INVESTMENT WORKSHOP

MARCH – 2016

WARNING – GENERAL INFORMATION ONLY

WWW.CIFP.COM.AU
WORKSHOP AGENDA

1. INTRODUCTION: CIFP HISTORY, TEAM, SERVICES, FEES
2. INVESTMENT OPTIONS: CASH/FIXED INTERST vs SHARES vs PROPERTY
3. TAX STRUCTURES: INDIVIDUAL/TRUSTS vs SUPER/PENSION vs INS/ED BONDS
4. ECONOMIC UPDATE: OUTLOOK FOR 2016 & BEYOND
5. FUND TYPES: INDEX FUNDS vs ACTIVE FUNDS
6. SUPER/PENSIONS: TAX BENEFITS, RESTRICTIONS, SMSF vs WRAPS
7. PROTECTION: INCOME PROTECTION, LIFE PROTECTION
8. CENTRELINK: CURRENT RULES vs NEW RULES IN 2017
9. AGED CARE: BOND (RAD), ACCOMODATION FEES (DAP)
10. ESTATE PLANNING: WILLS, POWER OF ATTORNEY, BENEFICIARIES, TAX
WORKSHOP OBJECTIVES

1. **DIVERSIFICATION:** Spread across various sectors
2. **LEVEL OF RISK:** Leverage (debt) adds to risk/greed
3. **EDUCATION:** Understand fundamentals
4. **PATIENCE:** Analyse & take your time/opinion
5. **RASH DECISIONS:** Don’t panic & make quick decisions
6. **SIMPLICITY:** Strategies that you understand
7. **STRESS CONTROL:** Life stress vs investment stress
CENTRE IN FINANCE (CIFP)

- **Commenced:** 1984 with own ASIC Licence

  - **Benefits of Advice:**
    - **Strategic:** Investment & Legislative management
    - **Behavioural:** Calm & informed decisions
    - **Value Add:** Ongoing advice can add additional value of 3% pa

  - **Value Add Strategies (CIFP):**
    - 2003 – 2007: Maximum exposure to growth (based on risk profile)
    - 2007 – 2008: Transfer 50/70% to cash (index 6,000 points)
    - 2009 – 2010: Transfer 30/50% to growth (index 3,500 points)
    - 2011 – 2012: Locked in Term Deposit rates for 5 years at 5% pa
    - 2013 – 2015: Selection of active fund managers with income focus
THE CIFP TEAM

* **BILL ALATERAS**: Director – Senior Financial Planner (32 years)
  Degree in Accounting/Finance (Melbourne), Tax/Finance Lecturer

* **VICKI ALATERAS**: Director – Financial Planner (22 years)
  Degree in Social Science (Monash), Diploma of Financial Planning

* **ROBERT FARCHIONE**: Financial Planner (16 years)
  Diploma of Financial Planning

* **NICOLE HADJIGEORGIOU**: Financial Planner (6 years) Para Planner (10 years)
  Degree in Applied Science (Deakin), Advanced Diploma of Financial Planning

* **HELEN PES COS**: Receptionist

* **MEGAN ASHTON**: Administrator
CIFP ONGOING SERVICES

• LMDA Services:
  1. Re-invest term deposits upon maturity (up to 5 years)
  2. Re-balance with strategic ongoing management
  3. Review model portfolio & fund managers

• Six-monthly portfolio review & newsletters:
  1. Review your asset allocation with your risk profile
  2. Prepare a Record of Advice for any changes
  3. Provide a 6-monthly newsletter & updates on our website

• Review meetings & interviews:
  1. Meet & review objectives, strategies & updated legislation
  2. Centrelink support & nominee arrangements
  3. Assistance with Imputation Credit refunds from the ATO
  4. Estate Planning support & assistance. Anti detriment payments
CIFP charges a Service Fee with no commissions / bonuses.

