include any earnings in their tax return.

After ten years from the start date of the investment, or when the life insured passes away, (regardless of the time invested), the growth and earnings are free of any personal tax liability to the investor upon withdrawal.

Negative gearing

If you borrow to make an investment and the expenses of owning that asset (including depreciation and interest on the loan — but not capital repayments) are greater than the income the asset produces, you may be able to claim a tax deduction for interest costs against other assessable income.

While many investors are familiar with negative gearing on property, it is also available on shares purchased where costs such as interest and bank fees associated with the loan may be tax deductible.

Superannuation and pensions (see page 41)

To encourage people to contribute to their super and build their retirement nest-egg, the Government has provided a series of generous tax concessions making super one of the most tax-effective investment strategies available. Some of these concessions include:

- Super contributions — either salary sacrificed through your salary or from the employer superannuation guarantee (up to certain limits) contributions are taxed at just 15%[1] not your marginal tax rate.
- Money you earn on your investments is taxed at just 15%, or effectively 10% for capital gains on assets held more than 12 months
- If you are over 60, for most people, money taken out of super is tax-free.
- In a retirement phase pension, investment earnings are tax-free (on assets up to your individual transfer balance cap).

Australian shares

Australian shares potentially offer the lowest effective tax rate of all the investment asset classes. This is due to franking credits associated with share dividends.

Investment spotlight

Dividends and franking

As owning shares represents ownership of part of a company, it also entitles you to a share in profits. Companies can reinvest some or all of the profits back into growing the company (known as retained earnings) or alternatively distribute profits through payments to shareholders. These payments to shareholders are known as dividends. Dividends can be taken as cash or, in some circumstances, automatically reinvested to buy more shares in the company.

In Australia, if you receive a dividend from a company, this is considered a form of income and you may be required to pay tax. However because the company also pays tax, this is a form of double taxation.

For this reason when you receive a dividend, they often come with franking credits. Also known as dividend imputation this means you only pay the difference between the company tax rate (usually 30%) and your marginal tax rate.

1. An additional 15% tax applies for high income earners, where the total of their taxable income plus super contributions exceeds $250,000.

Returns on investments

Generally speaking, returns on your investments come in the form of either **income** or **capital** growth.

Income assets

Income assets provide a cash flow to meet living expenses or save. In some instances, such as with some shares, they can be reinvested to grow your portfolio. However, the income will likely be taxed, while the returns may be subject to inflation and interest rate risk. The return from assets in the form of income, whether reinvested or not, is known as the yield. Income includes:

- rental income on properties
- dividends on shares
- interest on cash deposits and fixed interest.

Growth assets

Growth assets are those that can be expected to increase in value — such as property or shares. As growth assets are intended to generate a rise in the underlying value of the asset, they are popular for general wealth accumulation. However they can be more volatile than income assets and face the risk of significant capital losses. While they don't have tax payable while the asset is in your possession, capital gains tax may be payable on disposal of the asset.

In reality, many investments have both capital growth and income attributes, and your total investment returns are often a combination of both:

Capital growth + **Yield (dividends, rent, interest etc)** = **Total return on investment**

ASSET CLASSES

Types of asset classes

An asset class is simply a type of investment and they are the building blocks of your portfolio. There are four main asset classes:

Property	Shares (equities)	Cash	Fixed interest

Each asset class has individual characteristics and carries a different level of risk and return to suit a range of investor types.
A diversified portfolio - an important risk mitigation strategy - contains investments across these different asset classes. Asset classes fall into two main groups: **defensive** and **growth.**

Defensive characteristics	Growth characteristics
Focused on preserving capital	Can produce income, however focus is on capital growth
Generate income for investors	Usually longer-term than defensive assets
Considered less volatile and safer than growth assets	Higher risk than defensive assets
Cash and fixed interest are usually considered defensive	Property and shares are usually considered growth

Cash

Investments in cash include bank deposits, term deposits, savings accounts and cash management trusts. While cash is considered the safest investment type, the returns are usually low and investors run the risk over the long term of returns being less than the rate of inflation.

Fixed interest

Fixed interest assets, also known as bonds or debentures, are agreements where the investor is paid fixed amounts of money at pre-determined dates in the future - usually twice a year, plus the original amount repaid at the end of the term. Bonds can include the debt issued by government, banks or corporations both internationally and within Australia. Like cash, they are considered a safe investment with moderate returns over the longer term.

Property

Generally, there are three ways to invest in property:

Direct property	Listed property trusts	Unlisted property funds
Direct property involves the investor buying the property directly. For retail investors these are usually residential properties. Income can be in the form of rental returns or capital growth. There are also tax considerations, such as negative gearing, which can reduce the cost of ownership for investment properties.	A listed property trust (LPT), commonly known as real estate investment trusts (REITs), involves pooling your money with other investors, which is then used to buy and manage property, such as industrial properties, shopping centres, office buildings or hotels. As an investor you own units -similar to shares - of the trust, which can be bought or sold on the ASX. As units in LPTs are easier to buy and sell than unlisted property funds, they are usually more volatile.	Unlisted property funds are similar to REITs, however your investment is not traded publicly on the stock exchange. As a result the investment is usually more illiquid, but less volatile than listed property trusts.

International versus domestic shares

Australian shares represent less than 5% of all listed companies so you may be interested in buying shares in international share markets. This presents diversification benefits as the Australian share market has a large exposure to materials and financial stocks, with less exposure to information technology and consumer discretionary stocks.

Australian shares are bought and sold on the Australian Securities Exchange (ASX). Within the ASX there are different sectors:*

Sector	Examples of companies within the sector
Materials	BHP Group Limited, Rio Tinto, Amcor, Boral, CSR
Financials	IOOF, Commonwealth Bank, QBE Insurance Group, Medibank Private Limited
Information technology	Afterpay Limited, Computershare, NEXTDC
Health care	CSL, Cochlear, Fisher & Paykel Healthcare, ResMed Inc
Energy	Woodside Petroleum, Whitehaven Coal, Oil Search, Origin Energy
Industrials	Transurban Group, Sydney Airport, Reece Limited, Qube Holdings
Consumer discretionary	Wesfarmers, JB Hi-Fi, Tabcorp Holdings, Harvey Norman
Real Estate	Goodman Group, Mirvac Group, LendLease Group, Stockland
Communication services	Telstra, Carsales.com, Seek, REA Group
Consumer staples	Woolworths Group, Coles Group Limited, Coca-Cola Amatil, Blackmores Limited
Utilities	AGL Energy, APA Group, Spark Infrastructure

** The companies listed in the table above are examples only and should not be considered advice.*

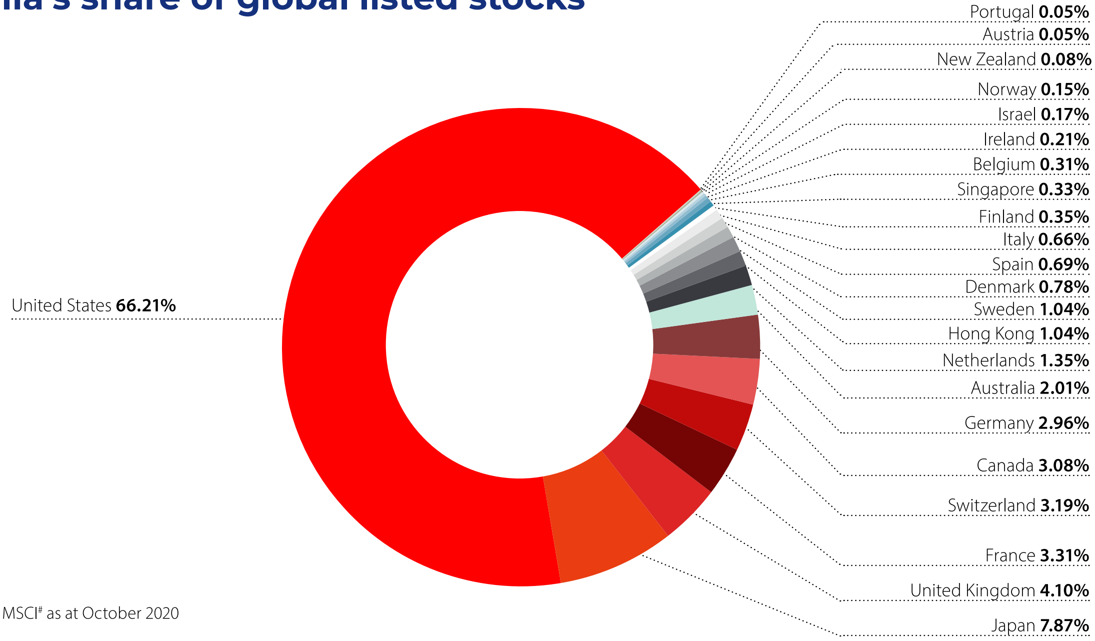
Ways to own shares

There are a number of ways to own shares, four of which are mentioned below:

