



Statement of Advice

Prepared for
Mr. Martin Gurr, Mrs. Susan Gurr and
MSEM Super Pty Ltd

10 May 2023

Prepared by
Andrew Faber
Authorised Representative. 1258082

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10 May 2023

Mr. Martin Gurr, Mrs. Susan Gurr and MSEM Super Pty Ltd
3/160 JEFFERSON LANE
PALM BEACH QLD 4221

Dear Martin, Susan and MSEM Super Fund,

This Statement of Advice (SOA) acts as a record of the personal financial advice provided to you. It is important that you read my advice carefully and confirm that my understanding of your needs and circumstances is correct. I have tried to clearly and effectively outline my reasons and assumptions.

In preparing this SOA, I may have incorporated certain statements and information from documents previously provided to you or accompanying this SOA. Further copies of these documents, which are specifically identified in this SOA, can be obtained free of charge by contacting my office by telephone or email during business hours.

The recommendations I have made are based on your current financial position, objectives and personal information. If your circumstances change, or economic or market conditions change significantly, my advice may no longer be suitable, so you should not act on any recommendations without first discussing them with me. I am happy to clarify any outstanding issues you may have.

Yours sincerely,

Andrew Faber

Authorised Representative

Shaw and Partners Financial Planning Pty Limited

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Executive summary

This Statement of Advice (SOA) is a record of the personalised financial advice and recommendations, as provided to you by Andrew Faber and Shaw and Partners Financial Planning Pty Limited ("Shaw and Partners Limited"), which we believe will assist you in achieving your goals and objectives. In addition to our recommendations this document also includes:

- information on your current situation and the basis on which this advice is given;
- information about remuneration including fees, commissions, any other benefits; and
- any interests, relationships or associations, which might influence the advice we have provided.

We have also included supplementary information to assist your understanding of the implications of our advice. Additionally, we have provided you with further information around the products that we are recommending in the form of Product Disclosure Statements (PDS) to assist you in making an informed decision about our recommendations.

The purpose of this Executive Summary is to provide you with a snapshot of our advice, which is further detailed throughout this SOA.

What you want to achieve

The following are your goals and objectives as provided to us, thus forming the basis of our advice:

- Minimise tax by utilising Superannuation – maximise contributions into super.
- Ensure you leave a lasting legacy for your 2 daughters, possibly buy an apartment for your daughters.
- Post tax income of \$80,000, indexed annually.

What we recommend you do

Susan, we recommend that you implement the following strategies to assist you in achieving your goals and objectives:

- Convert your superannuation into an income generating asset.

Next steps

Before you decide if you should implement our advice you should:

- Read this SOA and supporting information in full;
- Make sure you understand our advice and the consequences of it; and
- Ask any questions you may have.

If you are satisfied you have understood our advice and wish to proceed complete the Authority to proceed of this document and return it to us.

As legislation, economic conditions or your circumstances can change, this advice is current for a period of 60 days only. You should not implement any of the recommendations outside of this period without contacting us first.

Needs, objectives and scope of advice

Your objectives

The following are your goals and objectives as provided to us, thus forming the basis of our advice:

- Minimise tax by utilising Superannuation – maximise contributions into super.
- Ensure you leave a lasting legacy for your daughters, possibly buy an apartment for your daughter.
- Post tax income of \$80,000.

Areas of advice addressed

Martin, Susan and MSEM Super Fund, as per our discussions, we have agreed to provide advice on the following areas:

Super / Retirement

You have been growing your Superannuation asset with the intention that it will be the primary asset base to support your retirement. In our discussions, we have talked about the various ways to meet a condition of release and the tax benefits of an account based pension. Now that you have met a condition of release (permanent retirement at preservation age) we can now commence your transition towards a self-funded retirement. This is a milestone moment!

Areas of advice not addressed

The advice presented is account based pension advice for Susan, as a result, the recommendation made in this SOA will not cover the following areas of advice:

Debt management

You have no debt and do not require any to meet your objectives.

Estate planning

You feel that your estate planning needs are sorted and do not require advice in this area.

Protection

You have no insurances and do not want advice in this area.

Social security

You are not eligible for social security as you are below the age pension age.

