The INVESTMENT COLLECTIVE

INVESTMENT MARKET UPDATE

ISSUE 65 AUTUMN 2018

MESSAGE FROM MANAGER

It's one thing to be part of an industry where you know there are some shonky operators – you could probably put any industry in that category. It's totally another though, to pick up the paper day after day and to finally understand just how deep the rot goes. After almost two decades of running this business, frankly it's sickening. My career in personal financial services began in 2001, after about seven years in wholesale markets and another four in the Prices Surveillance Authority. The move was an outcome of a choice Sandra and I made to move to the country to raise our family.

I was, from the moment I started, gobsmacked by the difference between the retail and wholesale sides of the industry. In the wholesale side (where I was first trained by Owen Evans, whom many of you would have met at our seminars – now that was REAL training!), commercial interactions feature people who are generally well educated, experienced and sometimes downright brilliant. On top of that, objectives are clear – it's all about the money. There is a certain honesty about that, and counter to what people might think, most people in the wholesale side act with great integrity. They have to – with so many smart people around your sins generally find you out. Contrast that with the retail market where my first introductions were about "dialing up" commissions, and local financial planners suggesting "sending round a posse" (too much Wyatt Earp, obviously) because I dared to question the ethics and indeed the viability of commission-based financial planning. Later on, and to this day, the Financial Planning Association conferences, improved as they are, feature dozens of glitzy booths from product suppliers, many associated with fees levied from clients for things that are really just a tool of the trade. Generally, I have difficulty at these conferences – it's hard to find anyone to talk to who's not telling you how well they look after clients, while at the same time showing deference to an industry practice that too many times do just the opposite. What do I say to you, readers? We're the honest ones? We're technically better? We're not owned by a bank? Our fees are transparent and competitive? All true, but in this maelstrom of grief none of it matters much. All we can do is get on with doing what we've done since inception, and that's to continue to work very hard to look after clients to the best of our ability, in the expectation that will speak for itself. Perhaps in the longer term the foresight we displayed before the trashing of the industry will become the light that leads us out the other side.

David French
Managing Director

Many retirees worse off if Bill becomes PM

Were you a Labor voter in the 2010's? With the Coalition holding the seat of Capricornia by just 1,111 votes, there's lots where I live.

There was a time when being a bit left was something to be proud of. Anyone who has studied contemporary history will know there can be no argument over the role of trade unions and other socially minded people in setting standards for fairness in the face of the Industrial Revolution.

But now the West is rich – so rich that we have age pensions, free hospital treatment and for many people, financial and other support that is the realm of dreams for those in non-western countries. The job of the old-left is complete, and that is why the mantra of the "new left" focuses on inequality of the ill-defined and all-encompassing sort. It's as simple as "show me you're unequal, and I'll show you the money!"

As we have seen, this purported social conscience is rarely benign. Stalin's leadership of the Soviet Union was responsible for, through murders, gulags or sheer incompetence, the deaths of more than 20 million people. In China, Mao Zedong oversaw the deaths of more than 50 million. Just two individuals, in peacetime, were responsible for about the same amount of deaths as occurred in the first and second world wars combined. The real motive? Appropriation of private assets for the good of "The Party".

Clearly the veil had to be lifted on that sort of tripe, and with the fall off the Berlin Wall the left was denied any legacy of success and no agenda for the future. That's why the left invented political correctness, and a notion of equality so warped that it has no issue in supporting mass murderers and others completely unaligned with any semblance of civilised society (read the history of the Bosnian conflict if you doubt me).

Starting an article on Labor's recently announced policy to cancel the refund of franking credits with this sort of history might seem a little odd, but you can only understand the absurdity of the measure if you understand the motives of the movement. In this case, it lies in the measure itself, while the motive lies in the Labor party's dependence on the union movement.

Why is the measure absurd?

- It reduces incomes for people who have gone to the trouble of supporting themselves away from the age pension. Do we want more people on the age pension?
- It comes after the Government has already put caps on the amount of super that can be held in a tax concessional superannuation environment.
- It will particularly hurt those who own a house and have between $837,000 and $1.6 million in assets, because under current rules they won't get the age pension, and they will get no benefit from franking credits. These people are in effect, being taxed at 30 percent on dividend income, when any other income would not be taxed at all!