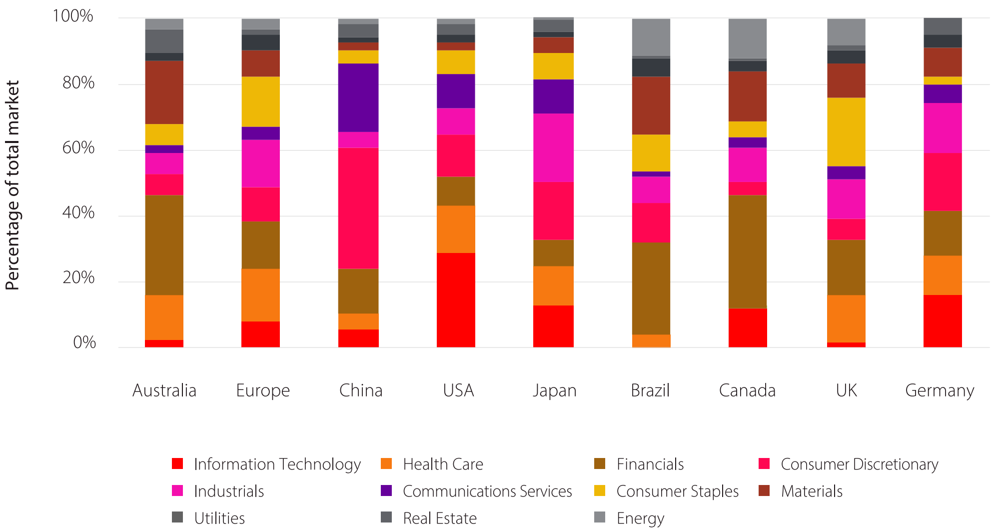
Direct ownership	You have total control to choose the company and the quantity of shares purchased. They are usually purchased through a stockbroker.
Managed funds	An investment manager pools the money of all the investors, then researches and buys and sells shares on your behalf. In this case you own 'units' of the managed fund rather than the shares in the companies themselves. Managed funds allow for greater diversification across different types of shares, or even different asset classes, however usually have a fee structure associated with the service.
Listed Investment Companies (LICs)	An investment that is incorporated as a company and listed on a stock exchange. LICs operate similar to a managed fund as there is a fund manager who chooses and manages investment choices. Shares in LICs are first issued through an initial public offering (IPO) and can be bought and sold on the market.
Exchange Traded Funds	A listed investment that follows a stock market index such as the Dow Jones, S&P or ASX. ETFs are predominantly passive as well as open ended as shares are issued when there is demand from investors.

As purchasing international shares directly can be difficult, many investors hold international shares through managed funds. It's also important to remember international shares represent a range of new risks to consider, including currency risk (losing money moving into and out of Australian dollars) or political risk (the government of that country could pass laws affecting your investment).

Australia's share of global listed stocks



Source: MSCI# as at October 2020



Investing globally also allows you to diversify your exposure to market sectors. The table on the next page shows that the Australian market is dominated by financial and materials (including mining) companies. However, the US has a higher proportion of healthcare and IT companies represented in their market.

Source MSCI # as at 30 September 2020

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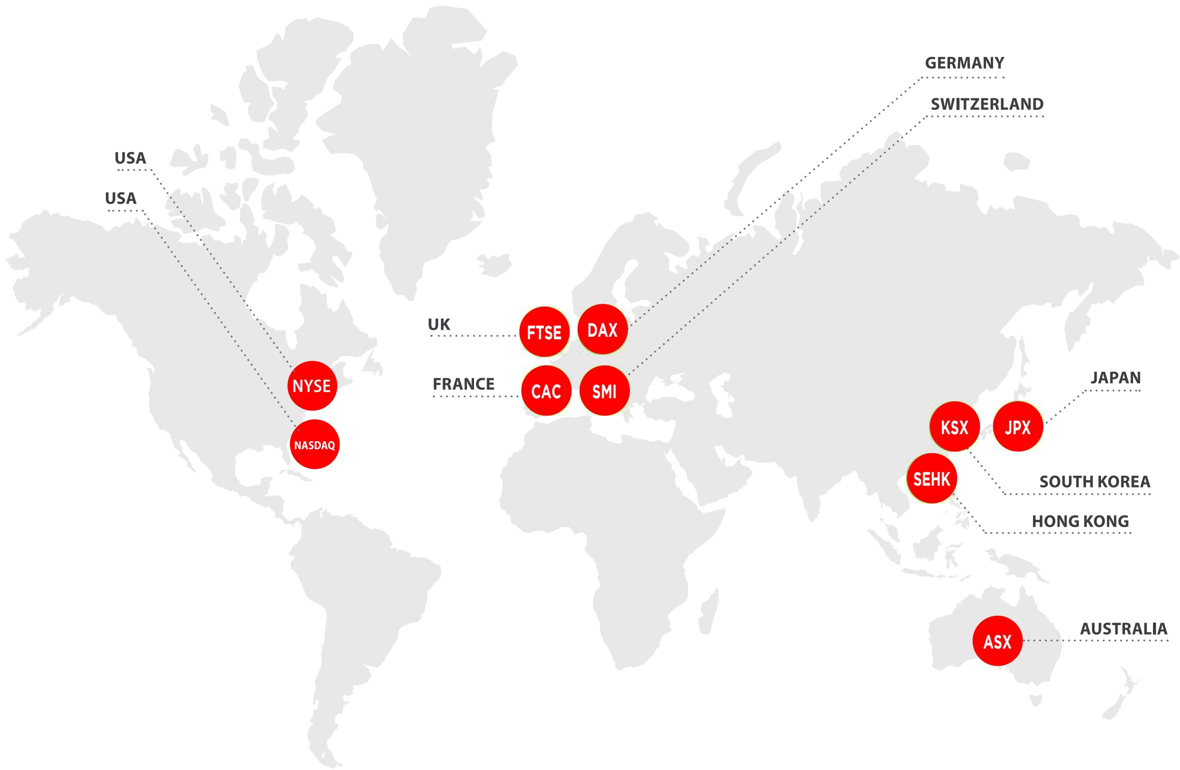
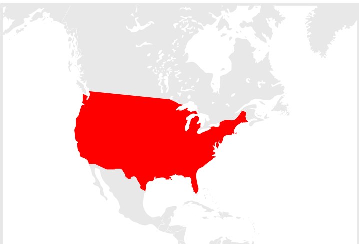
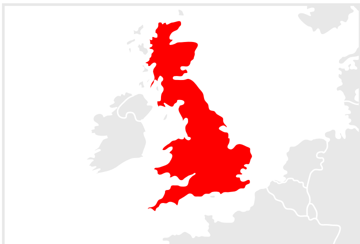
International share markets

The map below highlights various international share markets and their locations.