<table>
<thead>
<tr>
<th>CIFP SERVICES &amp; FEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIFP charges a Service Fee with no commissions / bonuses.</td>
</tr>
</tbody>
</table>

AVERAGE FEES | CIFP FEES
---|---
Consultation & Interview Charges | Nil | Nil
Preparation of Financial Plan (SOA) | 1.0% - 2.0% | Nil
Establishment Charges | 1.0% - 2.0% | Nil
Total Annual Charges from (Tax Deductible?) | 1.5% - 2.5% pa | 1.0% pa

(Wrap Fees, Advisor Service Fees & Fund Manager Fees)

(CIFP negotiated a wrap fee reduction of up to 70% for our clients)

<table>
<thead>
<tr>
<th>Account Balance</th>
<th>Normal Fees</th>
<th>CIFP Fees</th>
<th>CIFP Savings</th>
<th>Fee Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>$ 780 pa</td>
<td>$ 250 pa</td>
<td>$ 530 pa</td>
<td>70%</td>
</tr>
<tr>
<td>$500,000</td>
<td>$2,725 pa</td>
<td>$1,250 pa</td>
<td>$1,475 pa</td>
<td>50%</td>
</tr>
</tbody>
</table>
INVESTMENT OPTIONS

1. CASH/FIXED INTEREST:
   - Cash Management / Term Deposits
   - Government / Semi Government Bonds
   - Corporate Bonds (Australian / Overseas)

2. PROPERTY:
   - Residential (Houses / Units / Apartments)
   - Commercial (Office / Retail / Industrial)
   - Listed vs Unlisted (Direct)

3. SHARES:
   - Industrial, Resources, Infrastructure, Property
   - Blue Chip, Small Companies
   - Australian (Imputation Credits)
   - Overseas (Hedged / Unhedged)
TAX STRUCTURE

1. INDIVIDUAL – MARGINAL TAX & CAPITAL GAINS TAX:
   • Personal Name/s – Tax up to 47%
   • Investment Trust – Tax up to 47%
   • Family Trust – Tax up to 47% (distribute to low income earners)

2. SUPERANNUATION/ALLOCATED PENSION:
   • Superannuation – 15% tax on earnings & 10% tax on Capital Gains
   • Allocated Pensions – 0% tax on earnings & 0% tax on Capital Gains
   • Restrictions on contributions, Access, Compliance
   • Contribution Tax concessions of 15% to 30%

3. INSURANCE BONDS & EDUCATION BONDS:
   • 10-year investment bond – 30% tax on earnings
   • 10-year education bonds – 0% tax on earnings
   • Restrictions, proof of education costs
ECONOMIC UPDATE

1. GLOBAL ECONOMY & MARKETS 2016: V0124 Global Update
   • Commenced 2016 with high volatility
   • Rising US interest rates, falling Japan & European interest rates to negative
   • Falling unemployment
   • World growth increasing to 3.4% pa (up from 3.1% pa - down from average of 4% pa)

2. AUSTRALIAN ECONOMY & MARKETS 2016: V0124 Australian Update
   • Falling commodity pricing
   • Benefit from the lower Australian dollar, exports, tourism & education
   • Construction sector improving with low interest rates - hold steady during 2016
   • Australian growth increasing to 2.5% pa (down from the average trend)
   • Expect lower returns with the current level of inflation & interest rates

3. AUSTRALIAN PROPERTY MARKET CONCERNS - OVERSUPPLY OF APARTMENTS:
   • Low interest rates have created an apartment construction boom
   • Rental yields are falling with an oversupply of apartments (70% sold to investors)
   • Lenders are increasing requirements & reducing apartment values

www.youtube.com/watch?v=mlMGipcSAj0&ebc=ANyPxFrc2PuyX5gbEINbdp0gtbW8TyCNOH21NqYISm6oGIFGZuMKaalMlsW_ZHm-z2CY3VbVu88J0WgNfU1Ry2XSSsW3RFvw
1. **INDEX FUNDS:**
   - Invests in the various indexes (ASX 300)
   - Lower costs – Wholesale (0.15% to 0.50% pa) with similar volatility to the index
   - Vanguard is the largest index fund manager in the world
   - Retails Funds, Wholesale Funds, Exchange Traded Funds (ETFs)

