



# ANNUAL REPORT 2017

Issued by the Trustee Tidswell Financial Services Ltd ABN 55 010 810 607, AFSL 237628, RSE Licence L0000888.  
**Spaceship** is a sub plan of the Tidswell Master Superannuation Plan ABN 34 300 938 877, RSE R1004953 and the Promoter is  
Spaceship Financial Services Pty Ltd ABN 82 611 615 797, Authorised representative (No. 001246848) a Corporate Authorised Representative of  
ENVA Australia Pty Ltd ABN 21 098 806 501, AFSL 424494.



## About this report

Your **Spaceship** (the Plan) 2017 Periodic Statement is made up of two parts:

### PART 1: 2017 BENEFIT STATEMENT

Contains personal information to help you understand your benefits over the 2016-17 financial year. You will receive this separately in the mail.

### PART 2: 2017 ANNUAL REPORT

This document which contains general information about the Plan including its financial condition, management and investment performance over the 2016-17 financial year. This document is available online or can be mailed to you free of charge by calling Member Services on 1300 049 532.

## Important

**Spaceship** is a sub plan (Division IX) of the Tidswell Master Superannuation Plan ABN 34 300 938 877, RSE R1004953. The Promoter of the Plan is Spaceship Financial Services Pty Ltd ABN 82 611 615 797, Authorised representative (No. 001246848) a Corporate Authorised Representative of Enva Australia Pty Ltd ABN 21 098 806 501, AFSL 424494.

Tidswell Financial Services Ltd ABN 55 010 810 607, AFSL 237628 (RSE Licence Number L0000888) is the Trustee of the Plan and issuer of interests in Division IX of the Tidswell Master Superannuation Plan.

The Periodic Statement (Parts 1 and 2) does not contain financial product advice, so you should not rely on it as such. Before making any decision based on this information, you should obtain and read the relevant Product Disclosure Statement (PDS) and consider seeking independent financial advice relevant to your personal circumstances.

## Do you need help?

Contact Member Services on:

Telephone: 1300 049 532

Monday to Friday: 9.00am to 5.00pm AEST

or visit us online at [www.spaceship.com.au](http://www.spaceship.com.au)

or email us at [help@spaceship.com.au](mailto:help@spaceship.com.au)

or write to:

The Trustee  
Spaceship  
PO Box 3528  
Tingalpa DC QLD 4173

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## A MESSAGE FROM THE TRUSTEE

Dear Member

I am pleased to present the report for the financial year ended 30 June 2017 for Spaceship.

Included with this report is an article worth a read which presents five charts which may help put into perspective five aspects we would do well to remember when investing.

We are pleased included specific information relating to the *Spaceship GrowthX*, the investment available through Spaceship.

Thank you again for entrusting your retirement savings to us and please do not hesitate to contact our office for further information.

Yours sincerely

**M J Terlet**

Chairman

Tidswell Financial Services Ltd as Trustee of

**Spaceship**

## A MESSAGE FROM THE PROMOTER

Dear Member

Thank you for joining Spaceship. We're on a mission to help our generation build wealth and we're starting with your superannuation.

Young people have changed, but their Super hasn't. We're likely to have had three jobs before we're 30, which means we could have multiple Super accounts charging us multiple fees and giving us little value. Old Super funds are dramatically out of touch with what young people demand, need and want from their finances.

Spaceship is a simple way to manage your Super, all from your phone or laptop with one account designed with the best technology to help you navigate your journey. We want to help make Super accessible and approachable.

Accumulating wealth is hard enough; it should be easy to invest once it's yours.

Yours sincerely

Paul Bennetts

CEO

Spaceship Financial Services Pty Ltd

## INVESTMENT REPORT

### Investment Overview

Australian and Global share markets performed particularly well.

The S&P/ASX All Ordinaries Accumulation Index closed up for the month of June 2017, and overall, the 2017 financial year closed on a strong note, with the index up in excess of 14%.