Many well-known brands are actually listed on overseas share markets, so they are really not that foreign to you after all. Here are some examples:





USA

Microsoft Corp
Microsoft Office, Windows, Xbox

Alphabet Inc.
Google, YouTube, DoubleClick

Estée Lauder Companies
Clinique, MAC, Aveda

The Coca-Cola Company
Fanta, Mount Franklin, Vitamin Water

Europe

LVMH (France)
Bvlgari, Louis Vuitton

Unilever (United Kingdom)
Magnum

Adidas (Germany)
Adidas, Reebok

PRADA SPA (Italy)
Prada, MiuMiu

Nestle SA (Switzerland)
Nescafe, Milo, Peters

Asia Pacific

Hitachi (Japan)
Televisions, Air conditioners

Samsung electronics (South Korea)
Galaxy phones, Televisions

Asset class returns

Different asset classes have, over time, produced different returns on investment and many investors consider changing asset classes to chase the next return. But as you can see from the table below, it's very difficult to predict which asset class will perform strongest in the following year. **This year's winner may not necessarily be next year's.**

	Australian Shares (% pa)	International Shares (% pa)	International Shares - Hedged (% pa)	Australian Listed Property (% pa)	Australian Fixed Interest (% pa)	Cash (% pa)
2005	**22.5**	16.8	18.7	12.7	5.8	**5.7**
2006	24.5	11.5	17.5	**34.1**	**3.1**	6.0
2007	**16.2**	-2.6	6.0	**-8.4**	3.5	6.7
2008	-38.9	-24.9	-39.1	**-55.3**	**14.9**	7.6
2009	**37.6**	**-0.3**	26.7	9.6	1.7	3.5
2010	1.9	**-2.0**	**13.1**	-0.7	6.0	4.7
2011	**-11.0**	-5.3	-1.9	-1.6	**11.4**	5.0
2012	19.7	14.1	18.7	**32.8**	7.7	**4.0**
2013	19.7	**48.0**	32.3	7.3	**2.0**	2.9
2014	5.3	15.0	12.6	**26.8**	9.8	**2.7**
2015	2.8	11.8	3.8	**14.4**	2.6	**2.3**
2016	11.8	7.9	10.3	**13.2**	2.9	**2.1**
2017	11.9	13.4	**20.0**	6.4	3.7	**1.7**
2018	-3.1	1.5	**-7.6**	3.3	**4.5**	1.9
2019	23.8	**28.0**	26.8	19.6	7.3	**1.5**
Annualised Return (% p.a.)	**7.9**	**7.7**	**8.9**	**4.9**	**5.7**	**3.9**

Highest year - Highest yearly return   Lowest year - Lowest yearly return

Source: Bloomberg. Please note that past performance is not a reliable indicator of future performance. All returns shown are in Australian dollar terms and include dividends, assuming that these are reinvested. Performance of International shares both hedged and unhedged is shown in AUD terms.

Indices used: Cash - Bloomberg AusBond Bank Bill Index; Australian fixed Interest - Bloomberg AusBond Composite 0+ Yr Index; Aust. Listed property - S&P/ASX 300. A-REIT TR Index; Aust. shares - S&P/ASX 300 Accumulation Index; Int. shares - MSCI World ex AustNet TR Index (AUD); int. shares (hedged) - MSCI World ex Aust Net TR Index (hedged to AUD).

Asset allocation

Asset allocation in its simplest form is deciding how you will allocate your investments across different asset classes, such as cash, fixed income, shares or property.

Asset allocation is a way to diversify your portfolio recognising that different asset classes perform differently in different circumstances. As some asset classes carry more risk than others, asset allocation is also a way to reflect your risk level in your overall portfolio construction.

Types of asset allocation

There are several different ways for asset allocation to be applied to a portfolio:

Strategic asset allocation	Tactical asset allocation	Dynamic asset allocation
Strategic asset allocation involves deciding what proportion of your total portfolio you would like in each asset class. For example, you may decide to have 20% in cash, 40% in property and 40% in shares. For strategic asset allocations this involves periodically rebalancing your portfolio (that is, buying and selling assets to ensure your overall asset allocation matches, as much as possible, your original investment allocations) as different investment gains on different assets change this balance.	Moving assets tactically means moving assets to take advantage of better performing asset classes.	Dynamic asset allocation involves highly active management of the portfolio that involves rebalancing a portfolio to bring the asset mix in line with a long-term target. This involves selling down outperforming asset classes and adding to any underperforming asset classes.

MANAGED FUNDS

Unlike direct investing, in a managed fund your money is 'pooled' with other investors to buy assets. Each investor in the managed fund owns 'units' of the managed fund, the value of which rise and fall with the value of the underlying assets in the fund.

Each managed fund will have a profile which outlines the objective of the fund and the asset allocation, allowing you to decide whether the fund matches your investment goals and risk tolerance. An investment manager will make the decisions of what to buy and sell based on the fund's profile.

Types of managed funds

Single sector funds

A single sector fund invests in just one asset class, such as cash, shares or bonds. Single sector funds may also specialise within the fund, for example small cap companies or resource companies.

Multi-asset funds

Multi-asset funds invest across more than one asset class. Diversifying across different asset classes reduces the risk of investing solely in an equity fund, however may have more risk —and return — than a bond fund.

Multi-manager funds

A multi-manager fund is a fund comprised of more than one specialised fund. Each fund has a separate fund manager, with different investing styles. Multi-manager funds work on the premise that investment managers operate differently in different environments and by diversifying across fund managers, risk is reduced.

Active versus passive funds

A passive fund (also known as an index fund) is a fund which is built to mimic an index, such as the S&P/ASX 100 or the US S&P 500. The fund manager makes no decisions on individual stocks —either good or bad — instead accepting the average performance of all stocks in the index. Periodically the fund manager will buy or sell shares to reflect the weighted changes in the index the fund is designed to copy.

Actively managed funds, on the other hand, involve the fund manager actively making decisions to try and invest in the best performing assets classes and investments. The intention of the active fund manager, by being able to make individual investing decisions, is to outperform the broader market.

As the fund manager doesn't make as many decisions in passively managed funds, usually the fees are lower than in actively managed funds.

Other types of funds

Exchange traded funds

An exchange traded fund (ETF) is similar to an index fund. While they can track a basket of assets like an index fund, they can also track commodities, such as oil or gold, or even bonds. Unlike managed funds their share price actively changes through the day (managed fund prices are calculated at the end of each day). Furthermore, ETFs usually have higher liquidity (easier to buy and sell) and lower fees than managed funds.

Hedge funds

Hedge funds are similar to managed funds in that they pool investors' funds to invest. However they usually have little or no restrictions on how and where they invest. They also use a wide range of financial instruments, including derivatives and futures. Many hedge funds are 'absolute return' funds which means they aim to make money in falling or rising markets.

Advantages of managed funds:

1. Managed funds allow an investor with a relatively small amount of money to invest in assets that may otherwise be out of reach, for example international shares or commercial property.
2. Trying to invest directly may not leave enough money to adequately diversify your portfolio.
3. Managed funds are, as the name suggests, managed by professional investors with the skills, experience and research resources not generally available to individual investors.
4. It can be relatively easier to change your investment profile — say from income to growth assets — than to change a portfolio of individual assets.
5. Some managed funds can take a regular payment plan from your salary, however this is not generally the case with individual investments in shares.

MASTER TRUSTS AND WRAPS

Master trusts

A master trust is an administrative service that lets you hold a portfolio of investments, usually managed funds, under one umbrella. As your investments are held in one place, master trusts present a simpler way for you and your financial adviser to manage your portfolio.

Features of master trusts include:

- A trustee operates the master trust and holds the clients' investments on their behalf.
- The clients' investment is determined by a 'unit price' calculated by the master trust and based on the value of the underlying investments.
- Income is paid to the trustee and distributed to the investors.
- The 'unit price' usually has fees, taxes and franking credits bundled into it.
- Your investments are specific to each master trust, which means to move your investments to another master trust you will need to sell, possibly incurring a tax on any profits.