Wealth creation / Investment & savings

As you are moving towards retirement you would prefer to focus on your retirement wealth. You may sell your main residence on the Gold Coast and buy an apartment in Sydney, closer to your daughters. You may need to withdraw some funds from your Superannuation if you are required to fund a shortfall between the sale price of your current home and future purchase price. We have discussed this and I have recommended that we talk to this in relation to your income needs and asset base to support this. I look forward to exploring scenarios based on your expected future asset positions.

Given the reduced scope of our advice, you should be aware we have not reviewed and assessed your whole situation in making our recommendations. As a result, there may be other matters which need to be addressed. Before acting

on this advice, we recommend you consider if it is appropriate to your overall personal circumstances, objectives, financial situation and needs.

If you feel that you would like advice in any other areas, please contact us and we will be happy to assist. Alternatively, we can provide a referral to one of our many partners who specialise in other areas. Please refer to our Financial Services Guide and Adviser Profile for further information in regards to the services that we offer.

Limitations

In preparing this SOA we have relied on information supplied to us, and where reasonable we have assumed this to be correct. If the information on which we have based our recommendations is incomplete or inaccurate, before acting on the advice you should consider the appropriateness of the advice in regard to your objectives, financial situation and needs.

Warnings

The recommendations in this report are based on current information and should only be considered to be current for 60 days from the date of this report. After that time, or if you have had any significant changes to your personal circumstances, you should not act on any of the recommendations and should contact us so that we can re-assess their suitability.

Best interests duty statement

Meeting a condition of release means that you can now commence an account-based pension with your member balance of the SMSF, saving you 15% tax on your earnings. This meets your objective of meeting your post-tax income requirements in a tax-effective manner.

This advice follows previous statements of advice, dated 08 December 2021 and 27 October 2020

Your Personal and Financial Details

You have provided us with the following information about your current circumstances. If your personal circumstances have changed since we met with you, our recommendations may not be suitable and you should contact us before acting on them.

It is also important that if your circumstances change or are likely to change, you should advise us promptly. We can then review your plans to ensure they remain appropriate for your changed circumstances.

Personal details

	Martin	Susan
Title	Mr.	Mrs.
Given Name	Martin	Susan
Preferred Name	Martin	Susan
Family Name	Gurr	Gurr
Email	mgurrs@gmail.com	mgurrs@gmail.com
Phone No.	075613 2612	075613 2612
Address	3/160 JEFFERSON LANE PALM BEACH QLD 4221	3/160 JEFFERSON LANE PALM BEACH QLD 4221
Date of Birth (Age)	11 September 1958 (64 years)	22 February 1964 (59 years)
Marital Status	Married	Married
Health Status	Good	On NDIS
Smoking Status	No	No
Job title	Recreation Officer	Waitress

Estate planning

Martin and Susan, you have chosen not to disclose this information.

Assets

Asset	Owner	Purchase date	Current value (\$)
Investments			
Stocks	Martin and Susan		165,000
Liquid Assets			
Cash on Hand	Martin and Susan		90,000
Real Estate			
Primary Residence	Martin and Susan		1,600,000
Total			1,855,000

Retirement assets

Fund Name	Owner	Fund type	Balance (\$)
Superannuation			
MSEM Family Super Fund	Martin	Account based Pension	1,018,745
MSEM Family Super Fund	Susan	Accumulation	574,954
Total			*1,593,699

Net worth

Total assets (\$)	1,855,000
Plus total retirement assets (\$)	1,593,699
Less total liabilities (\$)	0
Net worth (\$)	3,448,699

*as per 2021/22 year end accounts. Note. Account based pension proposed date is 23/02/2023, the portfolio value at this date is \$1,629,945, using the above ratio, Susan's ABP amount is \$588,030. Your accountant TWA will validate the amount for you. Converting Susan's accumulation account to an account based pension will convert 100% of the SMSF to an account based pension.

Your current income and expenses

Income summary			
Source of income	Owner	Amount (Frequency)	Annualised amount (\$)
Account based pension (Min withdrawal)	Martin	Annual	20,374
Total			20,374
Expenditure details			
Source of expense	Owner	Amount (Frequency)	Annualised amount (\$)
Other Expenditure	Martin and Susan	80,000 – Yearly*	80,000
Total			80,000

*Note, a 5% net return is required on the asset base of \$1,593,699 to support \$80,000 in income without reducing the capital. Adding inflation of 2.5% requires a return of 7.5% to maintain your purchasing power.

Strategy recommendation

In the following pages you will find our strategy recommendations for helping you to achieve your objectives and goals.