The US and Asia/Pacific share markets finished mostly in positive territory for the month of June, while European markets were down. In the US, while the S&P 500 finished only slightly higher for the month of June, it was up an impressive 15.5% for the full year.

Investment returns for the different asset classes as at 30 June 2017 are detailed in the table below:

Asset Class	1 year %	3 years % pa	5 years % pa	10 years % pa
<b>Balanced Fund</b> Morningstar Aus Multisector Balanced TR AUD	6.51	7.11	9.60	4.54
<b>Australian Shares</b> S&P/ASX200 TR	14.09	6.63	11.81	3.61
<b>Australian Industrial Shares</b> S&P/ASX200 Industrial TR	12.63	8.83	15.00	5.15
<b>Australian Resources Shares</b> S&P/ASX300 Resources TR AUD	21.57	-3.28	-0.52	-2.16
<b>International Shares</b> MSCI World Ex Australia NR AUD	14.73	12.97	18.24	5.06
<b>Emerging Markets</b> MSCI EM NR AUD	20.12	8.31	10.16	2.95
<b>Australian Property</b> S&P/ASX200 A-REIT TR	-6.26	11.98	14.14	0.07
<b>International Property</b> FTSE EPRA/NAREIT Developed NR Hdg AUD	2.22	7.76	11.42	3.40
<b>Australian Fixed Interest</b> Bloomberg AusBond Composite 0 + Yr TR AUD	0.25	4.26	4.32	6.23
<b>International Fixed Interest</b> Barclays Global Aggregate TR Hdg AUD	0.47	5.08	5.51	7.52
<b>Cash</b> RBA Bank accepted Bills 90 Days	1.77	2.16	2.45	3.76
<b>Consumer Price Index (CPI)</b>	1.93	1.49	1.97	2.36

Looking ahead, major central banks are unlikely to be providing the same level of stimulus, if any, as they have done since the Global Financial Crisis which has driven asset prices significantly higher. The improving global economic expansion remains subpar albeit improving. For Australia the construction boom (which took over from the resources boom) is likely to peak next year, if it has not already done so.

This means Australia is unlikely to grow at the same pace as the world in the year ahead. There are also some serious geopolitical issues building which may affect markets if they deteriorate from the present position.

## Investment Objective & Strategy

As at 30 June 2017, Spaceship offered a single investment option called *Spaceship GrowthX*. The Spaceship Global Index investment option was introduced on 29 September 2017 - we'll be sending you more information about this in the coming weeks. T

The Spaceship GrowthX investment option has a significant bias towards growth assets such as Australian and international shares with a small allocation towards defensive assets such as fixed interest securities and cash. This option suits those who are looking for a diversified portfolio with a focus on global technology companies. You will be taking a higher level of short term risk to achieve greater returns over the longer term. As a result, the value of your investment may rise or fall in the short term.

To gain growth exposure, the Trustee will utilise a mix of index funds and exchange-traded funds (ETFs) (directly or through a Depository Interest) which seek to replicate, as closely as possible, the price and yield performance of a reference index in different ways.

The Trustee does not have any direct exposure to derivatives, however, some of the underlying managed funds may have.

For the year ending 30 June 2017, the investment objective of *Spaceship GrowthX* was to generate a net return (after fees and taxes) exceeding CPI + 2.5% over the minimum suggested timeframe (10 years).

This objective was reviewed by the Trustee and updated with effect from 29 September 2017 so that going forward, the investment objective of *Spaceship GrowthX* will be to generate a net return (after fees and taxes) exceeding CPI + 2.75% over the minimum suggested timeframe (10 years).

It will aim to achieve long-term capital growth by investing predominantly in growth assets with an emphasis on Australian and international shares.

## IMPORTANT INFORMATION ABOUT THE PLAN

### Trustee

The Trustee of the Plan, under the Trust Deed governing the rules of the Plan, is Tidswell Financial Services Ltd ABN 55 010 810 607, RSEL L0000888, AFSL 237628 (Tidswell).