Why is the motive suspect?

- Members of self-managed superannuation funds benefit from franking credits. They benefit from them more than people in industry funds because the value of the franking credits accrue to the individual members (a maximum of four) and not the industry fund as a whole (with potentially thousands of member balances, some with tax obligations and some without, the franking benefits flow from the retirees to the accumulators).
- If these franking credits disappear, then self-managed super funds will be much less attractive, and industry funds more attractive.
- As mentioned above, the people that will be hurt fall in that $837,000 and $1.6 million assets range, and they are currently very big users of self-managed funds. With 600,000 self-managed super funds and an average of $1.1 million you can see that industry funds stand to benefit handsomely.

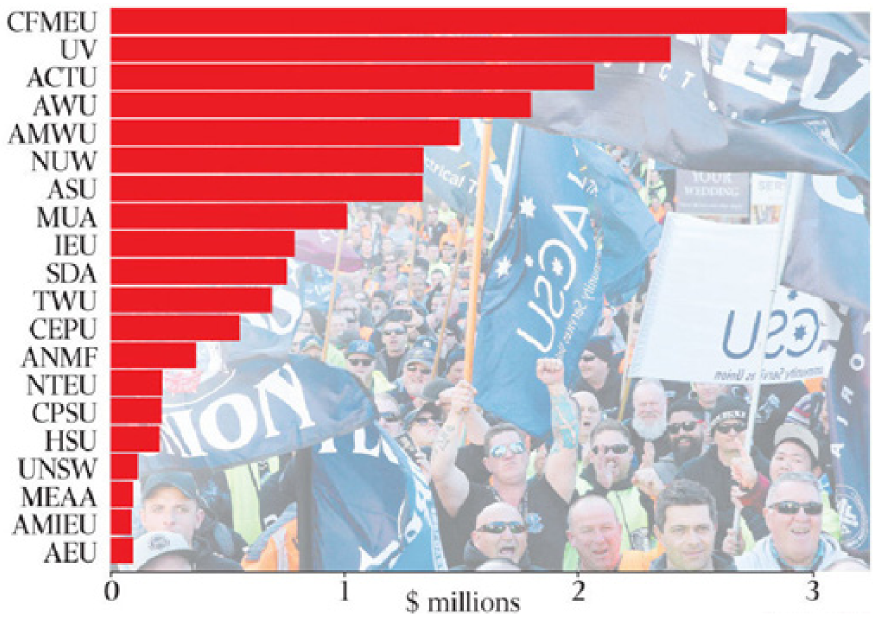
In a nutshell, this measure is symptomatic of an aimless and leaderless Labor party supporting a union driven grab for hard-won retirement savings.

Now let's lift the bonnet on this. Union membership in Australia represents about 15 percent of the workforce, and it is falling. Only around 10 percent of private sector employees are union members.

Unions receive in excess of $18 million in fees from industry super funds annually. We'll leave aside the matter of failing the "sole-purpose test"; suffice to say they also appoint 50 percent of delegates to state Labor conferences. The Labor party receives millions in financial support annually from unions and associated entities (Source: Australian Electoral Commission), many of which have been of late, reporting substantial operating losses. Not only that, they are regularly in the news or in court for shunning the law, and for executives being involved in fraud.

There can be no doubt, unions with membership of just 15 percent of the workforce control a Labor party and potentially a Government that is supposed to be operating in the interest of all Australians. This can only be sustained as long as unions have money to fund the Labor party. The decline in union membership is hurting union's profitability causing it to beef up its biggest cash-cow; membership of industry super funds. What better way to do this than to change the tax laws to force more money into industry super funds.

Chart 1: Union receipts from industry super funds



Source: The Australian, Institute of Public Affairs

As a policy measure it could only be described as conflicted and dishonest (and maybe brilliant too, depending on where you sit!).

What does it mean to you?