General reference information about the strategies has been included in the Appendices section.

Convert your superannuation into an income generating asset

Susan, we recommend you convert all of your superannuation funds to commence an account-based pension. We recommend you draw down the minimum mandated pension, being 2% of your account balance, pro-rated for the portion remaining of the financial year. We estimate this figure to be \$960 per month.

Note: You are required to draw a minimum annual payment from your pension account. The Government, in response to the coronavirus, has temporarily reduced the minimum payment rates by 50% to help pension recipients manage the volatility in financial markets. The reduction applies for the 2022/23 financial year. We expect that the minimum payment rates will return to the standard requirements from 1 July 2023, at which time your minimum annual payment will increase to 4% of your account balance.

We are not making any investment changes at this time.

Supporting your objective

- Minimise tax by utilising Superannuation
- Ensure you leave a lasting legacy for your daughters, possibly buy an apartment for your daughter.
- Post tax income of \$80,000.

How this advice supports your objective

The funds in an account-based pension are not taxed, while accumulation funds have their earnings taxed at 15%.

The recommended income payment will provide you with regular, flexible, tax-efficient cash inflows to meet your lifestyle expenditure needs of \$80,000 pa.

In the event that you need to fund an unplanned expense, you are able to draw a cash lump sum from your account-based pension. There are no restrictions on the amount that you can withdraw, (subject to any tax implications).

You have mentioned that you will assess the property market in the near future when you feel interest rates would have risen which could present opportunities in the property market due to mortgage stress. If an opportunity arises we will work through your options in regards to your asset base, income requirements and the impact of providing a deposit and contributing to an apartment for the girls. You will have unrestricted access to your Superannuation.

Your cashflow

You have the flexibility to vary the level and frequency of your income payments at any time, subject to your account balance and the minimum required income payment.

Tax impacts

You will receive your entire pension payment tax free as you have reached your preservation age.

Earnings on assets within the account-based pension are tax free.

Related considerations

- The balance of your account-based pension will fluctuate due to market movements in the underlying investments, the level of income you draw and fees within the account. There is no guarantee that the account balance will last your lifetime, and no guarantee that it will support future income payments at the recommended level.

- In the future, if you no longer wish to draw a pension, you may choose to withdraw the balance of your account based pension as a lump sum or commute the pension back to the accumulation phase (subject to any tax or legislative restrictions that may apply)
- The transfer balance cap is a restriction on the total amount of superannuation you can transfer into retirement phase. When you commence the account-based pension, the capital amount will be recorded against your personal transfer balance account. Your current transfer balance account value of \$0 will increase by \$574,954 but remains within your cap of \$1.7m.
- Currently the NDIS is not means tested.

Alternatives to recommendations

We considered recommending that you perform a re-contribution strategy to remove some taxable component from your account-based pension, saving possible estate tax if received by non-dependent beneficiaries. However, you maximised your non-concessional contributions in the 19/20 financial year and are limited until the 22/23 financial year. Once you have more certainty on the possible sale of your house we recommend you seek further re-contribution advice at that time.

Ongoing Review Service

It is important that your investment portfolio is reviewed on a regular basis to ensure that it continues to meet your financial objectives and addresses any of your concerns. The performance of the investment portfolio should also be reviewed regularly to assess the effects of changing economic and market conditions.

The review process will address:

- How your needs may have changed.
- The economic environment.
- Fund manager and investment performance.
- Investment sector performance.
- Your taxation position and the tax position of your investments.
- Social security issues.
- Investment availability and suitability.

As all of these factors are subject to change and as such changes may have significant impact on the suitability of your investment portfolio, we offer the option of ongoing advisory services that includes regular written reports on the valuation and status of your investment portfolio. This will enable you to review your financial strategy regularly and to change your portfolio as required.

My ongoing advice service also gives you access:

- Meet with you regularly to confirm your situation, and review your needs, goals, objectives and risk profile.
- Provide regular ongoing bespoke advice
- Commentary from our Research department on the recommended investments within your portfolio
- Newsletters providing an overview of the investment environment, including specific investment commentary from our Research Department.
- Investment valuation reports detailing the value of your portfolio

Our secure site, <http://www.shawandpartners.com.au/home>, gives you online access to these resources and you can view your portfolio at any time. You can also view, and print, economic commentary and headline financial news and information about the market as well as specific sectors, research reports on your selected investments, together with a range of other reports.

