



Spinell Financial Services Pty Ltd

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Dear Client

This is another update on the state of the investment markets and major economies. As always there is ongoing uncertainty despite the appearance of some improving economic statistics.

INVESTMENT & ECONOMIC NEWS

Stock Markets

Although some volatility has been affecting world stock markets they have nevertheless performed reasonably well in 2017-18. Japanese and U.S. markets have done particularly well with 14.16% and 12.66 gains respectively. Germany and UK markets performed reasonably with growth rates of just over 5%. However, there seems to be some political risks in Italy (can't seem to form a stable government) and Spain (Prime Minister facing a vote of confidence) causing some concern.

Table 1 shows the index figures and Table 2 the calculated performance.

Table 1 Stock Market Indices

Period	AUST All Ord	CHINA SSE Comp	USA S&P 500	GB FTSE	GERMAN DAX	JAPAN Nikkei
14/05/2017	6,219.30	3,179.98	2,730.13	7,724.55	12,977.71	22,869.87
30/06/2017	5,764.00	3,192.43	2,423.41	7,312.72	12,325.12	20,033.43
30/06/2016	5,310.40	2,929.61	2,098.86	6,504.30	9,680.09	15,794.09
30/06/2015	5,653.10	4,277.22	2,063.11	6,521.00	10,944.97	20,235.73
30/06/2014	5,382.00	2,048.33	1,960.23	6,743.90	9,833.07	15,162.10
30/06/2013	4,775.40	1,979.21	1,606.28	6,215.50	7,959.22	13,677.32
30/06/2012	4,135.50	2,225.43	1,362.16	5,571.10	6,416.28	9,006.78



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Table 2 Performance

Period	AUST All Ord	CHINA SSE Comp	USA S&P 500	GB FTSE	GERMAN DAX	JAPAN Nikkei
2017-18	7.90%	-0.39%	12.66%	5.63%	5.29%	14.16%
2016-17	8.54%	8.97%	15.46%	12.43%	27.32%	26.84%
2015-16	-6.06%	-31.51%	1.73%	-0.26%	-11.56%	-21.95%
2014-15	5.04%	108.81%	5.25%	-3.31%	11.31%	33.46%
2013-14	12.70%	3.49%	22.04%	8.50%	23.54%	10.86%
2012-13	15.47%	-11.06%	17.92%	11.57%	24.05%	51.86%

The Australian stock market index returns in 2017-18 have been respectable with Australian Index gaining 7.90% up to 14 May, 2018 (this has come off a little since). International markets performed much better. US gained 12.66%, and Japan around 14% each. Some of the reasons for the gains include:

- Continued low interest rate environments;
- Quantitative easing in Europe and depreciation of the Euro;
- Strong manufacturing numbers and favourable inflation figures in Europe;
- Growth forecasts for Europe have been increased;
- Japanese companies are improving governance resulting in potentially better outcomes for shareholders;
- Commodity price improvements and cost cutting in the resources sector;
- Emerging markets have been showing significant improvement.

Some of the other factors that may affect future returns include:

1. Continuously increasing property prices could lead to a bursting bubble. This would significantly affect our banking sector all of which are highly exposed to property. However, rising interest rates (despite RBA holding rates steady) could stifle growth in property prices.
2. Brexit could still be a problem for Great Britain. Negotiations are in process and, depending on the result, the United Kingdom economy may enter more difficult times;
3. Political risks in Italy and Spain are causing concern that there may be renewed pushing for the break-up of the European Union;
4. Rising interest rates in the United States may cause currency crises in emerging markets and set back their ongoing development.

Table 3 records the GDP Growth Rates, Unemployment Rates and Government Debt to GDP for various countries around the world. Australian GDP growth is steady while US, Japan and Europe is showing significant improvement respectable. It is hoped that the mentioned political risks in Italy and Spain do not cause a major slowdown.

Table 3 Economic Indicators

Country	GDP Growth	Unemployment Rate		Govt Debt to GDP
		All	Youth	
Australia	2.40%	5.50%	12.50%	41.90%
United States	2.90%	3.90%	8.40%	105.00%
China	6.80%	3.89%		47.60%
India	7.20%	3.52%	12.90%	68.70%
Japan	2.00%	2.50%	3.80%	253.00%
United Kingdom	1.20%	4.20%	11.50%	85.30%
Euro Area	2.50%	8.50%	17.30%	86.70%
- Germany	2.90%	3.40%	6.10%	64.10%
- France	2.10%	8.90%	21.50%	97.00%
- Italy	1.40%	11.00%	31.70%	132.00%
- Spain	2.90%	16.74%	35.00%	98.30%

Budget 2019

Some of the measures that may affect you include:

- Tax rate reductions and the possible elimination of an entire tax bracket;
- Work-test exemptions for recently retired workers means more could be contributed into super for retirement;
- For self-managed superannuation funds the maximum number of members may increase from 4 to 6;
- Government is improving access to aged care.
- From 1 July 2018, if you are 65 years old or older and meet the eligibility requirements, you may be able to choose to make a downsizer contribution into your superannuation of up to \$300,000 from the proceeds of selling your home

Frauds & Scams

There are many types of fraud and scamming schemes and you should be continuously vigilant. If in doubt please contact us for any information that we may be able to provide. Many scams come via emails, in particular, links within those emails.

Aggressive calls which purport to be from the Australian Taxation Office are a scam. Don't worry, just refer them to us. Also, if you are unsure of something please let us know so we can help.

Beneficiaries of Superannuation Pension Accounts

There are essentially 4 types of beneficiary nominations for superannuation type pensions (allocated and account-based). They are:

- 1) No nomination. In the instance where a beneficiary has not been nominated the Trustee of the Superannuation Fund (Fund) will determine to whom the benefit is paid;
- 2) Non-binding nomination. The Trustee of the Fund determines to whom the benefit is paid but takes into account your preference;
- 3) Binding Nomination. The Trustee of the Fund is bound to pay the benefit to the nominated beneficiary; and
- 4) Reversionary. In this case any superannuation pensions being paid will revert to the reversionary beneficiary upon the death of the pensioner.

Please consult us before you sign any form of nomination so that we can together determine the most appropriate form for you. Furthermore, this should be a part of a wider estate planning review to ensure that your wishes are fulfilled.

Withdrawing of Funds

Please be aware that when you request to make a withdrawal from your portfolio, that it does take some time for these funds to be made available to you.

To make this cash available to you, in most cases, shares and managed investments need to be sold down which does take some time.

The time taken to do this does depend on the particular investments you hold, and the estimates that we are given from the fund managers range anywhere from 3-20 business days (and beyond).

Please review your cash requirements and allow plenty of time for your withdrawals to be processed.

OFFICE NEWS

Range of Services

We are happy to advise that we are able to provide you with a full range of financial services including:

- Accounting and taxation;
- Full financial planning and investment service;
- Mortgage loans and equipment and car finance;
- Life insurance, total & permanent disablement, income protection insurance; and
- Much more.

If you have any requirements please do not hesitate to talk to us about them.

Work Hours

Joe Dancevic has reduced his working hours. If he is not available when you call or visit please do not hesitate to speak to Patrick, Heleana, Melissa Sarah or Joanne. They should be able to assist you with your issue.

Joe will be on holidays for the 2 months covering June, July and part of August. Other members of staff should be available to assist.

Client Input

We are always grateful for your input. If you have any particular requirements which you would like to discuss with us please do not hesitate to do so.

If you have any queries or further requirements please do not hesitate to call.

Regards

Joseph Dancevic, Patrick Klemke, Heleana Harvey, Joanne Klemke, Sarah Moore & Melissa Donaldson.