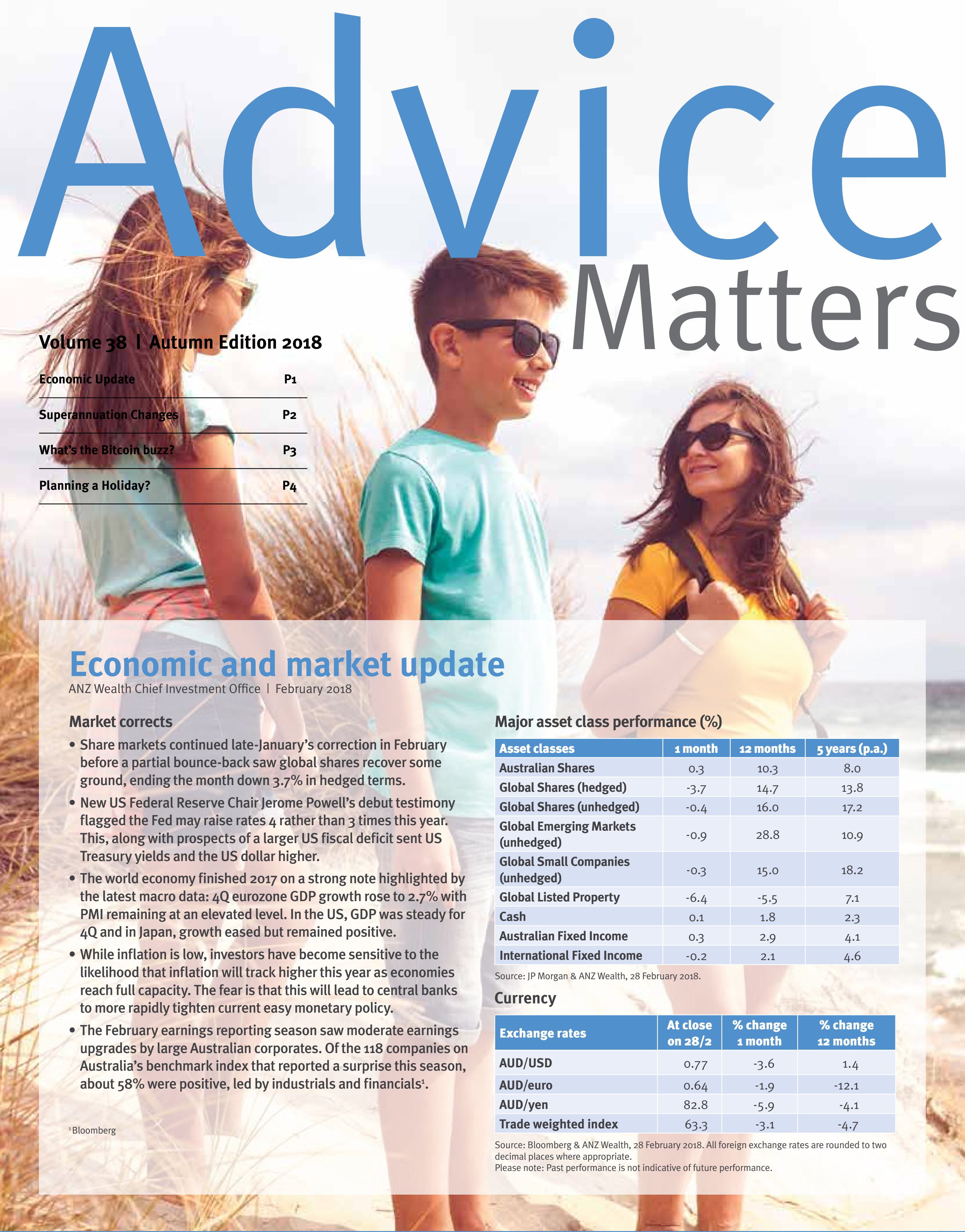

Advice Matters

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Economic and market update

ANZ Wealth Chief Investment Office | February 2018

Market corrects

- Share markets continued late-January's correction in February before a partial bounce-back saw global shares recover some ground, ending the month down 3.7% in hedged terms.
- New US Federal Reserve Chair Jerome Powell's debut testimony flagged the Fed may raise rates 4 rather than 3 times this year. This, along with prospects of a larger US fiscal deficit sent US Treasury yields and the US dollar higher.
- The world economy finished 2017 on a strong note highlighted by the latest macro data: 4Q eurozone GDP growth rose to 2.7% with PMI remaining at an elevated level. In the US, GDP was steady for 4Q and in Japan, growth eased but remained positive.
- While inflation is low, investors have become sensitive to the likelihood that inflation will track higher this year as economies reach full capacity. The fear is that this will lead to central banks to more rapidly tighten current easy monetary policy.
- The February earnings reporting season saw moderate earnings upgrades by large Australian corporates. Of the 118 companies on Australia's benchmark index that reported a surprise this season, about 58% were positive, led by industrials and financials[1].