Wraps

Similar to master trusts, a wrap is a product which allows you to hold your investments in one centralised place. Wraps usually hold a more diverse range of investments including managed funds, direct shares and term deposits. As wraps hold more than just managed funds, they usually have more powerful reporting and tax management functionality. Features of wraps include:

- Like master trusts, a trustee or service operator operates the wrap. For individuals the investments are held in the clients /individuals own names giving them beneficial ownership in the underlying assets. For super and pension wrap accounts the super fund owns the asset and there is no beneficial ownership for the member.
- One central cash account into which interest and dividends are paid and from which fees are taken.
- When investments are sold the proceeds are paid into the cash account, and equally when investments are bought the money is taken from the cash account.
- Investments don't need to be sold to move to different wrap products.

Fees

Previously this guide talked about taxes associated with your investment earnings —such as capital gains tax — as well as some things to consider regarding tax-effective investing. As well as taxes levied by the Government, there may be other charges which may affect your investments. To help understand the true cost of investing, here are some key terms associated with the fees on managed funds:

- **Entry/establishment fee** — this is the cost of setting up an account.
- **Performance fee** — if your investment performs well, or at least beats a benchmark, the fund manager might take a proportion of the outperformance.
- **Redemption fee** — this is a charge when you exit a fund.
- **Switching fees** — this is the fee charged to move from one investment to another.
- **Indirect cost ratio** — the fees above however don't necessarily include all the costs involved in running a fund —such as legal and regulatory compliance and auditing. These indirect costs are attributed to all members on a proportional basis and are known as the indirect cost ratio or ICR.
- **Administration fee** — this represents the fees and costs charged for operating and managing your account.
- **Buy-sell spread** — this may be incurred when managed investments are bought or sold and reflect the brokerage and other transaction costs incurred by the relevant investment manager.

Of course, with different investments and with different fund managers, any number of these fees may be reduced or waived.

Your financial adviser will be able to advise on all the costs associated with an investment.

SUPERANNUATION

For most Australians, superannuation (super) will be the second largest asset you own, behind the family home. It will also be the foundation of your retirement nest-egg.

That's why it's important to understand how your super works and make the right financial decisions to reach your retirement goals.

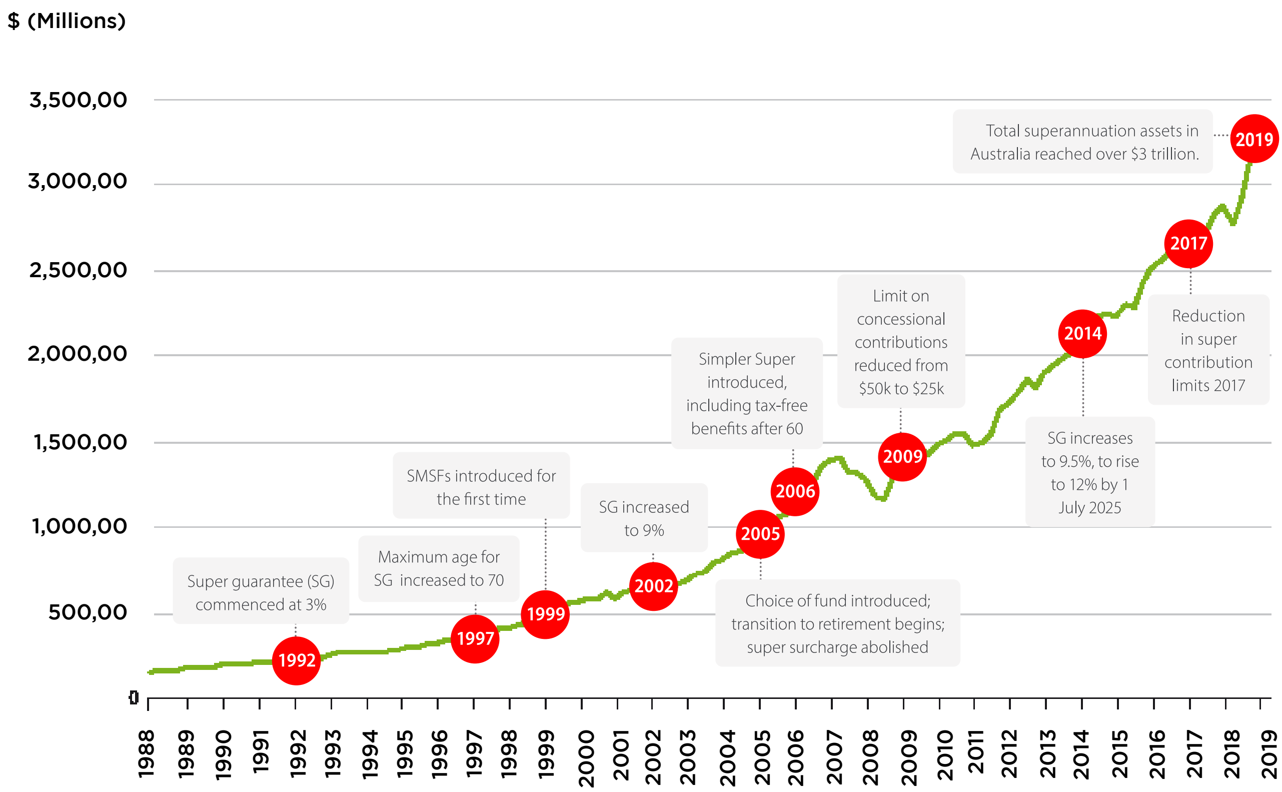
Super itself is not an investment, it is a vehicle that can provide tax benefits in exchange for restricting your access to funds. Saving in super isn't just about what you put in — with the right investments it can grow.

You can choose from different types of investments inside super which can have a big impact on your balance in the years ahead. Some people may opt to invest in the default options provided by their super plan while others may choose to invest in a variety of different investments including Australian and international shares, term deposits and cash.

This suits people who are more comfortable investing in ready-made portfolios where investment managers do the work as well as those who want to select options that match personal investment risk tolerances and goals.

Super isn't just an investment for retirement either. Your super can be used to protect the financial wellbeing of you and your family now. You can pay for different types of insurance cover through your super which means your future can be protected with the added benefit of not having to make extra out-of-pocket payments.

Australia's big investment pool



Source:Australian National Accounts: Finance and Wealth, ABS Cat. No.5232.0

MySuper

Under MySuper legislation, if you do not choose the fund where you would like your superannuation guarantee contributions to go, your employer must contribute to a 'MySuper' fund. A 'MySuper' fund offers lower fees than 'choice' funds however unlike 'choice' funds they have just one investment and one insurance option. The lack of choice in MySuper products is designed to lower the costs to you. Most super providers have a MySuper option available.

Types of super funds

There are four main types of super funds:

1. Corporate funds

A workplace super fund can be set up and run by a company 'in-house' solely for employees (and sometimes their spouses).

These are often referred to as corporate super funds, and are usually the preserve of Australia's largest companies, such as Telstra and BHP.

2. Retail funds

Retail funds are a type of fund set up and run by large financial services organisations. Retail super funds are available for anyone to join and often have a wide range of investment options available.

3. Industry funds

Industry funds are often set up by a particular industry or unions to provide super for people in those industries, however they are usually open to employees of any industry.

4. Government super funds

Also known as public sector funds, these are super funds set up by governments — Federal, State or local —and are similar to corporate 'in-house' super funds.

Other types of super funds

Self-managed super funds (SMSFs)

An SMSF is a super fund you run for your own benefit. Generally speaking, you can choose where your money is invested, however there are strict rules and compliance regulations, including:

- regular audits (including the costs of doing so)
- acting as a trustee or director
- only using the money invested for your retirement benefit.

Types of contributions

Superannuation guarantee

If you are over 18 and earning more than $450 per month your employer must generally contribute at least 9.5% of your salary into your super fund. This is known as the superannuation guarantee or SG. If you don't nominate a fund, your employer must make contributions to a MySuper default fund. The employer is obliged to pay you super whether you are working full-time, part-time or on a casual basis. The SG rate is set to increase to 10% in 2021, rising to 12% by 1 July 2025.