Franking or imputation credits represent the company tax paid on the dividend income you or your super fund receives. Self-managed super funds (SMSF's) invest into Australian shares paying fully franked dividends and whilst in accumulation phase, profits of the SMSF are taxed at 15 percent. Once people retire, a SMSF enters "pension" phase and no tax is payable on the earnings from assets supporting the superannuation pensions in the fund. For funds with only assets that support superannuation pensions, there is no tax. This means that there is no tax for the franking credits to offset; and so the value of the franking credit is returned to the super fund as a cash payment. Many people like the idea of the one-off tax refund- as one self-funded retiree commented, "those franking credits pay for our annual trip to the tennis in Melbourne each year".

The table below demonstrates the level of franking credits accruing to $10,000 of fully franked dividends paid to an investor.

	Franking Credits	Fully Franked Dividends	Grossed Up Amount
Percentage of 'Grossed Up' Return	$4,290	$10,000	$14,290
	30%	**70%**	**100%**

NB: $10,000 fully franked dividend income at a 4% yield implies a portfolio valuation of $250,000. Currently, if you are in a nil tax position you will get a refund of $4,290 which equates to a 30% return on that investment.

People argue that there is something special about the imputation system and the way dividends are taxed. That's not true. All the imputation system does is bring dividends onto a playing field equal to interest payments and other investment income. If you receive interest income but pay no tax, no-one takes 30 percent of the interest income from you. It's one or the other – investment income is taxed at the origin or in the hands of the recipient, but not both.

The headline "attack" on franking credits was directed at the "wealthy" self-funded retirees in pension phase. Embarrassingly though Shorten's original proposal severely disadvantaged low income retirees as well - as you can see from the table below, if the only financial assets a retired couple have is a share portfolio of $250,000 they are far from "wealthy". There's no tripping around the world on the Queen Mary 2 from the income generated off that portfolio. After realising this embarrassing "gaffe" Labor backtracked to exempt those entitled to receive a government pension from the operation of its policy i.e. they will get their franking credits refunded.

In its final form, pity those with super funds with balances between $837,000 and $1.6 million. These people won't get the age pension and depending on how the assets are invested, will suffer a reduction in the earnings of their SMSF of up to 30 percent. Bizarrely, they genuinely are self-funded retirees. They'll have no ongoing claim on the public purse, nor are they excessively wealthy.

What Bill Shorten & Chris Bowen have not taken into consideration is that from 1 July 2017, the maximum an individual could have in their super pension account is $1.6M (this is to be indexed annually). This means, if a self-funded retiree had at 30 June 2017, $4M in their super pension account, $2.4M had to be either:

- rolled back into accumulation mode and have profits taxed at 15%, or
- withdrawn from super and have income taxed at individual marginal rates if the investments are held personally.

It follows that there is a vast pool of superannuation pension account earnings that will now be taxed. Whilst the tax receipts the Government will receive as a result of this change are yet to be quantified; it's fair to say it will be a big kicker for RBA coffers. And let's not forget about the 17.5 percent death benefit tax levied on the taxable component of member balances paid to adult children on the death of a member.

One possible negative outcome of Labor's policy is that it may force people to sell-down their investments in order to fund their lifestyle in retirement because they no longer receive a refund of franking credits. As people live longer, the drawdown of principal causes a reduction in income at an increasing rate, pushing people onto the age pension thereby increasing the welfare spend of the country.

To quote one of the great investment minds the world has known (Warren Buffett's long-time business partner Charlie Munger): "Show me the incentive and I'll show you the outcome." Under these new arrangements, those close to age pension entitlement are indeed incentivised to "get on the Centrelink gravy train...toot toot!!"

At The Investment Collective we are fully committed to sticking up for you where we believe you will be disadvantaged and we will be doing our utmost to prosecute the case against the introduction of government policy that will reduce your wealth and lifestyle you have worked so hard to enjoy. Our head office is in a marginal electorate. We expect this absurd and self-serving initiative to be taken off the table.

Dean Tipping
Financial Adviser

David French
Managing Director

Fixed rate vs variable rate home loans

In the April meeting, the Reserve Bank of Australia (RBA) kept the cash rate on hold for the 20th consecutive month, at the record low of 1.5 percent. The cash rate was reduced from 1.75 percent to 1.5 percent in August 2016, and there has not been an increase in the cash rate since November 2010.