A fee may be payable for use of this service, but this will be disclosed in the documentation relating to this service. Alternatively, if you don't have online access, I can access this service on your behalf.

Disclosures

It is important that you understand the costs payable by you for the financial services we have provided. This section outlines those costs and will also detail the fees/commissions and benefits that the Licensee and Associates are entitled to receive for providing these services.

In addition to the fees paid to us, the investment and/or insurance products may also charge fees. Please refer to the appropriate Product Disclosure Statement ("PDS") for further information.

Below are the fees that you will pay to us for the recommendations made through this document:

Initial advice fee

You will not be charged an initial advice fee for the preparation of this advice.

Implementation fee

You will not be charged an implementation fee if you choose to implement this advice.

Other initial fee

You will not be charged other initial advice fees for the preparation of this advice.

Ongoing advice fee

Fee	Total % p.a.	Total \$ p.a.		Licensee (\$)	Adviser (\$)
MSEM Super Fund					
Ongoing Advice Fee	0.74	4,254		2,127	2,127

Explanation of fees

- Ongoing advice fee: The fee charged by Shaw and Partners for the provision of ongoing advice services relating to our strategies and recommendations.
- Shaw and Partners and our licensee Shaw and Partners Limited will continue to receive any advice fees payable to us for as long as you are ongoing clients, have opted in every year and have not previously terminated that arrangement.

Please note that fees are calculated from your current investment values and will vary as the value of your investments change. The fees are deducted from the cash balance in your account on a monthly basis and paid to us.

How Your Adviser is Paid

- Your financial planner is an authorised representative of Shaw and Partners Limited (Shaw). Shaw is an Australian Financial Services Licensee (No. 236048) on whose behalf we are authorised to provide personal financial advice and to arrange and deal in financial products. Your adviser may also retain a percentage of any brokerage, ongoing commission and/or fees received by Shaw for product sales or advice given.

Alternative Forms of Remuneration

- This SOA has been prepared by Shaw and Partners Limited for the person(s) to whom it is addressed. Shaw and Partners Limited does not accept any liability for any other person using the information contained in this SOA.

- The recommendations in this SOA are based upon information supplied by you. Shaw and Partners Limited for the most part cannot independently verify the information that you supply. If this information is incorrect, or has changed, then Shaw and Partners Limited does not accept responsibility for the appropriateness of any recommendations made.
- If you do not supply Shaw and Partners Limited with complete information you must assess the appropriateness of our recommendations in light of your needs and objectives.
- It is your responsibility to inform your Shaw financial planner if you notice any factual errors or misinterpretations, or if your circumstances have changed, before proceeding with any recommendations. The recommendations contained in the SOA are also based upon current legislation. Changes to such legislation may affect the recommendations and projections contained in this SOA. Shaw and Partners Limited does not provide taxation advice. As financial planning involves taxation considerations, we recommend that you seek professional tax advice prior to proceeding with the recommendations in this SOA.

Disclaimers

This section contains other important information you need to know.

Appropriateness and Suitability

This SOA has been prepared by Shaw and Partners Limited for the person(s) to whom it is addressed. Shaw and Partners Limited does not accept any liability for any other person using the information contained in this SOA. The recommendations in this SOA are based upon information supplied by you. Shaw and Partners Limited for the most part cannot independently verify the information that you supply. If this information is incorrect, or has changed, then Shaw and Partners Limited does not accept responsibility for the appropriateness of any recommendations made. If you do not supply Shaw and Partners Limited with complete information you must assess the appropriateness of our recommendations in light of your needs and objectives. It is your responsibility to inform your Shaw financial planner if you notice any factual errors or misinterpretations, or if your circumstances have changed, before proceeding with any recommendations. The recommendations contained in the SOA are also based upon current legislation. Changes to such legislation may affect the recommendations and projections contained in this SOA. Shaw and Partners Limited does not provide taxation advice. As financial planning involves taxation considerations, we recommend that you seek professional tax advice prior to proceeding with the recommendations in this SOA.

Time Limitation

The recommendations in this advice are based on your current personal circumstances, lifestyle and financial goals, current economic, investment and legislative conditions. The recommendations in this advice only remain current for a period of 60 days from the date of this advice. If you wish to implement these recommendations after this time period, you must contact us prior to acting to ensure none of the above factors have changed and the recommendations remain appropriate to you.

