



BetaShares
Exchange Traded Funds

BetaShares Geared Fund

Superannuation Investor Case Study

SMSF Concessional Contributions Cap Strategy

Strategy may be suitable for:

Investors with self-managed super funds (SMSFs) who are familiar with, and comfortable using, geared investments

Investment solution:

BetaShares Geared Australian Equity Fund (hedge fund)
(ASX Code: GEAR)

From 1 July 2017, the Australian Government lowered the annual concessional (pre-tax) contributions cap from up to \$35,000 to \$25,000 per financial year for all individuals, to be indexed in line with wages growth.

This has had the effect of reducing the amount Australians can contribute to their superannuation funds at the concessional tax rate of 15%.

For a late stage accumulator, in particular, the effect of this change might have a damaging effect on their retirement plans.

An investment in BetaShares' GEAR fund might help to keep such an investor's retirement lifestyle goals on track.



Case Study: John

John is a pre-retiree, aged 50. To achieve his retirement goals, John was relying on being able to contribute more to his SMSF at the tax rate of 15% going forward than is now permitted under the change to the concessional contributions cap.

How BetaShares can help

BetaShares' Geared Australian Equity Fund (ASX: GEAR) is an eligible means of gearing share investments within superannuation.

If John contributes \$25,000 per financial year to his SMSF and invests \$10,000 of this into BetaShares' GEAR fund and the remaining \$15,000 into an income-generating bond exposure, such as BetaShares' Australian Bank Senior Floating Rate Bond ETF (ASX code: QPON), he may actually add \$40,000 in investment exposure annually to his superannuation account.

Here's how.

As illustrated in the table below, assuming John currently invests \$25,000 per year into ASX 200 shares within superannuation, but going forward instead invests \$10,000 in GEAR, at an average Loan-to-Value-Ratio of 60%¹, this will result in the same total investment exposure value of \$25,000.

A further investment of \$15,000 in QPON will result in a total investment exposure of \$40,000 for John's initial outlay of \$25,000 in concessional contributions to his superannuation.

John's Annual Concessional Contributions to Superannuation			
Before Investment In BetaShares Funds		After Investment In BetaShares Funds	
Asset Class	Amount Invested	Asset Class	Amount Invested
Australian shares	\$25,000	Australian shares (via BetaShares GEAR)	\$10,000 concessional contribution <i>plus</i> <u>\$15,000 internal gearing</u> \$25,000
		Bonds (via BetaShares QPON)	\$15,000
Total Investment Exposure	\$25,000	Total Investment Exposure	\$40,000

Illustration only. Not a recommendation of a particular investment allocation or product. Assumes LVR of GEAR is 60%. Actual LVR will vary between 50-65%, please see BetaShares website for actual LVR on any given day.

Using BetaShares' GEAR, John is able to comply with the \$25,000 concessional contributions cap, while still getting more investment exposure than this (i.e. \$40,000) in his SMSF to help achieve his retirement goals.

¹GEAR's LVR ranges from 50-65%. Please refer to <http://www.betashares.com.au/fund/geared-australian-equity-fund/> for actual LVR on any given day.

Further, the potentially greater capital growth, income and franking credit benefit John may receive as a result of the larger exposure to Australian shares that GEAR provides may further help him reach his superannuation savings goals.