Government super co-contribution

Subject to certain conditions, if you are earning less than $54,837 in the 2020/21 financial year, the Government super co-contribution is one way to boost super balances. For after tax contributions of $1,000 or more you make into super, the Government will makea co-contribution of up to $500. The $500 maximum applies for those earning less than $39,837 in the 2020/21 financial year and reduces by 3.333 cents for every dollar of income over $39,837 before phasing out completely once you earn $54,837.

Don't lose your Super

If you've had more than one job there's every chance you have more than one super account, and if you do, you could be paying on average more than $500[2] every year in fees and insurance premiums you don't need to.

If you know where all your super is held, many super funds have easy consolidation tools that let your roll your balances into one account. However if you think you may have lost track of some super, the Australian Taxation Office (ATO) has made it easy to find lost and unclaimed money and to consolidate super. All you have to do is register with MyGov at **my.gov.au** and request a report of your super held by the ATO and other funds.

Please ask your financial adviser for more information.

Salary sacrificing

One way to top up a super balance is to use salary sacrificing to take advantage of the concessional tax rate of 15% [3] on pre-tax contributions (which can be lower than your marginal tax rate). Salary sacrificing, particularly for those who have spare cash flow can be particularly effective. This is shown in the table below which assumes an individual earning $50,000 has the choice to salary sacrifice $1,000 or receive the same amount as income:

	Taken as salary	Salary sacrificed into super
Gross contribution	$1,000	$1,000
Marginal tax rate*	34.5%	15%
Tax payable	$345	$150
Net benefit	$655	$850

** Includes Medicare levy*

If you are on a marginal tax rate of 34.5% (including Medicare levy), you may be $195 better off for every $1,000 you choose to salary sacrifice. Depending on your salary, this benefit can be even greater, however it's important to remember that salary sacrificing doesn't make sense in every situation.

Taxable income and benefits	Marginal tax rate* (%)	Contributions tax rate (%)	Net savings on contributions (%)
$0 to $18,200	0	15	Negative
$18,201, to $45,000	21	15	6
$45,001 to $120,000	34.5	15	19.5
$120,001 to $180,000	39	15	24
$180,000 to $250,000	47	15	32
Over $250,000	47	30	17

** includes Medicare levy*

Remember — concessional contributions are capped at $27,500. Please note SG contributions are included in this amount.

2. ATO media release: Australians losing thousands in super fees annually, March 2015.
3. An additional 15% tax applies for high income earners, where the total of their taxable income plus super contributions exceeds $250,000.

Transition to retirement

For those over the preservation age (the minimum age at which you can generally access your super), the combination of salary sacrificing pre-tax income into super and drawing an income from super benefits can be very tax-effective. Not only does it allow you to get more into your super fund but your cash flow can remain the same. You first have to start a transition to retirement (TTR) income stream funded from your super fund.

TTR strategies can be complicated to set up. Your financial adviser will be able to help you determine if this is the right strategy for you.

Nominating beneficiaries

Unlike directly owned property or shares, super doesn't form a part of your estate. Nor does it automatically transfer to your estate after death. Instead, your super is held 'in trust' by the super fund. Usually the fund trustee will distribute it in accordance with superannuation law and the trust deed. Nominating your beneficiaries for your super allows you to have more control over who gets your super if you die.

A binding death benefit nomination is one of a variety of nominations — outlined in the table below — which legally allows a member to advise the trustee who is to receive their super benefit when they die, provided they meet certain eligibility criteria.

Type of nomination	Description	Positives	Limitations
No nomination	Your benefit will be dealt with in accordance with the rules of the super fund. This could mean a payment to your Estate or the trustee having discretion.	No need to renew nominations.	There is a chance super benefits could go to someone the member didn't intend them to go to.
Non-binding nomination	A member can tell the trustee whom they want their benefits to go to. It will be considered by the trustee, but is not binding.	The trustee can still exercise discretion if a member's situation has changed.	The trustee will make the decision on your behalf.
Binding nomination	The trustee must pay benefits to the dependants and in the proportions set out.	The trustee must pay benefits in accordance with the member's wishes.	The definition of an eligible dependant can be restricted for different super funds. The nomination must be renewed every three years to remain valid.
Reversionary benefit nomination	This applies when opening a pension account. The member nominates who will automatically get their pension after they die.	A pension can continue with very little interruption.	The reversionary nomination can only go to an eligible dependant. A reversionary benefit nomination cannot be changed once a pension starts.

There are rules around who can receive a superannuation benefit — it's not solely at a member's discretion. The beneficiary must be a 'dependant'. A dependant includes:

- a spouse (including de facto or same-sex)
- children of any age, including step-children, adopted or children from previous relationships
- someone who is financially dependent on the member
- someone in an interdependency relationship with you, such as a close living arrangement
- a legal personal representative, that is the Estate of the member.

INVESTMENT BONDS

Investment bonds (otherwise known as insurance bonds) are investment vehicles which may offer tax efficiency for investors.

In an investment bond, investors contributing either a lump sum or regular deposits, benefit from 'tax paid' returns while funds are invested. The income from the underlying investments is taxed at the current company tax rate of 30% and does not need to be included in the investor's tax return. The investor may be an individual (up to three individuals holding the one investment), a trust or a company. The following example assumes the investor is on the top tax rate, including Medicare levy.

Investment bond		Managed fund	
Investment earnings	$10,000	**Investment earnings**	$10,000
Tax paid by bond manager	$3,000	**Tax paid by fund manager**	$0
Net return (at maturity)	$7,000	**Assessable income**	$10,000
Assessable income	$0	**Tax paid by investor**	($4,700)
After tax return	$7,000	**After tax return**	$5,300

Access to funds

One of the best features of an investment bond is that they are accessible. Not only is there no limit on the amount you can invest in the first year, but the investment is accessible at any time. There are no preservation requirements or the need to meet a condition of early release. There are, however, different implications on personal income tax liabilities that are dependent on the year the investment is withdrawn. We have outlined the various scenarios below.

0-8 years*	8-9 years*	9-10 years*	10+ years*
Withdrawals before the eight year anniversary date	**Withdrawals during the ninth year**	**Withdrawals during the tenth year**	**Withdrawals after the 10 year anniversary date**
Investment earnings are subject to personal income tax. A tax offset of 30% of the assessable amount applies to reflect the tax already paid within the investment bond.	Two thirds of investment earnings are subject to personal income tax at the investor's marginal tax rate. A tax offset of 30% of the assessable amount applies to reflect the tax already paid within the investment bond.	One third of investment earnings are subject to personal income tax at the investor's marginal tax rate. A tax offset of 30% of the assessable amount applies to reflect the tax already paid within the investment bond.	There is no personal income tax liability for withdrawals made after the end of the tenth year from the start date.*

** From the start date for tax purposes, which may be different to the date of initial investment.*

A wide range of managed fund investment options are available within an investment bond structure, including diversified funds, multi-manager funds, Australian and international share funds, property funds, fixed income funds and cash funds. Investment bonds may be suitable for investors:

- who need an alternative tax structure outside of super
- wishing to save in a tax effective structure
- with specific estate planning needs
- wishing to lower their taxable income.

Of course, an investment bond has many more features and benefits for all types of investors. Your financial adviser will be able to help you more if you are unsure if an investment bond is the right investment vehicle for you.