Assumptions and Illustrations

The projections contained within this advice are based on a number of critical assumptions that primarily relate to economic and investment conditions and legislation. Also, projections of future income and capital growth rates are based on market averages or the past performances of the underlying investment managers. As a consequence, the projections cannot predict actual long-term outcomes. Accordingly, such projections are intended as a guide only and neither your adviser nor Shaw and Partners Limited guarantees the outcome of these projections.

For the figures used in calculating the projections, please refer to the assumptions set out in the projection.

In addition, the taxation estimates are intended as a guide only and are dependent on the continuation of current taxation treatment of deductible expenses, as well as current tax scales and Medicare Levy.

While every effort has been made to take account of current and relevant tax and social security legislation, we advise you to discuss your annual tax liability and the tax and social security implications of this with your accountant or a qualified tax adviser. In relation to any social security entitlements, we recommend you make an appointment with a representative of Centrelink at your nearest Centrelink office for an assessment of your actual entitlements.

Limitation of Liability

In the event that any advice or other services rendered by Shaw and Partners Limited constitute a supply of services to a consumer to which the Competition and Consumers Act 2010 (as amended) or the Australian Securities and Investments Commission Act 2001 applies, then the liability of Shaw and Partners Limited for any breach of any conditions or warranties implied under the Act shall not be excluded but will be limited to the cost of having the advice or services supplied again.

Subject to the above paragraph, nothing in any paragraph of this disclosure affects any rights or remedies to which you may be entitled under the Competition and Consumers Act 2010 (as amended) or under the Australian Securities

and Investments Commission Act 2001 or under the Corporations Act 2001 (Cth) as a consequence of services being rendered by Shaw and Partners Financial Planning Pty Limited.

Each paragraph of this 'Limitation of Liability' section shall be deemed to be separate and severable from each other. If any paragraph is found to be illegal, prohibited or unenforceable, then this shall not invalidate any other paragraphs.

Legal and Taxation Advice

Please note that we are a registered tax (financial) adviser with the Tax Practitioners Board created under the Tax Agent Services Act (2009). Notwithstanding this registration, any references to taxation in this document and any supporting schedules are provided to assist in your planning only. They are based on a general understanding of the issues involved but are not intended to be a substitute for professional tax advice. If you intend to rely upon the advice contained herein to satisfy liabilities, obligations or to claim entitlements which may (or could) arise under a taxation law, you should seek advice from a registered tax agent.

Some of the recommendations within this SOA are based on our understanding of relevant rules, including some taxation legislation. These understandings should not be relied upon as a substitute for professional legal or tax advice. For further advice on these matters, we recommend you refer to your taxation or legal specialists, or we can assist in referring a recommended specialist for you.

Relationship Disclosure

Your financial planner is an authorised representative (1258082) of Shaw and Partners Limited . Shaw and Partners Limited is an Australian Financial Services Licensee (No. 236048) on whose behalf we are authorised to provide personal financial product advice and to arrange and deal in financial products.

Our parent, Shaw and Partners, is a participant of ASX Limited (ASX) and Chi-X Australia Pty Limited (Chi-X), which provides Shaw and Partners (and Shaw and Partners Limited) with direct access to transact in listed securities on your behalf. Shaw is a Sponsoring Broker in the Clearing House Electronic Subregister System (CHES) operated by ASX Settlement Pty Limited. From time to time, Shaw may become a participant of other exchanges. To better understand their activities and services please visit www.shawandpartners.com.au. I am also an Authorised Representative of Shaw and Partners Limited.

Fund Manager Involvement in Conferences and Training Days

After careful research, Shaw and Partners Limited produces an Approved Product List. Some Authorised Representatives' may benefit indirectly from invitations to free or reduced cost education events. Fund managers may, at times, meet the cost of interstate flights and accommodation for Shaw and Partners Limited Authorised Representatives and staff to conduct study tours of the managers' administration and research facilities. Due to production volumes, some Shaw and Partners Limited Authorised Representatives may also qualify for free attendance at life office and fund manager overseas and domestic conferences.

Incorporation by Reference

In preparing this SOA, we have incorporated certain statements and information from documents previously provided to you or accompanying this SOA. Further copies of these documents, which are specifically identified in this SOA, can be obtained free of charge by contacting our office by telephone or e-mail during normal business hours.