Most of the 'experts' predict that rates won't rise until next year due to slow wages growth, and general economic conditions. Although some of the banks have increased their rates outside of the RBA cycles, many borrowers have taken advantage of the competitive home loan market to access lower rates and save on their mortgage repayments.

Given that we are currently in a record low interest rate environment, and logic would dictate that rates are most likely to go up, does it make sense to fix your home loan? Well, as with most financial decisions, there are pros and cons to consider with fixed rate vs variable rate mortgages.

Some of the key features of fixed rate and variable rate loans are shown below:

Fixed rate loans

- Fixed rate loans can provide peace of mind and avoid the risk of rising interest rates. If interest rates increase above your fixed rate, you will enjoy the savings as your repayments are locked in.
- At the end of the fixed rate period, the loan may revert to a much higher variable interest rate.
- If interest rates fall, you will miss out on any savings, as your fixed rate is locked in until the end of the term selected.
- Fixed rate loans are typically higher than variable rate loans, and charge break costs if you repay the loan early, wish to switch providers, or change to a variable rate before the expiry of the fixed rate term. The break costs are to compensate the lender for the loss of projected earnings on the loan and can be several thousands of dollars.
- Fixed rate loans may limit the amount of additional payments you can make above the minimum repayment amount. A penalty may be charged for exceeding the maximum repayments allowed each year, or in the fixed rate term.
- Fixed rate loans offer less flexibility, and do not provide full offset accounts. Some providers offer partial offset accounts, and depending on the provider, you may not have the ability to redraw.

Variable rate loans

- Variable rate loans typically allow greater flexibility. You may be able to make unlimited repayments without penalty, and redraw the funds as required.
- Variable rate loans can offer more comprehensive features such as a full offset account(s). An offset account will allow you to reduce interest costs by linking a savings/transaction account. The balance held in the account will offset your home-loan and allow you to have access to that money as

required.

- If interest rates fall, your lender may reduce the rate so you can take advantage of reduced repayments.
- If interest rates rise, your repayments will increase to the rate set by your lender.
- Variable rate loans usually allow you repay the loan before the end of the loan contract without break costs or penalties. A standard discharge fee would apply.
- If interest rates start to rise unexpectedly, you can convert the loan to a fixed rate. An additional application fee would apply.

Unfortunately, no one has a crystal ball and it can be difficult to predict when rates may rise. Another option may be to split your loan.

Split loans

A split loan facility allows you fix part of your loan and leave part of the loan on a variable rate. By splitting your loan, you have protection against increasing interest rates on the fixed portion, and you will have the flexibility of making extra repayments, and have the features available on the variable portion.

There are many issues to consider before making any changes to your home loan. Before you decide on what option would suit your needs, take the time to understand the pros and cons of fixing your home loan. Please contact one of our lending specialists to determine the costs and benefits, and to discuss your options. One of our friendly mortgage brokers might be able to save you thousands over the life of your home loan/s.

Scott Plunkett
Risk Adviser/Mortgage Broker

Welcome Lisa

In February, we welcomed Lisa Norris to our team. Lisa has over 25 years' experience in engagement, communications, marketing and business development both locally and globally. After graduating from the University of NSW in 1991, Lisa built on her impressive capacity for developing and maintaining relationships in Sydney, working in Public Relations and then in New York, where in 1998 she co-founded Extreme Advertising & Promotion, a successful communications agency. In 2004 Lisa set up the Sydney Office of Extreme Advertising & Promotion and established a range of clients in the finance, wine, health and government sectors. In 2013 Lisa accepted a position working as the Strategic Stakeholder Engagement Manager for Property NSW. Now in 2018, Lisa has brought a strong reputation as a great communicator and connector with sound business acumen to The Investment Collective.

Be organised this EOFY!

End of financial year is fast upon us yet again. To make sure you're ready and to maximise your tax savings, I've prepared some tips and tricks:

1. Reviewing your cover might save you money

We all know that our circumstances can change at the drop of the hat. Therefore, as our situation changes, so does our need for risk protection. If you've had your cover in place for some years and it's been just as long since you've reviewed it, now is the best time. Even if the amount of cover is still appropriate, you may want to modify the way in which you fund the premiums to make them more tax effective.