INVESTMENTS ARE NOT 'SET AND FORGET'

Once you start your relationship with your financial adviser, establish your goals and build your portfolio to meet these goals. It's important to remember that your investment is not a set and forget proposition. There are number of reasons why your investments might change:

The investment value may change	The markets may change
Your needs may change	You may need to rebalance

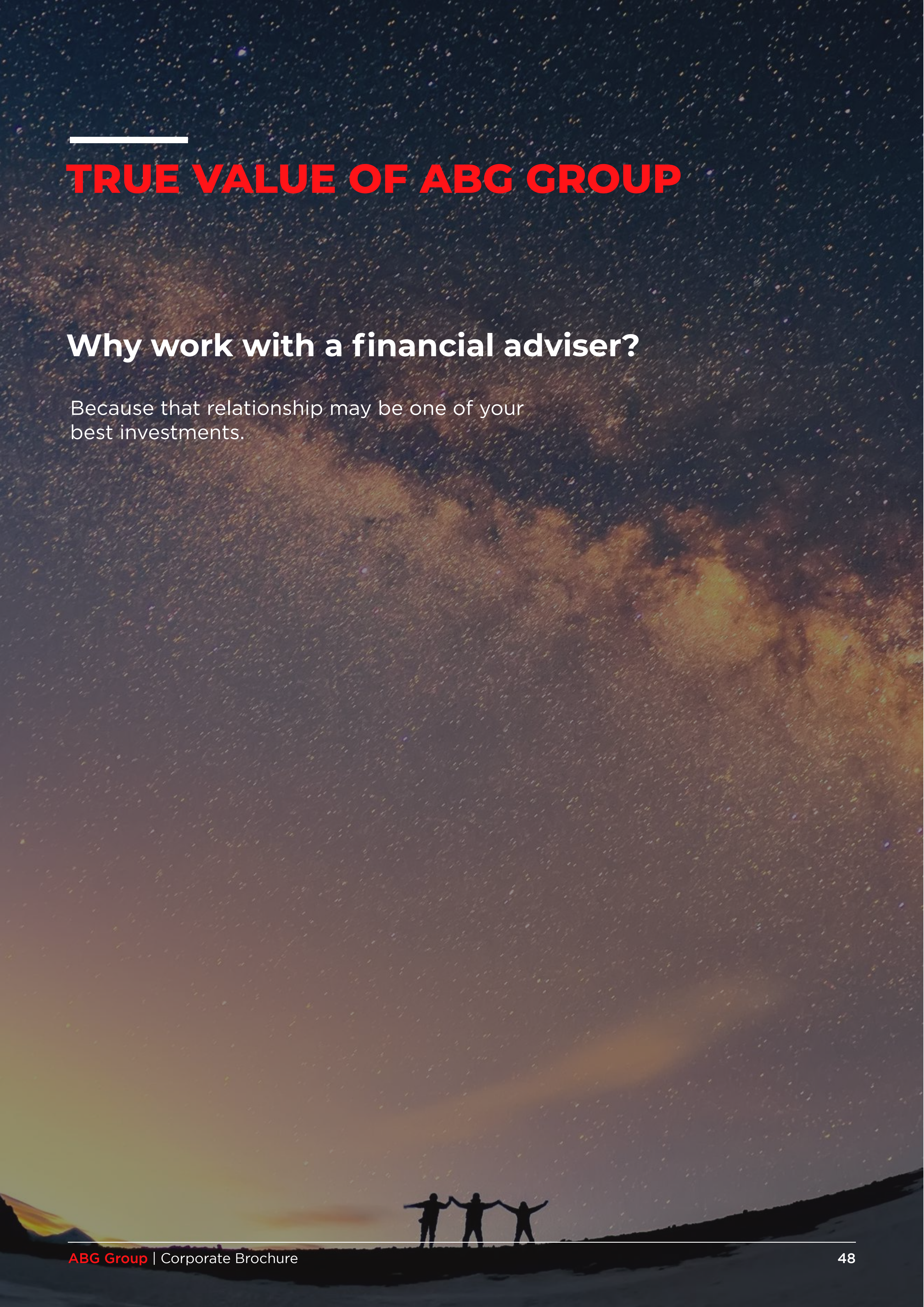
The value of advice

There's a lot to consider when trying to secure your financial future. Should I pay off the mortgage or put money into super... but what about renovations? When can I stop work? How do I afford the children's education?

At ABG Wealth, we believe in the value of financial advice. In today's complex and everchanging financial world, it's never been more important to seek qualified and experienced guidance to help you secure a successful financial future.

A financial adviser can help you:

- identify your lifestyle goals and put a plan in place to achieve them
- understand your current investment profile, your attitude towards risk and help you select the most appropriate investment strategy for you
- protect your assets and loved ones with appropriate insurance
- prepare for retirement and make the most of your super
- transition to retirement



TRUE VALUE OF ABG GROUP

Why work with a financial adviser?

Because that relationship may be one of your best investments.

What can a financial adviser do for me?

The market volatility and uncertain economic outlook experienced in 2020 serves as a stark reminder of the value of working with a financial adviser.

At ABG Wealth we believe the biggest value that a financial adviser provides is as a behaviour coach. As humans, we are vulnerable to behavioural biases —those emotional responses to market movements that have the potential to significantly impact our portfolios. Many of us were likely tempted to take our money out of the equity markets when they began to drop as the news flow on the novel coronavirus COVID-19 worsened. But doing so would have meant selling at a potential low point in the market, contrary to the tenet of successful investing: buy low, sell high. As we have seen time and time again, severe market declines are eventually followed by market rallies. A financial adviser can help mitigate emotional responses to the volatility, keeping you invested and on track with your plan.

While that is likely the biggest value a financial adviser can provide, they do so much more. Even when markets are calm, or steadily rising as they had been for several years, financial advisers provide a variety of necessary services. A financial adviser can provide holistic wealth planning: from selecting investments, to managing your portfolio through different life changes, to retirement and estate planning. They can also provide guidance on your specific tax circumstances so that you have a better chance of keeping more of what you make.

We have developed a formula that can help you understand the value of working with an adviser.

A	**Appropriate** Asset Allocation	**0.9%**
+		
B	**Behavioural** mistakes	**2.0%**
+		
C	**Cost** of cash	**0.6%**
+		
E	**Expertise** in additional wealth management services	**PRICELESS**
+		
T	**Tax-effective** investing	**1.5%**

= 5.0% OR MORE P.A.
Total value of an adviser

A	B	C	E	T
0.9%				

A is for Appropriate Asset Allocation = 0.9%

It can be tempting for investors to build their own portfolios, but there are also risks. Investors could be making a fatal flaw in their portfolio design when it comes to setting an appropriate asset allocation to meet their investment objectives. Do you have the skill and/or time to research the many investment options available to set the right investment strategy for your needs? There is also the added temptation to chase performance and over-react to market events.

The role of an adviser is to help you articulate your life goals, translate this into investment objectives and design the best possible investment strategy and portfolio recommendations within a level of risk that is appropriate for you. Helping you understand the level of risk required and the implications of this risk is a critical ingredient in an advice conversation. Not taking sufficient risk can impact whether a goal is potentially achievable or not.

For example, let's look at average returns of Australian equity and bond portfolios over a 20-year period. If an investor held 70% of their portfolio in growth assets and 30% in defensive, their average annual return would be 9.0% over the 20-year period. If, however, they held just 30% growth assets and 70% defensive, they would achieve annualised returns of 8.1%.

ALLOCATION	AVERAGE 10 YEARS OF ROLLING 20 YEAR RETURN (MAY 2011-MAY 2020)	RETURN ON $100,000 INVESTED OVER 20 YRS
Australian Equities	9.7%	
Australian Bonds	7.4%	
30/70 Portfolio	8.1%	$472,689.62
70/30 Portfolio	9.0%	$558,500.10
Difference	0.9%	$85,810.48

Source: Russell Investments, Australian equities: S&P/ASX 300 TR Index AUD, Australian Bond: Bloomberg AusBond Composite 0 Year Index AUD

In this case, if a younger investor had invested conservatively instead of in the growth option, they would have missed out on average of 0.9% return every year for 20 years. On $100,000 invested, that's a significant difference of over $85,000 to the final return.