How to proceed

Martin, Susan and MSEM Super Fund, if you choose to proceed with our advice as outlined in this SOA, the following will need to be completed:

Action required	Who	When
Review the Financial Services Guide (FSG) provided on 29 September 2020, as well as any accompanying material.	Marty & Susan	60 days
Review the SOA and any accompanying material. (e.g. Product Disclosure Statements (PDSs) and research reports).	Marty & Susan	60 days
Consider any questions that you wish to clarify	Marty & Susan	60 days
Sign and return the enclosed Authority to proceed.	Marty & Susan	60 days

Authority to proceed

Upon receiving the advice dated 10 May 2023 and reading the strategy and recommendations contained within, we confirm and acknowledge that:

- We have received and retained a copy of the Financial Services Guide and Adviser Profile.
- The details of our personal circumstances, financial position and lifestyle and financial objectives are accurately summarised within the SOA.
- If the information relating to our relevant circumstances contained in the SOA is, or becomes, incomplete or inaccurate, then the advice contained in the SOA may not be appropriate for us and that before acting on the advice, we need to consider the appropriateness of the advice, taking into account our objectives, financial situation and needs.
- The basis of the advice is clear and understood.
- Where we did not understand the recommendations made, we have sought and received clarification.
- We have been made fully aware of the need to fully disclose to the insurer/s all information relevant to our past lifestyle and health aspects.
- We will notify the insurer and our representative of any changes to our lifestyle and health up until the policy document/s are issued.
- We understand that if we do not disclose the requested information, the insurer/s may decline payment of any claim under the duty of disclosure requirements.
- We have been provided with and understand the information about remuneration and other benefits paid or payable as a result of obtaining the advice set out in the SOA or implementing the recommendations made in the SOA.
- We have received and retained the research pages provided and the applicable Product Disclosure Statements or other disclosure requirements.
- We understand that the contents of the advice are for our sole use.
- We authorise Shaw and Partners Limited to collect our advice fees and pay these as outlined in the disclosure section of this SOA.
- The advice was prepared by Andrew Faber, acting on behalf of Shaw and Partners Financial Planning Pty Limited, an Australian Financial Service Licence (No. 490255). We acknowledge that Shaw and Partners Limited is only licensed to provide financial services in Australia and the services provided are governed exclusively by the laws of Australia.
- The strategy and recommendations made in the SOA rely on the continuation of current legislation and the recommendations may become inappropriate if laws change.
- Our personal information will be dealt with in accordance with Shaw and Partners Limited Privacy Policy. If we have requested, we have been provided with a copy. We consent to our information being dealt with in that way, and for Shaw and Partners Limited to pass our information to third parties engaged by Shaw and Partners Limited to prepare financial reports for us.

Authorisation and Consent to Benefits

- I authorise Shaw and Partners Limited to collect my advice fees and pay these as outlined in the disclosure section of this SOA.

Accordingly, we have decided (by ticking the box below) to:

- Proceed in full with the implementation of the strategy and recommendations and authorise Shaw and Partners to implement them as per the SOA.
- Proceed with implementation of the strategy and recommendations with the following variations and authorise Shaw and Partners to implement them accordingly.

- We acknowledge that, if the variations listed above are not discussed and agreed upon with our adviser, they cannot confirm that implementation of the recommendations (as we have varied them) are appropriate in light of our objectives, financial situation or needs without further analysis and advice, and neither our adviser, nor Shaw and Partners Limited are responsible for the consequences of implementing the varied recommendations, if we do not seek further advice.

- Do not proceed

Martin Gurr ADF MSEM Super P/L

/ /

Client name

Signature

Date

Susan Gurr ADF MSEM Super P/L

/ /

Client name

Signature

Date

Andrew Faber

/ /

Adviser name

Signature

Date

Appendices

These Appendices provide more technical detail to the subjects that have been referred to within this SOA. Some information may not be specific to this SOA because the information is general in its nature. They are included to give you more detail about the topics discussed. They are not intended to be comprehensive in the information that you may require. You should seek professional advice from your taxation and/or legal adviser, Centrelink or the relevant Government authorities where applicable.