2. Bring forward your expenses

From a personal point of view, you might consider the option to pay a year ahead on your income protection policy. All income protection premiums paid by the individual are tax deductible at their highest marginal tax rate, this will mean a greater tax deduction at tax time.

From a business perspective, you may wish to do the same. However, the tax deductibility on certain policies such as Key Man and Buy/Sell will be determined by whether the policy is meant for revenue or capital purposes. Speak to your risk adviser or accountant to find out more.

3. Speak to an expert

As with anything not directly relating to your own field of work, we employ the services of specialists for certain tasks. I recommend you speak with your financial adviser, risk adviser and accountant before making any changes to your current arrangements and to seek advice on how to maximise your tax savings this financial year.

Amy Gill
Risk Adviser

Client Seminars

Even if you can't make it to seminars in Melbourne or Rockhampton, you can now watch them through the client portal. Once you've logged in you can find the presentations and videos from December 2017 and April 2018, through the 'Client Seminar' tab.

WATCH ONLINE

Centrelink Update

Centrelink's Age Pension rates are currently as follows:

Per fortnight	Single	Couple each	Couple combined
Maximum basic rate	$826.20	$622.80	$1,245.60
Maximum Pension Supplement	$67.30	$50.70	$101.40
Energy Supplement	$14.10	$10.60	$21.20
Total	$907.60	$684.10	$1,368.20

From 20 March 2018, Centrelink's Age Pension starts reducing when your assessable assets are more than the following amounts:

If you're:	Homeowner	Non-homeowner
Single	$253,750	$456,750
Member of a couple, combined	$380,500	$583,500

And the Pension ceases altogether when your assessable assets are more then the following amounts:

If you're:	Homeowner	Non-homeowner
Single	$556,500	$759,500
Member of a couple, combined	$837,000	$1,040,000

What's the message that the Government's sending people here?

Well, let's take an example to illustrate. Say we have one retiree couple, Albert and Betty. They have assessable assets of $380,500 just on the lower asset test threshold. As a result they receive the full Centrelink age pension and supplements. They receive the following annual income:

- $19,025 - Investment income of 5.0% (assumed) per year on their $380,500 diversified investment portfolio
- $35,573 – Combined Centrelink age pension and supplements
- $54,598 – Total combined annual income

Now let's take a second retiree couple, Charlie and Deb. They have assessable assets of $837,000, just on the upper asset test threshold. As a result they receive no Centrelink age pension and supplements. They receive the following annual income:

- $41,850 - Investment income of 5.0% (assumed) per year on their $837,000 diversified investment portfolio
- $0 – Combined Centrelink age pension and supplements
- $41,850 – Total combined annual income

Charlie and Deb are entirely self-funded retirees. They receive no tax payer funded benefits from Centrelink, and assume the full investment risk associated with generating $41,850 in annual investment income. However, their combined income is $12,748 per year lower than Albert and Betty who have less than half their assets!

What message is the Government sending to Charlie and Deb? I'd suggest that the message they're hearing from the Government is 'Spend your money. Go on that overseas holiday. Buy that new car. We'll look after you'. And seeing that they are worse off than Albert and Betty even though they have a lot more investments, Charlie and Deb might think that spending their money is the logical and rational thing to do.

But of course discouraging people from self-reliance is entirely the wrong message. However, as more and more people like Charlie and Deb hear that message, and as the population ages, the current social security structure will come under increasing pressure, and painful consequences will follow. It's only a matter of time.

Robert Syben
Head of Financial Planning/Financial Adviser

Bookkeeping Update

Its been a busy few months for the bookkeeping team. In January we partnered with Xero Accounting Software and Receipt Bank with a view to streamlining our bookkeeping service. I am pleased to report that this is going well and we have now moved up to Bronze Partner status with Xero, a month ahead of the target we set for ourselves.