2. **ACTIVE FUNDS:** [www.youtube.com/watch?v=lfxsKev2drk](http://www.youtube.com/watch?v=lfxsKev2drk) [http://www.montinvest.com/advisers](http://www.montinvest.com/advisers)
   - Invests in the companies (shares) for long-term growth & income
   - Higher costs – Wholesale (0.75% to 1.25% pa), usually lower volatility than index
   - Perpetual, Investors Mutual, Fidelity, Legg Mason, CFS, AMP, Montgomery etc.
   - Retail Funds, Wholesale Funds, Listed Investment Companies (LICs)

3. **INDEX vs ACTIVE FUNDS – 31/12/2015:**

<table>
<thead>
<tr>
<th>INDEX/FUND</th>
<th>1 year</th>
<th>3 years</th>
<th>5 years</th>
<th>10 years</th>
<th>Volatility</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX 200</td>
<td>2.60%</td>
<td>9.20%</td>
<td>7.00%</td>
<td>5.60%</td>
<td>100%</td>
</tr>
<tr>
<td>Perpetual</td>
<td>6.20%</td>
<td>14.20%</td>
<td>12.80%</td>
<td>7.60%</td>
<td>92%</td>
</tr>
<tr>
<td>Fidelity</td>
<td>6.00%</td>
<td>12.30%</td>
<td>10.00%</td>
<td>8.90%</td>
<td>96%</td>
</tr>
<tr>
<td>IML</td>
<td>10.00%</td>
<td>12.30%</td>
<td>11.90%</td>
<td>7.60%</td>
<td>67%</td>
</tr>
<tr>
<td>Legg Mason</td>
<td>14.30%</td>
<td>18.40%</td>
<td>18.80%</td>
<td>N/A</td>
<td>73%</td>
</tr>
<tr>
<td>Montgomery</td>
<td>19.35%</td>
<td>15.60%</td>
<td>N/A</td>
<td>N/A</td>
<td>74%</td>
</tr>
</tbody>
</table>
### GROWING INCOME & CAPITAL

#### 2005

<table>
<thead>
<tr>
<th></th>
<th>m2</th>
<th>T</th>
<th>CSL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>$100,000</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Price</td>
<td>$0.32</td>
<td>$4.69</td>
<td>$9.09</td>
</tr>
<tr>
<td>Dividend</td>
<td>$0.01</td>
<td>$0.28</td>
<td>$0.47</td>
</tr>
<tr>
<td>Yield</td>
<td>3.91%</td>
<td>5.97%</td>
<td>5.17%</td>
</tr>
<tr>
<td>Total Income</td>
<td>$3,910</td>
<td>$5,970</td>
<td>$5,171</td>
</tr>
</tbody>
</table>

#### 2015

<table>
<thead>
<tr>
<th></th>
<th>m2</th>
<th>T</th>
<th>CSL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>$9.63</td>
<td>$5.52</td>
<td>$92.44</td>
</tr>
<tr>
<td>Investment</td>
<td>$3,006,250</td>
<td>$117,697</td>
<td>$1,016,942</td>
</tr>
<tr>
<td>Dividend</td>
<td>$0.32</td>
<td>$0.31</td>
<td>$1.69</td>
</tr>
<tr>
<td>Yield</td>
<td>3.32%</td>
<td>5.53%</td>
<td>1.83%</td>
</tr>
<tr>
<td>Total Income</td>
<td>$99,807.50</td>
<td>$6,508.66</td>
<td>$18,591.86</td>
</tr>
</tbody>
</table>

*excludes special
INDEX vs ACTIVE
1. **INDUSTRY & EMPLOYER FUNDS:**
   - Low cost with no ongoing service – (average cost 1% pa) – extra cost for advice
   - High costs for low account balances (fixed annual fees on average $100 pa)
   - Limited investment options & flexibility - Australian Super, Care Super, Hesta Super

2. **RETAIL & MASTER FUNDS:**
   - Varying costs with ongoing service – (average cost 2% pa)
   - Retail investment options & flexibility – CFS, AMP, MLC, BT, OnePath

3. **WRAP WHOLESALE SERVICES:**
   - Varying costs with ongoing service – (average cost 1% - 2% pa)
   - Wholesale investment options & flexibility – FirstWrap, MLC Wrap, BT Wrap
   - Direct investment options – Shares on the ASX 300