[1] Bloomberg

Major asset class performance (%)

Asset classes	1 month	12 months	5 years (p.a.)
Australian Shares	0.3	10.3	8.0
Global Shares (hedged)	-3.7	14.7	13.8
Global Shares (unhedged)	-0.4	16.0	17.2
Global Emerging Markets (unhedged)	-0.9	28.8	10.9
Global Small Companies (unhedged)	-0.3	15.0	18.2
Global Listed Property	-6.4	-5.5	7.1
Cash	0.1	1.8	2.3
Australian Fixed Income	0.3	2.9	4.1
International Fixed Income	-0.2	2.1	4.6

Source: JP Morgan & ANZ Wealth, 28 February 2018.

Currency

Exchange rates	At close on 28/2	% change 1 month	% change 12 months
AUD/USD	0.77	-3.6	1.4
AUD/euro	0.64	-1.9	-12.1
AUD/yen	82.8	-5.9	-4.1
Trade weighted index	63.3	-3.1	-4.7

Source: Bloomberg & ANZ Wealth, 28 February 2018. All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

Elders Financial Planning

Superannuation CHANGES

The following super changes have been legislated and allow more flexibility to make super contributions

Downsizer contributions

From 1 July 2018, individuals aged 65 years or over are able to make non-concessional contributions of up to $300,000 (per person) to their superannuation from proceeds of selling their main residences.

These contributions, also referred to as 'downsizer contributions', can be made regardless of other restrictions and caps that apply to voluntary super contributions (e.g. age, meeting the work test or the total super balance test).

Downsizer contributions must:

- apply to contracts of sale entered into on or after 1 July 2018[1]
- relate to the sale of a dwelling that was their main residence (wholly or partly) and was owned for at least 10 years before disposal, and
- be made within 90 days of the change of ownership (settlement date), with any extensions to be approved by the Commissioner of Taxation.

Catch-up concessional contributions

Individuals with super balances less than $500,000 on 30 June of the prior financial year will be able to access a higher annual cap and contribute their remaining unused concessional contribution (CC) cap on a rolling basis for a period of five years.

Only unused amounts accrued from 1 July 2018 can be carried forward.

Individuals can use their accrued unused concessional contributions cap space to make catch-up concessional contributions from 1 July 2019.

This measure will enable those who take time out of work or work part-time to make catch-up contributions when they accumulate lumpy income or decide to work full-time.

In addition, an opportunity will exist for those who intend to sell a CGT asset in the future where they can accumulate the amount of unused CCs. They can offset the CGT liability on the sale of the asset by making a personal deductible contribution in the relevant income year that uses up the accumulated unused concessional contribution cap amounts.

Personal Deductible Contribution (PDC)

Since 1 July 2017, individuals eligible to make concessional contributions (CC) to super have been able to make personal contributions and claim them as a tax deduction up to the cap of $25,000 pa.

Prior to 1 July 2017, individuals had to meet the 10% test (maximum earnings as an employee condition) to be eligible to make personal deductible contributions (PDCs).

This new arrangement enables people in a range of situations to make PDCs before 30 June 2018 and potentially target the CC cap where it previously was not possible.

Key examples include people who:

- are employed and receive SG contributions that are within the CC cap, but their employer doesn't offer salary sacrifice arrangements
- switch from being a self-employed contractor to an employee during the course of a year, and
- are residents for tax purposes who are working overseas for a foreign employer and their employer can't or won't contribute to an Australian super fund.

For further information regarding any of the superannuation changes contact your financial planner today.

[1]Contracts entered into prior to 1 July 2018 are not eligible even if the settlement occurs after this date.

WHAT'S THE BITCOIN BUZZ?

By Mark Rider, Chief Investment Officer, ANZ Wealth

The value of bitcoin has rocketed higher. But what do we know about it? Does it really have value?

What is bitcoin?

Bitcoin is a type of digital currency known as a cryptocurrency. It operates on a decentralised peer-to-peer networked program on your computer, meaning that transactions can be conducted between a buyer and seller without the need for any third party oversight such as a regulator or bank. The underlying technology that makes all cryptocurrencies possible is the blockchain – a digital, shared record book which keeps track of all transactions.

When a transaction is made, it is added to the end of the blockchain and confirmed using a series of complex calculations by the computers of other users who are on that currency's network.

So, a digital coin is like a bit of code, that could be copied and reused and sent to multiple people. The blockchain stops this from happening because all computers on the network reach a consensus that that coin has changed to a new owner when a transaction is made.