The Directors of the Trustee at the end of the reporting period were:

Mr Ronald Beard - appointed 20 August 2012  
Mr Stephen Heath - appointed 14 May 1999  
Ms Christina Liosis - appointed 1 October 2016  
Mr Michael O'Neill - appointed 1 October 2016  
Mr Michael Terlet AO - appointed 19 April 1991  
Mr Jeffrey Tidswell - appointed 11 May 1988, and  
Ms Susan Zabrud - appointed 28 October 2016.

The Trustee holds professional indemnity insurance.

The Trustee has agreed to act as the independent corporate Trustee and the Plan is administered by the Trustee.

### Trust Deed

During the year, the Trustee amended the Trust Deed to introduce a number of new divisions within the Tidswell Master Superannuation Plan. This change has no impact upon you or your benefits within the Plan.

The new divisions are designed to provide the Trustee with the ability to offer other superannuation services.

### Compliance

The Trustee believes that the Plan has satisfied the Superannuation Industry (Supervision) Act (SIS) for the 3 years ended 30 June 2017, and that the Australian Prudential Regulation Authority (APRA) will be satisfied that the Plan is operating in accordance with SIS. The Trustee believes that the Plan has satisfied SIS for the period beginning 1 July 2017 to the date on which this Annual Report was completed.

### Audit

PricewaterhouseCoopers has completed an audit for the Plan. The audited abridged financial information for the Plan is provided on page 17 of this Annual Report. A full copy of the audited accounts and auditor's report will be available for inspection on Plan's website [www.spaceship.com.au](http://www.spaceship.com.au).

### Protecting against Identity Theft

Your Annual Statement (**Periodic Statement Part 1**) contains sensitive identity information about you and personal financial information about your benefits within the Plan. It is extremely important that you protect it from misuse or identity theft. The Trustee has a number of security measures in place, including proof-of-identity verification designed to protect your personal information.

### Privacy

We always respect your privacy, and have policies designed to ensure your personal information is kept private and confidential. These policies are aligned with the requirements of the Federal Government's privacy laws.

You can access the Trustee's Privacy Policy online at [www.spaceship.com.au](http://www.spaceship.com.au) or by calling Member Services on 1300 049 532.

If we are unable to collect your personal information we may not be able to process your application or manage and administer the product or service you require.

We will generally only use or disclose your personal information for the purpose for which we collected it and for related purposes we consider will be within your reasonable expectations. Otherwise, we will seek your consent prior to using or disclosing your personal information for another purpose unless we are required or permitted by law to do so without seeking your permission.

## Fees

The fees applicable to Spaceship as at 30 June 2017 were as follows:

Type of fee or cost	Amount	How and when paid
Investment fee	Nil	Not applicable
Administration fee	\$78.00 pa (\$1.50 per week)	Deducted from your account on a monthly basis.
Buy-sell spread <sup>1</sup>	Buy : 0.279% Sell: 0.283%	Deducted on a transactional basis every time units in an investment option are bought and sold and is reflected in the unit price.
Switch fee	Nil	Not applicable
Exit fee	\$38.50	Deducted from your account on each withdrawal from the Plan
Advice fees relating to all members investing in a particular investment option	Nil	Not applicable
Other fees and costs <sup>2</sup>	The amount payable will depend on each member's personal circumstances.	Please refer to the current Product Disclosure Statement for more information.
Indirect cost ratio <sup>3</sup>	1.60% pa	Deducted from the underlying assets of your investment and reflected in the unit price of your chosen investment option.

## Fee Changes

The Trustee may increase the member fees each financial year by the Consumer Price Index (CPI) weighted average for all Australian capital cities with effect from 1 July each year. The CPI each year will represent the percentage change from the corresponding June quarter of the previous year for the weighted average of eight capital cities.

The Trustee will not increase member fees in excess of CPI without 30 days' prior written notification to you (other than Government fees and taxes).

## Other Fees

The Trustee may charge additional expenses on the basis of time cost fees for specific tasks in operating the Plan.