Using Xero and Receipt Bank together have revolutionised the way we do bookkeeping. Gone are the days of paper bank statements and wrangling receipts; now we simply take a photo of the receipts and let the software do its work. As a result of implementing these processes we are pleased to be able to offer fixed fee bookkeeping. Early feedback on this service has been really positive with one client saying – "You're my hero. I will recommend your service at every opportunity."

We have also been working hard on maintaining our bookkeeping certifications; in March we obtained Reckon Advisor Certification, Xero Advisor Certification, Xero Payroll Certification and Xero Migration Certification.

Xero Roadshow at the Brisbane Convention Centre – February 2018

The focus of this year's Roadshow was 'Giving you back your time' - And Xero really delivered. Starting this year bookkeepers will no longer be reliant on the outdated Auskey system. In fact, other countries are watching Australia as we become the first country to move access to the tax department fully online. The inbuilt Xero Tax platform is rolling out updates in the next 90 days that will allow the lodgement of activity statements from within Xero.

With all this interconnectivity comes an increased focus on security. From 1 March Two Factor Authentication will be required to access Xero. This is a requirement as part of the ATO's Operational Framework for Digital Service Providers. Two Factor Authentication is an extra layer of security that is known as "multi factor authentication", it requires not only a password and username but also something that only, the user has on them, i.e. a piece of information only they should know or have immediately to hand- such as a physical token or a code generated by SMS or phone app.

Enhanced access to ATO processes will further enhance what we offer to our clients, both in security and time efficiency.

Traci Young
Bookkeeper

Project Catalyst

In late February, Caitlin, Traci and Lisa attended Project Catalyst Forum in Townsville. Project Catalyst is all about helping sugar cane farmers in Queensland be more economical and environmentally conscious. Celebrating their tenth and biggest forum yet, it was a great year for us to be involved for the first time.

We went on a tour of a sugar cane farm in Ayr (an hour outside of Townsville) the day before the forum, meeting one of the growers who would be attending. The forum was over two days (Mon 19th - Tues 20th) and covered a lot of interesting topics. From projects and experiments relating to fertilizers, water and crops to sustainable sugar and how farming impacts on the Great Barrier Reef.

Our Stem of Hope

I sometimes wonder what my life would be like if, on that fateful February day 10 years ago, my husband Andrew hadn't been diagnosed with Motor Neurone Disease (M.N.D.) – the terminal illness that took him from us in November 2008. He was only 35 years old. Through such musings, I've come to realise that there are very few similarities between how my life was prior to diagnosis, after diagnosis and how it is now. In fact, aside from family and friends, nothing is the same – different town, residence, school, employment, vehicles, pets, health care insurance, relationships, my children's upbringing and me.

Andrew and I were together from the age of 16, married in 2000 and welcomed our children, Hudson and Lainy, in 2001 and 2003, respectively. We were 'living the dream' in Blackwater and enjoying all that life had to offer, until it all came crashing down. From late 2007, Andrew had been experiencing sporadic episodes of chronic and debilitating exhaustion and some weakness in his right side. The symptoms didn't abate and we sought further medical assistance, but not for one moment did we consider that he was dying. Hence, the disbelief on advisement that all other possible ailments or illnesses had been ruled out and the diagnosis of M.N.D. was confirmed.

Our lives changed in that instant and all that we had known was gone. Within a very short space of time, we both ceased working, left Blackwater, moved to Andrew's childhood hometown of Mount Morgan and we essentially devoted our time to finding our 'new normal', harbouring hope, searching for answers and treatment options and coming to understand what M.N.D. actually was and what living with it meant, not just for Andrew, but all of us – children, siblings, parents, extended family and friends.

The presence, willingness to help and support that our families' provided us was phenomenal and I don't like to think of how things would have been if we'd not had it. Our home literally became theirs and as many of Andrew's siblings had a medical background, we were able to care for him at home. The burden of our plight was also lessened due to the monumental levels of support that we received from our friends and the Blackwater and Mount Morgan communities.

In our quest to never give up, Andrew travelled to India on two occasions to undergo embryonic stem-cell therapy. Each visit was fraught with danger, but more especially Andrew's second trip, as at that stage, he was fully dependent on a breathing apparatus and his medical entourage – us! The treatment did garner favourable results, but Andrew's condition was rapidly deteriorating and there wasn't enough time for the treatment to have maximum impact.