The investment asset classes

In deciding the appropriate mix of assets that will form your investment portfolio you can choose from four broad classes of asset:

- Cash - Considered the safest asset class, cash funds are available at short notice and have low risk of capital loss. The 'cost' of this low level of risk is that cash funds generally offer very low rates of return with no tax benefits.
- Fixed Interest - Although a range of fixed interest securities are available most have the same core characteristics, including a fixed investment term, regular interest payments (higher than cash funds) and a low level of capital loss.
- Property - Considered to be a growth asset due to higher long term returns, property investments can provide a combination of income (via rental payments) and capital growth (via increases in property values).
- Shares - Provide investors with part ownership of a company and the associated benefits (e.g. dividend income, share price increases) and risks (e.g. capital volatility, economic downturns).

The table below compares the returns of each of the above asset classes, and demonstrates the volatility of returns:

Historical investment returns % year to 30 June 2020

YEAR TO 30 JUNE	CASH	AUST FIXED	GLOBAL FIXED	AUST EQUITIES	GLOBAL EQUITIES	AUST PROPERTY	GLOBAL PROPERTY	INFLATION
2006	5.8	3.4	1.2	24.0	19.9	18.1	27.0	4.0
2007	6.4	4.0	5.7	29.2	7.8	26.3	24.6	2.1
2008	7.3	4.4	7.9	-13.7	-21.3	-37.7	-22.8	4.4
2009	5.5	10.8	10.0	-20.3	-16.2	-42.1	-38.1	1.4
2010	3.9	7.9	11.5	13.1	5.2	20.3	26.3	3.1
2011	5.0	5.5	6.9	11.9	2.7	5.9	28.3	3.5
2012	4.7	12.4	11.6	-7.0	-0.5	11.0	5.1	1.2
2013	3.3	2.8	4.6	21.9	33.1	24.0	19.9	2.4
2014	2.7	6.1	7.8	17.3	20.4	11.1	14.5	3.0
2015	2.6	5.6	5.6	5.6	25.2	20.2	9.1	1.5
2016	2.2	7.0	9.3	0.9	0.4	24.6	12.3	1.0
2017	1.8	0.2	0.5	13.8	14.7	-5.6	2.2	1.9
2018	1.8	3.1	1.9	13.2	15.4	13.2	6.4	2.1
2019	2.0	9.6	7.2	11.4	11.9	19.4	7.7	1.6
2020	0.8	4.2	5.2	-7.6	5.2	-20.7	-17.6	2.1
AVERAGE RETURN (% PA)	3.7	5.8	6.5	7.6	8.3	5.9	7.0	2.4
REAL RETURN (% PA)	1.4	3.4	4.1	5.2	5.9	3.5	4.6	0.0
RANK	7	6	4	2	1	5	3	-

*AVERAGE RETURNS BASED ON LAST 15 YEARS OF ANNUAL PERFORMANCE
SOURCE: FE DATA / CURRENCY: AUSTRALIAN DOLLARS

Source: Annual Investment Returns (Lonsec, 2020).

The risk return trade off

One of the central concepts of investment theory is that there is a positive relationship between the level of risk of an investment and its expected level of return – i.e. the higher the risk the higher the expected return, and vice versa. Although logically most investors would prefer low risk, the risk/return trade off would limit the potential for higher returns.

Although some asset classes (particularly shares and property) can demonstrate significant volatility over the short term, history has shown that over the long term these fluctuations can be smoothed out and higher returns can be generated by implementing two main strategies: diversifying your funds across and within a range of different investments, and recognising that different investments have different time frames.

There are a variety of risks associated with investing, including the following:

- Mismatch risk - the chosen investment may not be suitable for your needs, goals and circumstances
- Inflation risk - the real purchasing power of your invested funds may not keep pace with inflation
- Reinvestment risk - if you rely on fixed rate investments you may have to reinvest maturing money at a lower rate of interest
- Market risk - movements in the market mean the value of your investment can go down as well as up – and sometimes suddenly
- Timing risk - trying to time entry to and exit from markets can expose you to potentially greater short-term volatility
- Risk of not diversifying - if you put all of your capital into one market a fall in that market will adversely affect all of your capital
- Liquidity risk - you may not be able to access your money as quickly as you need to without suffering a fall in value
- Credit risk - the institution you have invested with may not be able to make the required interest payments or repay your funds
- Legislative risk - your investment strategies or products could be affected by changes in current laws and regulations
- Value risk - you may pay too much for the investment or sell it too cheaply
- Manager risk - the personnel or ownership of the fund manager may change so that the manager no longer has access to the skills or attitudes that contributed to earlier performance levels
- Currency risk - investments in assets located in other countries may rise or fall in value due to the relative value of the Australian currency.