In addition to investment strategy, professional advisers bring the necessary skills to construct well-diversified portfolios, which is one of the most important contributors to long - term returns. Advisers provide important access to funds and strategies that you may not be aware of or able to access. This includes the right active strategies to build growth, ensuring the total fees are appropriate and the portfolio is well diversified to manage risk.

> ***What is clear from our analysis is that financial advisers have the potential to add significant additional value to an investor's portfolio over the long term by helping you to work through your values, preferences and motivations from the outset. For investors who elect to proceed without advice, there can be a big price to pay for selecting the wrong asset allocation.***

A	B	C	E	T
	2.0%			

B is for Behavioural mistakes = 2.0%

Most people act like humans, not investors. People tend to let their emotions and other human tendencies influence their decision-making. In many parts of life, that's perfectly reasonable. But when it comes to investing, acting like a human may actually cost you money.

Being a good investor is hard

Cycle of Emotional Investing

For illustrative purposes only

We like to think we make rational and logical decisions when we are investing. That's because volatile markets can spark our "blink" reflexes: those intuitive "fight or flight" responses that we make when faced with danger or uncertainty. Daniel Kahneman and the late Amos Tversky, both leading behavioural scientists, divided the human thought process in two ways: blink, and "think," which is when we are rational, systematic and controlled. Researchers in the fields of economics, psychology and neuroscience (which together make up behavioural science) have uncovered more than 200 types of unconscious biases in humans* that result in our blink responses—and can ultimately jeopardise the health of our wealth—if left unchecked.

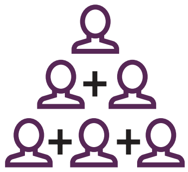
* Investments & Wealth Monitor, May/June 2017, p. 5

To be a successful investor, it is important to be objective and disciplined when making investment decisions. This means making sure decisions align with your long-term goals. While you would be forgiven if ongoing trade wars, a global pandemic, and an uncertain economic outlook has prompted you to second-guess your investment strategy, making changes off the back of these events may be detrimental to your portfolio.

Guarding against mindless investing

Three common human mistakes to watch out for

Overconfidence	Herding	Familiarity
Humans tend to over-estimate or exaggerate our ability to successfully perform tasks	Humans tend to mimic the actions of the larger group	Humans tend to prefer what is familiar or well-known



which can lead to...

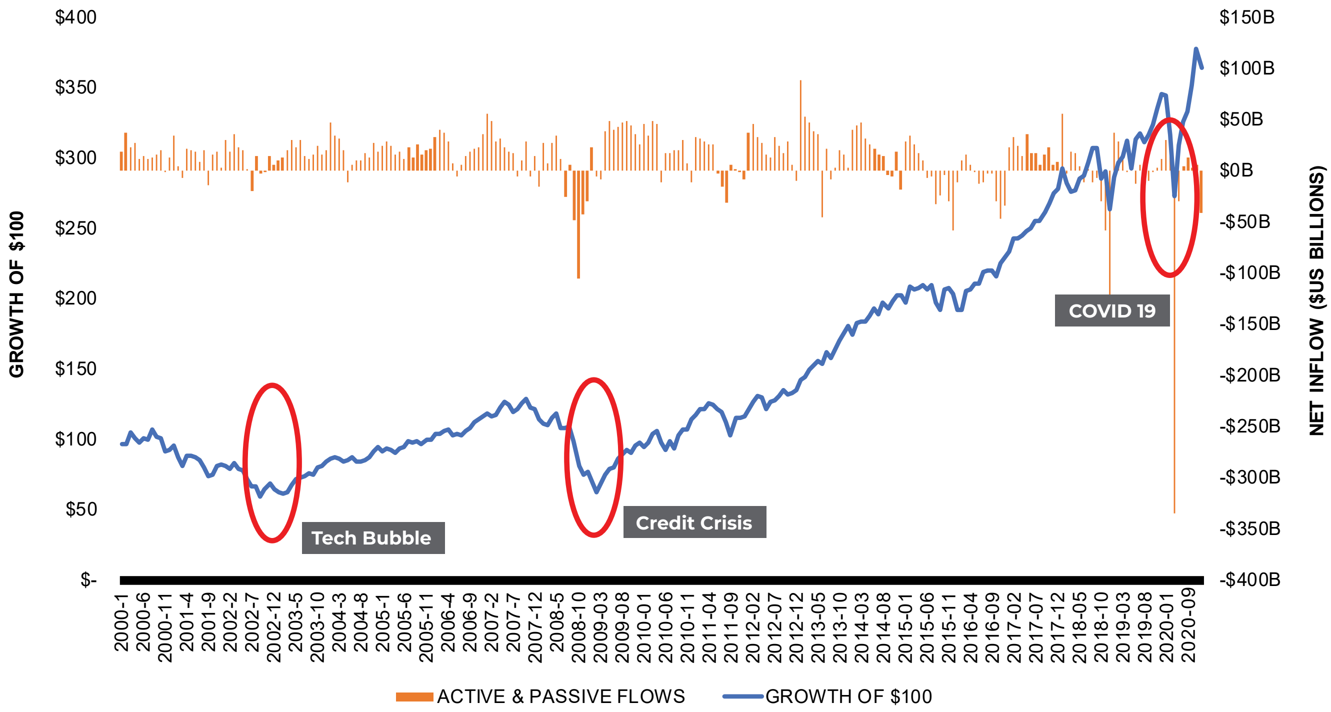
Overconfidence	Herding	Familiarity
Trade too often	**Buy high, sell low**	**Overweight home country**

You may find you become overly optimistic when markets are rising, or overly pessimistic when markets are declining. Your adviser can help you remain objective and disciplined through the cycle of market emotions. We believe avoiding behavioural mistakes is a significant contributor to total value. In fact, sometimes it's the decisions you choose not to make that count more.

Left to their own devices, many investors buy high and sell low. From January 2000 to September 2020, $100 constantly invested in the Russell 3000® Index more than tripled in value. And those who chose to stay in cash during that period missed a cumulative return of nearly 250%, based on the Russell 3000® Index.

Recent proof of a "Buy High And Sell Low" Mentality

U. S. open ended mutual fund and passive ETF flows vs market flows



Data shown is historical and not an indicator of future results.
Sources: Monthly mutual fund, passive ETF flows and Russell 3000® Index, Morningstar, Direct
Data as of September 2020. Index performance is not indicative of the performance of any specific investment. Indexes are not managed and may not be invested in directly.

> ***We believe advisers can play a critical role in helping you avoid common behavioural tendencies and may potentially help you achieve better portfolio returns than those investors making decisions without professional guidance.***

A B C E T

0.6%

C is for Cost of cash = 0.6%

An investor's attitude to cash can often be an interesting insight not only in their investment preferences but also their investing confidence. For many, cash can provide a sense of security and familiarity. It largely behaves as we expect it to, it doesn't surprise investors on the upside, but more importantly it doesn't surprise investors on the downside.

Cash can provide a level of certainty for planning purposes. For example, if you require cashflow in retirement you can develop strategies to allocate and maintain levels of cash to meet your expected spending. A popular strategy is to calculate expected spend over a number of years and keep that in cash. An additional benefit of holding cash is the ability to access it on demand.

However, there can be a cost to holding too much cash. While it can cushion potential portfolio losses, it can limit the overall performance and you could miss out on potential portfolio growth. Sacrificing that portfolio growth today, could mean less assets in the future and therefore less spending power over the longer term, particularly in retirement.

Advisers can assist you in investing in a well diversified portfolio that seeks to balance the needs of liquidity and targeting growth within the risk levels appropriate for you.

To bring this to life, let's look at two hypothetical investor scenarios that both have a desired portfolio of 30% in defensive assets and 70% in growth assets, a common balanced investor. How you invest those defensive assets can potentially have an impact on overall portfolio return.

Scenario 1

SMSF investor holds all the defensive allocation (30%) of their portfolio in cash.

Scenario 2

SMSF investor invests their defensive allocation in a Diversified Fixed Income Portfolio comprised of an equal weighting of 10% to Cash, 10% to Australian Bonds and 10% to International Bonds (total 30%).