Blockchain technology provides the opportunity for reduced costs by removing the need for the 'middleman'; and by virtue of the identical recording of each transaction across many thousands of copies of the same digital record book reduces the likelihood of fraud or error via traditional means.

Bitcoin's 'wild run'

Bitcoin's value has oscillated wildly. In 2010, in the early days of bitcoin, a man in the US bought two Dominos pizzas for 10,000 bitcoins. The value of those bitcoins recently went over $100 million USD[†]! These spikes in value have certainly sparked huge interest and people are now buying it because they think it is going to have a higher value in the future, rather than using it to pay for things.

Bitcoin peaked at US$20,000 in mid-December 2017, lost 40 per cent of its value within a week as it dipped below US $12,000. It then bounced back and hasn't stopped bouncing since.

Does bitcoin have value?

While crypto currencies led by bitcoin and their blockchain technology seem to hold much promise, there are a few issues to consider.

Unlike traditional currencies and mediums of exchange, Bitcoin cannot be widely used as a means to purchase material goods or services. Nor does it produce any income in the way that shares can generate dividends, or property generates rent. You can't even touch it, like gold. This makes it very difficult to value. And its wild swings in price make it an uncertain store of value, another characteristic of currency.

In addition, the hype surrounding it certainly has all of the hallmarks of a 'speculative bubble'. People are buying it and holding onto it in the hope that it will continue to rise in value. As pricing spirals higher, the more likely it is that it will crash.

A major risk for cryptocurrencies is regulation. China banned bitcoin in 2017 and other cryptocurrencies may not have come onto regulators' radars yet, but some are becoming the preferred medium of exchange for criminals due to anonymity. If governments can find a way to crack down, they surely will.

All up it's hard to say what will happen next. Bitcoin and other cryptocurrencies are so new that historical examples may not apply. But history is littered with plenty of episodes of speculative fevers that ultimately collapsed. While exciting, we have a healthy level of skepticism about its longer-term value.

[†]Source: Business Insider Australia. 29 November 2017

Planning a *holiday?*

Fear of travel scams can easily hold us back

Whether we like it or not, travel scams exist all over the world, and they can happen to the best of us. Fear of travel scams can easily hold us back from those carefree, adventurous, and impulsive experiences that make overseas travel great. While these scams can be quite clever and inconspicuous, knowing how they work and how to avoid or minimise the damage is a great way to protect your right to comfortably switching to 'holiday mode'.

Here are a few of the most common travel scams to look out for.

Wi-Fi

You've just captured the perfect shot and want to share it ASAP. You see an unlocked Wi-Fi connection and think 'what luck!' While it might be convenient, it pays to be wary. Internet fraudsters often set up free, but unencrypted, Wi-Fi connections in tourist hotspots that when connected, could allow the scammers access to your device, online accounts and passwords.

How to avoid it:

1. Instead of caving in and using that tempting free Wi-Fi connection, verify the official Wi-Fi network of the establishment you're in by asking a staff member for help. This way, you can be sure you're using a secure connection.
2. Use a virtual private network (or VPN) whenever you connect to a public Wi-Fi network in order to protect any data or passwords sent or received while connected.
3. This one's a biggie (and good for protecting yourself for more than just travel fraud): Never use the same password across multiple personal accounts.

ATM

You've just found the perfect souvenir at the marketplace, but the catch is they only take cash. Not to worry – there's an ATM over there. You withdraw your cash and all seems well, but a few days later, you notice some mysterious transactions that you didn't make appear on your online banking statement. Looks like your PIN has been skimmed and a scammer is using your card.

How to avoid it:

1. Cover your PIN when you enter it – scammers can sometimes put pinhole cameras in the ATMs to watch you as you enter your code.
2. Use ATMs alongside a travel companion if possible to deter potential thieves.
3. When possible, withdraw money from within a financial institution such as a bank. Don't be deterred by potential ATM fees though.

Stranger Danger

You're walking along the cobblestone streets of your newest travel locale when all of a sudden you feel something drop onto your clothing. Before you can frantically search for the spot, a friendly stranger offers to help wipe it off for you. As they walk away, you realise they've just plucked your wallet from your pocket or bag.

How to avoid it:

1. Before you travel, consider using security alert notifications. You can set up and manage your notifications in your online banking. That way, if a purchase or withdrawal occurs above an amount you set (which could be fraudulent), you'll know about it and will be ready to minimise the damage.
2. As much as possible, keep your cards on your person and not in a bag. Using pants and jacket pockets that have zippers is one great way to help keep your cards safe while travelling.
3. Don't carry all your cards in the same place and only take the cards you intend to use. If you're travelling with a companion, split cards and cash between you, in the event you are separated or one of you is pick-pocketed.

Contact your local Adviser

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