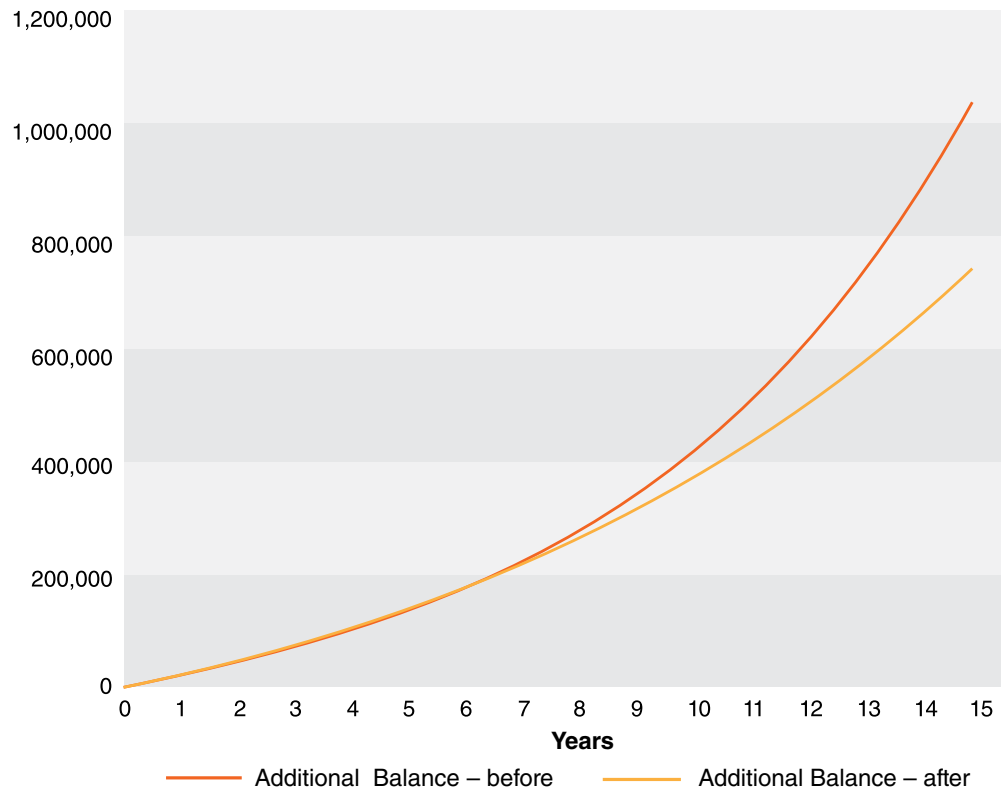
The illustration below (using the assumptions noted) compares the increase above John's current superannuation balance that may be achieved if he continues to invest \$25,000 per year in ASX 200 shares within his SMSF, with the assumed increase in investment value that may be achieved over time from the \$40,000 per year investment exposure outlined in the table above.

Over this 15 year investment time horizon, if John continues to invest his annual \$25,000 superannuation contribution into ASX 200 shares, his SMSF balance will have increased by an additional \$754,910 at the end of that term. However, if John instead, going forward, invests his annual \$25,000 superannuation contribution into the portfolio of BetaShares GEAR and QPON as outlined in the table above, his SMSF may have additional equity of \$1,045,272.

John may, therefore, be \$290,362 better off if he implements this BetaShares Concessional Contributions Cap strategy.

SMSF Balance; franking credits included

Illustration only. Not a recommendation of a particular investment allocation or product. Assumptions: (i) starting balance is \$0 for each investment scenario - any assumed existing balance at the start of the period has been excluded from the calculations in the scenarios illustrated; (ii) ASX 200 return is 9.02% p.a. (including dividend yield 4% p.a.);² (iii) franking credit level 75%;³ (iv) investment in BetaShares' GEAR is geared 2.5x (i.e. 60% Loan-to-Value-Ratio); (v) QPON return is 3% p.a.;⁴ (vi) GEAR fees comprise 0.80%p.a. management fee x 2.5 plus 2.4%p.a. borrowing cost x 1.5 = 5.6%p.a. (of NAV); (vii) QPON management fee is 0.22%p.a. Assumed performance outcomes may not be achieved in actuality. Future performance outcomes are inherently uncertain and may differ materially, positively or negatively, from the illustrated performance shown.



Important Note:

Gearing magnifies gains and losses and may not be a suitable strategy for all investors. Investors in geared strategies should be willing to accept higher levels of investment volatility and potentially large moves (both up and down) in the value of their investment. Geared investments involve significantly higher risk than non-geared investments and investors should seek professional advice before investing, and monitor their investment actively to ensure it remains appropriate for their circumstances. BetaShares' geared funds do not track published benchmarks. See the relevant PDS for more information on risks.

²Assumed ASX 200 return is based on the total return of the ASX All Ordinaries Index from 1986 to 2016. Assumed dividend yield is based on yield of the S&P/ASX 200 Accumulation Index as at 31 July 2017.

³Assumed franking credit level is based on the average franking credit level of the S&P/ASX 200 Accumulation Index as at 31 July 2017.

⁴Assumed QPON return is based on (i) assumed cash rate of 1.5% p.a., plus (ii) assumed approximately 1.5% p.a. pick up (yield + capital gains) based on QPON's simulated historical pick up from July 2007 to July 2017.



BetaShares

Exchange Traded Funds



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Learn more about BetaShares

BetaShares is a leading manager of ETFs and other Funds that are traded on the Australian Securities Exchange ('ASX'). Our aim is to provide intelligent investment solutions for Australian investors.

Visit our website and explore our full range of Funds that can help you achieve your financial objectives.

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