4. **SELF MANAGED SUPER FUNDS (SMSFs):**
   - Varying costs with/without ongoing service – (average cost 1% - 2% pa)
   - Investment options & flexibility – Wrap services may be used by SMSF
   - Direct investment options – Shares, listed, unlisted, direct investment property.
SUPER BENEFITS

1. ACCUMULATION PHASE:
   • Tax deductible contributions (15% - 30% immediate tax benefit on income over $20K)
   • Co-contribution benefit of up to 50% ATO refund
   • Tax on earnings is 15% pa plus 10% on capital gains (avoid CGT by transfer to Pension)
   • Salary Sacrifice can provide the following additional boost to wealth: (assume 5% return)

<table>
<thead>
<tr>
<th>Years of Salary Sacrifice</th>
<th>Extra Wealth Accumulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 years</td>
<td>35%</td>
</tr>
<tr>
<td>10 years</td>
<td>37%</td>
</tr>
<tr>
<td>20 years</td>
<td>45%</td>
</tr>
<tr>
<td>30 years</td>
<td>50%</td>
</tr>
</tbody>
</table>

2. PENSION PHASE:
   • No tax on earnings or capital growth with 100% refund of Imputation Credits
   • Total earnings are on average 2% pa higher than accumulation phase
   • Income from pension is tax free from 60 years of age
   • Income may be tax free or taxable with a 15% tax offset between age 55 to 59.

3. RESTRICTIONS:
   • Age, employment status between age 65 to 75, preservation age for access
   • Contribution limits both concessional & non-concessional. (Tax deductible & tax free)
FAMILY PROTECTION

1. LIFE PROTECTION:
   • Death/TPD Cover:
     – Lump Sum Payment on Death/Total Disability to cover debts & future family lifestyle.
     – Low cost cover with minimal underwriting (usually automatic cover)
     – Note definition of ‘Total & Permanent Disability’ (any or own occupation)
       ➢ **Option 1:** Within super, low costs, no commission, tax deductible within super fund
       ➢ **Option 2:** Outside super, higher costs, commission, not tax deductible
   • Income Protection/Salary Continuance Cover:
     – Up to 75% of income continues for either 2 years or to age 65 when unable to work due to illness/accident after a waiting period of either 30 days, 60 days or 90 days.
     – Higher cost cover with additional underwriting & varies with industry classification
       ➢ **Option 1:** Within super, lower cost, no commission, tax deductible within super fund
       ➢ **Option 2:** Outside super, higher costs, commission, fully tax deductible against income
   • Trauma Cover:
     – Lump Sum Payment for diagnosis of various illness such as cancer, heart attack, etc.
     – Higher cost cover with additional underwriting & varies with industry classification
     – Note definitions of the various illnesses & any exclusions
       ➢ **Option:** Outside super only, higher costs, commission, not tax deductible
## CENTRELINK - ASSETS

<table>
<thead>
<tr>
<th>1. AGE PENSION</th>
<th>Date of Birth from</th>
<th>Pension Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>QUALIFYING AGE 65 OR:</td>
<td>01/07/1952 – 31/12/1953</td>
<td>65.5</td>
</tr>
<tr>
<td></td>
<td>01/01/1954 – 30/06/1955</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>01/07/1955 – 31/12/1956</td>
<td>66.5</td>
</tr>
<tr>
<td></td>
<td>01/01/1957 &amp; onwards</td>
<td>67</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. HOMEOWNERS ASSET TEST:</th>
<th>March 2016</th>
<th>January 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Single Pensioner:</td>
<td>$ 205,500 to $ 788,250</td>
<td>$ 250,000 to $ 549,000</td>
</tr>
<tr>
<td>- Couple Pensioners:</td>
<td>$ 291,500 to $1,170,000</td>
<td>$ 375,000 to $ 826,000</td>
</tr>
<tr>
<td>- Separated by Illness:</td>
<td>$ 291,500 to $1,447,500</td>
<td>$ 375,000 to $1,110,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. NON-HOMEOWNERS ASSET TEST:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Single Pensioner:</td>
<td>$ 354,500 to $ 937,250</td>
</tr>
<tr>
<td>- Couple Pensioners:</td>
<td>$ 440,500 to $1,319,000</td>
</tr>
<tr>
<td>- Separated by Illness:</td>
<td>$ 440,500 to $1,598,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. ASSET TEST EXEMPTIONS:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Superannuation in a members name who is under the pension age</td>
</tr>
<tr>
<td>- Private dwelling on land up to 2 hectares (renovations to family home)</td>
</tr>
<tr>
<td>- Gifting up to $ 30,000 over 5 years (within 13 months) – Super funds for children/family</td>
</tr>
<tr>
<td>- Funeral bonds of $ 12,250 total, Burial plots (no limit) – 7.8% return for asset reduction</td>
</tr>
</tbody>
</table>
CENTRELINK - INCOME