Now, let's compare these two scenarios to the index returns over the last 10 years.

FOR PERIODS ENDING 31 MAY 2020 PRODUCT NAME	1 YEAR	3 YEAR	5 YEAR	7 YEAR	10 YEAR
RBA Term Deposit Average Rate	1.1	1.7	1.9	2.2	2.8
Diversified Fixed Income Portfolio	4	3.8	3.6	4	4.9
Total Portfolio Allocation	30%				
Scenario 1 – Return of 30% allocation in Cash	0.3	0.5	0.6	0.7	0.8
Scenario 2 – Return of 30% allocation in Diversified Fixed Income Portfolio	1.2	1.1	1.1	1.2	1.5
Return enhancement to overall portfolio	0.9	0.6	0.5	0.6	0.6

Source: Russell Investments, Lonsec irate, , Diversified fixed income portfolio, Cash: RBA Term Deposit Average Rate, Australian Bond: Bloomberg AusBond Composite 0 Year Index AUD, International Bond: Bloomberg Barclays Global Aggregate TR Index (AUD Hedged)

The overall performance over a 10 year period would have produced 0.60% return enhancement

> ***More than just return seeking, advisers are experienced at working with you to closely identify your needs, with the ability to manage planned, unplanned or unforeseen expenditures. Advisers can help keep your portfolio invested where appropriate to grow assets for future spending needs and find the best source and process for accessing capital on your behalf when required.***

A	B	C	E	T
			PRICELESS	

E is for expertise in additional wealth management services = PRICELESS

Advisers advise. That can start with building and regularly updating a financial plan that fits your needs based on your specific goals, circumstances and preferences, conducting regular portfolio reviews, and being available to answer your questions, guide you throughmarket volatility and make recommendations when you go through one of life's big moments—such as getting married, buying a house, sending a child to university, or entering retirement.

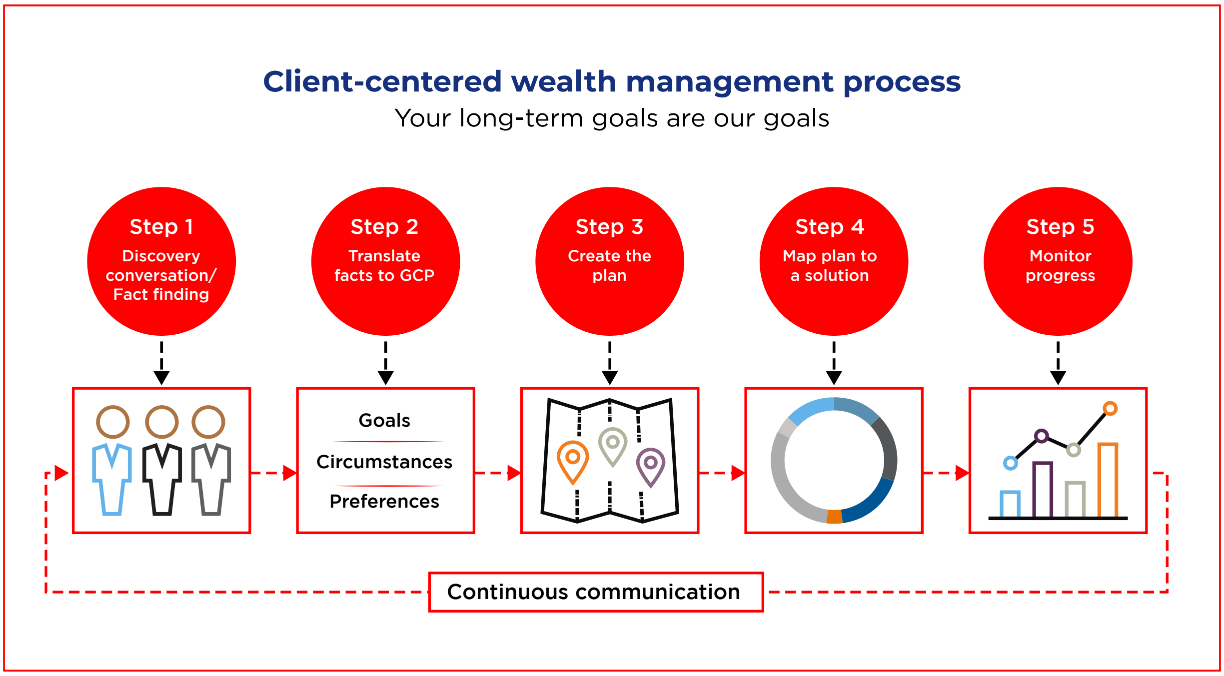
They can also offer additional services such as investment education, assistance with specific tax circumstances, estate and retirement income planning, and help you make sure you have proper insurance coverage.

Your financial plan is a key element to help your reach your goals. A robust financial plan may incorporate coordination of your multiple financial goals, considerations for investing at different stages in your life, and strategising with your other trusted professionals dedicated to your financial health.

Your adviser may provide:

- Savings & distribution analysis
- Investment & cashflow analysis
- Student loans
- Stock options
- Employee benefits review
- Education funding
- Regular reviews
- One-off requests for advice
- Investment education
- Property
- Long-term care
- Disability insurance
- Life insurance

Your adviser will likely work with you to tailor your custom financial plan and investment solutions to what matters most to you. The process begins with a deep discovery conversation. Followed by translating what is heard into goals, circumstances and preferences. And because your priorities and circumstances are likely to change over time, your adviser may choose to engage with you continuously to help you reach your desired goals.



For illustrative purposes only.

A	B	C	E	T
				1.5%

T is for Tax-effective investing = 1.5%

When it comes to investing, it's not what you make that counts. It's what you get to keep. Your adviser can help you navigate the complex world of tax implications of your investments.

Tax is often considered the realm of the accounting profession.

However, your adviser can also provide expertise on managing and optimising investment tax. The concept of investment tax isn't just limited to what goes into your tax return. Investment tax can have an impact on the asset value or portfolio return, even though it may not always be seen. As a result, it can be difficult to know how to be tax effective in your portfolio.

By lowering the tax on your investments, you may be able reach your financial goals sooner.

Adviser play an important role in your tax journey, helping you navigate key components when it comes to tax-effective strategies.

You may not understand the range of investment vehicles available to you and the benefits they could add to your investment portfolio.

Advisers can assist in the management and optimisation of investment tax in a number of ways such as structural tax strategies.

Structural tax strategies

Advisers can add significant value in managing your investment tax through structural tax strategies. These not only require a close understanding of your needs, but technical expertise and up to date legal and regulatory knowledge to do this successfully. Such strategies can include:

- salary sacrifice pre- and post- superannuation contributions for accumulators
- transition to retirement strategies and reinvesting tax savings
- optimising tax for non-superannuation assets and managing 'tax surprises' as regulatory changes occur

> ***Quality financial advisers not only have the technical expertise to help you make the most of your tax circumstances but can help you to avoid any unexpected surprises at tax time.***

The bottom line

Your adviser charges for the service he or she provides. As we demonstrate below, your adviser can play many roles, each of which has significant value and can ultimately help you and your family reach your long-term financial goals.

The value of an adviser relationship

Financial Planning	Financial Therapist	Investment Strategist
Investment Advocate	Tax Coordination	Financial Educator

A successful relationship with your trusted financial adviser requires engagement—on both sides. We outlined above what your financial adviser typically delivers to clients. Following are some considerations for how you can be an engaged client:

- **Be open with your adviser about your current situation, goals, circumstances, preferences, values, asset location and other relevant wealth management information;**
- **Engage in proactive, two-way communication with your adviser as your family's situation changes;**
- **Participate in regular face-to-face meetings with your adviser;**
- **Provide feedback to your adviser about client events and educational workshops they host;**
- **Introduce to your adviser those people in your professional and personal networks whom you believe your adviser could help.**

ABG

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