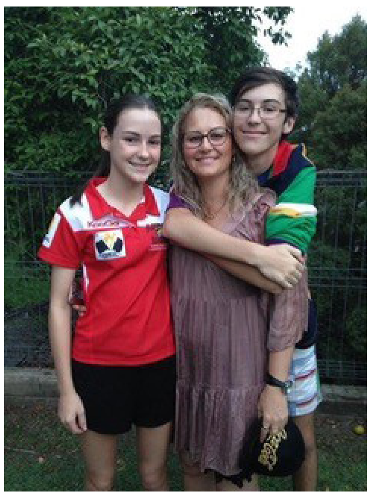
Andrew fought with everything that he had, but M.N.D. is cruel and takes no prisoners. He remained determined to the very end and even though he lost the battle, the war is not yet won as his legacy lives on in all of us and a world without M.N.D. is something we are striving for.

I have learnt many things from my experience - really bad things happen to good people; some life lessons are very difficult to survive; a group with a common goal can be exceedingly powerful; it's hard to make it on your own and it's okay to ask for help. Rebuilding my life, and that of my children has been an arduous journey, but it's not something I've accomplished alone. Family, friends, work colleagues, neighbours, health professionals and various advisors have all played a role and for that, I am very thankful.

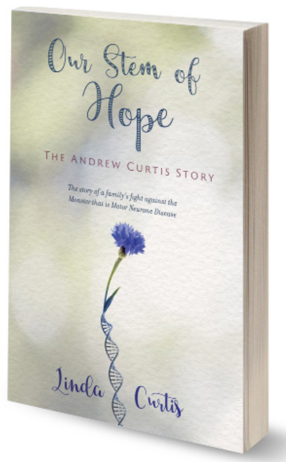
As a cathartic exercise, I gathered information from diaries kept at the time of Andrew's illness and inadvertently penned a book about Andrew's story. If interested in learning more about the challenges and realities of living with a terminal illness, specifically M.N.D., it is available from my website: www.ourstemofhope.com.au

Linda Curtis

Drawing of Andrew by his cousin, Natalie Watts.



Lainy, Linda and Hudson.



Our Stem of Hope
by Linda Curtis

Investment Update

At The Investment Collective, when appropriate, we aim to "cut-out the middle man" and invest our clients' money in direct holdings rather than managed funds. It is not uncommon for financial advisers to adopt a similar philosophy when it comes to direct equities. Investing in direct bonds however, is somewhat of a rarity and a point of difference that we are proud to offer our clients.

The world of corporate debt is much more opaque than listed equities as access to information and pricing data can be hard to come by. However, in recent months, our Investment Committee (IC) has identified a number of opportunities to purchase corporate debt that we believe offer our clients an attractive risk adjusted return. Two of these opportunities are QMS Media bonds and the Kooragang Island Tank Terminals Pty Ltd (KITT) corporate bonds.

QMS

QMS Media Limited (QMS, Company), listed on the Australian Stock Exchange in 2015, is the fastest growing listed outdoor media company across Australia and New Zealand. It has a high quality and growing portfolio of premium long tenure, high yield assets including large format digital and static billboards, street furniture, transit, airport and sports media.

QMS is focused on providing advertisers with multi-platform engagement solutions, supported by valuable data and analytics capabilities, as the Company continues to strengthen its market position and digital portfolio across Australia, New Zealand and the Asia Pacific.

In the 2017 financial year, QMS delivered strong operational and financial performance across all financial metrics. Total statutory revenue and other income for the year ended 30 June 2017 was AUD$168.6m, representing growth of 51 percent in comparison to the year ended 30 June 2016. In addition to this, in the 2017 financial year QMS delivered underlying EBITDA (earnings before interest, taxes, depreciation, and amortization) of AUD$37.5m up by over 40 percent compared to the 2016 financial year and was ahead of the Company's full year guidance. Growth was driven by a combination of expanded media inventory, uplift from the conversion of static sites to digital platforms which yield higher revenue and contribution from acquisitions.