1. **INCOME TEST:**
   - Single Pensioner: Part pension if income is - $4,212 pa to $49,296 pa
   - Couple Pensioners: Part pension if income is - $7,488 pa to $75,454 pa
   - Separated by Illness: Part pension if income is - $7,488 pa to $97,656 pa

2. **LOW INCOME HEALTH CARD (ANY AGE):**
   - Single Income: $27,616 pa threshold (Investments Deemed)
   - Couple Income: $47,788 pa threshold (Investments Deemed)

3. **COMMONWEALTH SENIORS HEALTH CARD (PENSION AGE):**
   - Single Income: $52,273 pa threshold (Investments Deemed)
   - Couple Income: $83,636 pa threshold (Investments Deemed)
   - Separated by illness: $104,546 pa threshold (Investments Deemed)

4. **INCOME TEST EXEMPTIONS:**
   - Superannuation in a members name who is under the pension age
   - Allocated Pensions before 01/01/2015 (income reduced by deductible amount)
   - First $250 per fortnight of employment income

5. **DEEMING RATES:**
   - Single Pensioner: 1.75% for the first $48,600 3.25% for amounts above
   - Couple Pensioners: 1.75% for the first $80,600 3.25% for amounts above
AGED CARE

1. PLANNING FOR AGED CARE: (Based on 2011 Statistics)
   • 70% of Women & 50% of Men will require aged care services
   • 75% of Aged Care will be home services & 25% will Residential Aged Facilities

2. RESIDENTIAL AGED CARE FACILITIES: www.myagedcare.gov.au
   • ACAS assessment required to obtain government subsidies
   • Respite care is for temporary residential care (maximum 63 days per financial year)
   • Retirement villages provide low maintenance serviced living options (not subsidised)
   • Residential Aged Care Costs: (government subsidised):
     – RAD (Bond): average charge of $ 400,000 - hardship considerations
     – Basic Daily Fee: $47.86 per day - $ 17,469 pa
     – Means Tested Fee: $70.50 per day (maximum) - $ 25,731 pa ($61,754 lifetime)

3. RENT vs SALE OF FAMILY HOME:
   • How to fund the RAD (Bond), the basic daily fee & means tested daily fee
   • Rent out the family home or sell the family home to pay the RAD
   • Pay part RAD & make a daily payment (DAP) for the balance owing (6.20% interest)
   • Consider the funding options for the daily fees
   • 2 year exemption before the family home is counted as an asset for Centrelink
   • Centrelink classify all Aged Care Residents as non-home owners
1. **WILLS:**
   - Ensure you have a valid & up-to-date will
   - Consider a Testamentary Trust to protect assets from the estate

2. **POWER OF ATTORNEY:**
   - Ensure you have valid enduring power of attorney’s to assist beneficiaries to act for you

3. **ESTATE TAX:**
   - Capital Gains Tax Liability on Shares & Investment Property – transferred to beneficiaries
   - Minimise tax transferred to beneficiaries as follows:
     - Gradually offset capital gains against capital losses during retirement
     - 3 year option to wind up estate & utilise 3 financial years of tax-free thresholds
   - Tax on Super/Pensions paid to non-dependants of up to 17% the taxable component:
     - Anti-Detriment payments are paid by some super funds (not SMSFs) to children (15%)
     - Anti-Detriment payments may be reviewed in the Federal Budget 2016
   - CIFP strategies to minimise tax:
     - Transfer shares to the investment fund to manage capital gains & annual income tax
     - Offset fees against taxable income to reduce tax & reduce Centrelink income
     - Anti-Detriment payments to beneficiaries
     - Transfer of super/pension account assets (in-specie) to existing investment fund
CONCLUSION

1. DIVERSIFICATION: SPREAD ACROSS VARIOUS INVESTMENT SECTORS
2. LEVEL OF RISK: LEVERAGE (DEBT) ADDS TO RISK/GREED
3. EDUCATION: UNDERSTAND FUNDAMENTALS/VESTED INTEREST
4. PATIENCE: ANALYSE & TAKE YOUR TIME/SECOND OPINION
5. RASH DECISIONS: DON’T PANIC & MAKE QUICK DECISIONS
6. SIMPLICITY: STRATEGIES/STRUCTURES THAT YOU UNDERSTAND
7. LEVEL OF STRESS: LIFE STRESS vs INVESTMENT STRESS
8. RESEARCH LINKS: RISK/GREED/VESTED INTEREST
   www.youtube.com/watch?v=vgqG3ITMv1Q
   2012 INVESTORS OF THE YEAR GO BUST
   www.youtube.com/watch?v=j_ktN_h7-J4
CIFP ASSISTANCE

1. STRATEGIES: DESIGNED TO SUIT YOUR OBJECTIVES
2. RISK PROFILE: LEVEL OF COMFORTABLE RISK vs RETURN
3. SECOND OPINION: ANALYZE, EXPLAIN & COMPARE
4. FAMILY: SERVICES AVAILABLE TO FAMILY & FRIENDS
5. FINANCIAL CHECK: FREE FINANCIAL HEALTH CHECK FOR FAMILIES
6. UPDATES - WEBSITE: WWW.CIFP.COM.AU
APPENDIX

1. FUTURE CHALLENGE – WHERE TO EARN INCOME/YIELD
2. DIVIDENDS FROM VARIOUS MARKETS
3. CONTROL MARKET VOLATILITY
4. COMPARE RISK vs RETURN
5. INDEX vs ACTIVE FUNDS
6. PROVIDE INCOME BY COMPROMISING GROWTH
7. COMPARE WITH ALTERNATIVE MANAGERS
8. ACTIVE FUND PORTFOLIO
9. COMPARE BLUE CHIP (?) AUSTRALIAN SHARES
Investment Challenge – Where is the yield?

Investment yield

Source: Factset as at 31 December 2015
Dividends – Australia, the lucky country when it comes to yield

<table>
<thead>
<tr>
<th>Market</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASX</td>
<td>5.0%</td>
</tr>
<tr>
<td>MSCI</td>
<td>2.7%</td>
</tr>
<tr>
<td>S&amp;P500</td>
<td>2.2%</td>
</tr>
<tr>
<td>FTSE</td>
<td>4.6%</td>
</tr>
<tr>
<td>DAX</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Source: Factset aggregates, MSCI as at 31 December 2015
IML Equity Income Fund – Delivering downside protection

IML Equity Income Fund Analysis

**Drawdown**

Time Period: 1/01/2011 to 31/01/2016

Source: Morningstar as at 31 January 2016
IML Equity Income Fund –
Lower volatility keeps investors invested

Source: Factset. As at 30 September 2015
# IML Equity Income Fund – Performance

<table>
<thead>
<tr>
<th></th>
<th>IML Equity Income Fund</th>
<th>ASX300 Acc. Index</th>
<th>Outperformance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>+6.44%</td>
<td>-5.83%</td>
<td>+12.27%</td>
</tr>
<tr>
<td>3 Years p.a.</td>
<td>+10.27%</td>
<td>+5.28%</td>
<td>+4.99%</td>
</tr>
<tr>
<td>5 Years p.a.</td>
<td>11.12%</td>
<td>+5.46%</td>
<td>+5.66%</td>
</tr>
<tr>
<td>Since Inception p.a.</td>
<td>+11.13%</td>
<td>+5.39%</td>
<td>+5.74%</td>
</tr>
</tbody>
</table>