QMS Media bond is rated as senior debt and was issued with a fixed coupon payment of 7.00 percent. The next call date is the November 2020 at which point, if executed by QMS, bond holders will receive their capital. We are comfortable holding the debt of QMS due to its strong revenue and earnings, which is 13 times the size of its interest payments.

QMS®

KITT

KITT's sole operation is the ownership of a bulk liquid storage terminal at the Port of Newcastle with a total capacity of circa 54.7 megalitres across three storage tanks. The asset is underpinned by a 25 year lease agreement from the Newcastle Port Corporation (to 2035), with an additional option to extend for a further 10 years. KITT is an unlisted private company, owned by the Fletcher family. KITT's business model is underpinned by a unilateral storage and services agreement with global mining company, Glencore. Glencore is a major producer of Australian coal and KITT's infrastructure plays a crucial role by ensuring the groups' mining operations in the Hunter Valley region have access to an abundant supply of diesel.

Due to the exclusive nature of the contract, KITT's credit profile over the term of the notes is ultimately tied to that of its sole partner, Glencore. However, due to the structure of the agreement (fixed payments - not linked to fuel price or volume volatility) this is limited to only an extreme credit deterioration of the group. KITT and other bulk liquid storage terminals are key pieces of infrastructure that require large amounts of initial capital expenditure. A shortfall in capital requirements would need to be covered by either equity or unsecured shareholder loans. KITT is a private, unlisted entity that has no access to equity markets. For this reason, the terminals primary source of funding is debt capital markets.

These securities are secured against all assets of the issuer and interest payments are non-discretionary, fixed rate and paid on a semi-annual basis. The coupon rate is 7.00 percent

Jake Brown
Business Consultant

Staff

Rockhampton - 1800 679 000

David French	Managing Director
Sue Dunne	Senior Financial Adviser
Dean Tipping	Financial Adviser
Imelia Potgieter	Reception/Admin Support
Rose Sladden	Client Services Manager
Diane Booth	Executive Assistant
Pardis Hudson	Financial Services Assistant
Nicole Retallack	Financial Services Assistant
Jodie Thompson	Share Trading Officer
John Phelan	Compliance Manager
Bronwyn Nunn	Portfolio Admin/Compliance Support
Katrina Tearle	CHESS Administrator
Natasha Kuhl	Portfolio Administrator
Cheryl Walton	Bonds Administrator
Louise Bidenko	Manager Business Support
Christine King	Asset Manager- Bookkeeper
Sandra French	Bookkeeper
Kailan Augustine	Bookkeeper
Traci Young	Bookkeeper
Caitlin Toohey	Social Media/Marketing Officer
Boden Abell	Undergraduate Trainee
Dylan Tyler	Undergraduate Trainee
Shelby Davis-Hill	Scanning Officer

Melbourne - 1800 804 431

Robert Syben	Head of Financial Planning/Financial Adviser
Chris Heyworth	Senior Financial Adviser
Joshua Scipione	Financial Adviser
Stephen Coniglione	Financial Adviser
Scott Plunkett	Risk Adviser/Mortgage Broker
Morgen Harris	Risk Adviser
Amy Gill	Risk Adviser
Michelle Su	Reception/Admin Support
Sharon Pollock	Manager- Client Services and Paraplanning
Tracey Briggs	Financial Services Assistant
Hannah Smith	Financial Services Assistant
Daniel Trajkoski	Financial Services Assistant
Ian Maloney	Manager Share Trading
Ming Hou	IT Manager & Senior Developer
Yan Li	IT Assistant
Jake Brown	Business Consultant

Sydney

Lisa Norris	Manager- Clients & Insights

The INVESTMENT COLLECTIVE

Rockhampton Office
Suite 4, 103 Bolsover St
PO Box 564
Rockhampton QLD 4700
1800 679 000
07 4922 9069

Melbourne Office
Lvl 1, 4 Prospect Hill Rd
PO Box 1134
Camberwell VIC 3124
1800 804 431
03 9813 0442

www.investmentcollective.com.au
enquiries@investmentcollective.com.au
AFSL: 471 728