**Inception Date**: 31-Dec-10

As at 31 January 2016
## Total return – Income & growth splits

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>IML Equity Income</td>
<td>+9.3%</td>
<td>+1.8%</td>
<td>+11.1%</td>
</tr>
<tr>
<td>Manager ‘A’</td>
<td>+7.2%</td>
<td>-2.2%</td>
<td>+5.0%</td>
</tr>
<tr>
<td>Manager ‘B’</td>
<td>+8.2%</td>
<td>-5.1%</td>
<td>+3.1%</td>
</tr>
<tr>
<td>Manager ‘C’</td>
<td>+9.0%</td>
<td>-4.2%</td>
<td>+4.8%</td>
</tr>
<tr>
<td>ASX300</td>
<td>+4.6%</td>
<td>+0.8%</td>
<td>+5.4%</td>
</tr>
</tbody>
</table>

*Comparisons are made with funds using options to generate income and/or manage risk*

**Source:** Morningstar
Important to grow the capital base

*Comparisons are made with funds using options to generate income and/or manage risk

Source: Morningstar
### Portfolio Positioning end December 2015

#### TOP COMPLETED HOLDINGS*

*(at 31 January 2016, out of 28 holdings)*

<table>
<thead>
<tr>
<th>COMPANY NAME</th>
<th>Q &amp; P SCORE</th>
<th>RETURN ON EQUITY (%)</th>
<th>NET DEBT/EQUITY (%)</th>
<th>PRICE/EARNINGS (X)</th>
<th>WEIGHT (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenger Ltd</td>
<td>A3</td>
<td>12.7</td>
<td>n/a</td>
<td>11.9</td>
<td>4.36</td>
</tr>
<tr>
<td>Henderson Group</td>
<td>A2</td>
<td>17.1</td>
<td>-8.4</td>
<td>14.7</td>
<td>4.20</td>
</tr>
<tr>
<td>Resmed</td>
<td>A2</td>
<td>23.1</td>
<td>-26.2</td>
<td>21.0</td>
<td>4.15</td>
</tr>
<tr>
<td>Commonwealth Bank of Australia</td>
<td>A1</td>
<td>17.8</td>
<td>n/a</td>
<td>13.9</td>
<td>3.99</td>
</tr>
<tr>
<td>CSL Ltd</td>
<td>A2</td>
<td>46.7</td>
<td>62.8</td>
<td>25.8</td>
<td>3.98</td>
</tr>
<tr>
<td>BT Investment Management Ltd</td>
<td>A2</td>
<td>18.0</td>
<td>-19.5</td>
<td>18.9</td>
<td>3.86</td>
</tr>
<tr>
<td>REA Group Ltd</td>
<td>A2</td>
<td>37.0</td>
<td>-14.1</td>
<td>27.4</td>
<td>3.73</td>
</tr>
<tr>
<td>Westpac Banking Corp Ltd</td>
<td>A2</td>
<td>14.7</td>
<td>n/a</td>
<td>11.9</td>
<td>3.72</td>
</tr>
<tr>
<td>M2 Group</td>
<td>B3</td>
<td>21.2</td>
<td>135.9</td>
<td>23.1</td>
<td>3.68</td>
</tr>
<tr>
<td>Magellan Financial Group</td>
<td>A1</td>
<td>68.4</td>
<td>-31.0</td>
<td>18.9</td>
<td>3.60</td>
</tr>
<tr>
<td><strong>TCH AVERAGE</strong></td>
<td></td>
<td><strong>27.7</strong></td>
<td><strong>14.2</strong></td>
<td><strong>18.7</strong></td>
<td></td>
</tr>
<tr>
<td><strong>MARKET AVERAGE</strong></td>
<td></td>
<td><strong>15.7</strong></td>
<td><strong>72.9</strong></td>
<td><strong>19.6</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Total equity weighting** 76.98

**Total cash weighting** 23.02

*Top Completed Holdings are businesses we own but are not actively buying or selling at the time of writing.*
Blue Chip Shares – BHP?
Blue Chip Shares – ANZ?
Blue Chip Shares – NAB?
Blue Chip Shares – WESTPAC?
Blue Chip Shares – CBA?
Blue Chip Shares – CSL?
ASX 300 INDEX RETURNS?