## Contributions

The Trustee believes that all contributions due and payable to your Member's account have been received during the reporting period, unless the Member has been advised accordingly. Members should check their individual benefit statements to confirm that total contributions have been received from their employer for the year ended 30 June 2017.

Under the compulsory Superannuation Guarantee (SG) scheme, employers must contribute 9.5% of an employee's ordinary time earnings (OTE) to a complying superannuation fund. These contributions must be made within 28 days of the end of the quarter.

The SG payment rate is legislated to remain at 9.5% until 2020/21 after which it will increase by 0.5% each year until it reaches 12% by 1 July 2025.

<sup>1</sup> Buy-sell spreads may be varied at any time without prior notice but will be reviewed on a regular basis.

<sup>2</sup> Activity fees may also apply (i.e. insurance administration fees, activity fees and fees for personal financial advice that you have agreed with your financial adviser, and fees that you have consented to the Trustee deducting from your account). Refer to the current Product Disclosure Statement and its supporting Reference Guide available on our website – [www.spaceship.com.au](http://www.spaceship.com.au) for more information.

<sup>3</sup> The indirect cost ratio (ICR) shown above is indicative only. The actual amount you will be charged in subsequent financial years is not currently known and could be different. Refer to the current Product Disclosure Statement and its supporting Reference Guide available on our website – [www.spaceship.com.au](http://www.spaceship.com.au) for more information.



## Allocation of Earnings

Your accumulation account will benefit from investment earnings (which may be positive or negative). This will be reflected in the unit price of your investment option(s) (the price goes up with positive investment earnings and goes down if there are investment losses). The unit price for an investment option you have selected reflects the total dollars held in that investment option divided by the number of units issued, and the value of your account depends on the value of the unit price and the number of units you hold.

In respect of reserves held within the Plan, we will invest the reserves in accordance with the investment strategy set out later in this report under the appropriate heading.

## Reserving Policy

The Trustee is required under law to establish and maintain an ORR for the purpose of covering the cost of certain losses without those losses impacting member's interests in any way. The ORR may be funded from the financial resources of the Trustee, the Plan assets or a combination of both. The Trustee has determined it will address this requirement from its own resources by including it within its Net Tangible Asset obligation under Corporation Law. This is rigorously monitored on a continual basis to ensure this requirement is always met.

## Insurance

As Spaceship does not provide insured benefits. Should you should consider rolling over money from another fund which may provide insurance, that insurance will be lost if you choose to complete the rollover. Please consider your circumstances carefully before taking this action. Refer to the current Product Disclosure Statement available on our website – [www.spaceship.com.au](http://www.spaceship.com.au) for more information.

## Withdrawal Benefit Components

### Preserved Benefits

Preserved benefits can only be paid if the Member satisfies one of the following conditions of release:

- retires from employment and has reached preservation age (see table below);
- terminates employment on or after age 60, irrespective of future work intentions;
- dies;
- is permanently incapacitated;
- suffers severe financial hardship;
- reaches age 65;
- qualifies on compassionate grounds;
- receives a non-commutable income stream during a period of temporary incapacity;
- has reached preservation age and takes the benefits as a non-commutable income stream;
- is a former temporary resident who has departed from Australia;
- transfers their superannuation to a New Zealand KiwiSaver Scheme;
- suffers from a terminal illness; or
- has given a release authority to the fund for amounts to be released.

Preservation age varies according to your date of birth as detailed below:

Date of Birth	Preservation Age
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
After 30 June 1964	60

## Restricted Non-Preserved Benefits

Restricted non-preserved benefits include benefits accruing to a member in an employer superannuation scheme which accrued before 1 July 1999 and which are not preserved but are not yet payable because the member is still an employee of the employer. These benefits can be withdrawn in the same circumstances as preserved benefits but may also be withdrawn on the member terminating employment with that employer, which can be before preservation age.

## Unrestricted Non-Preserved Benefits

Unrestricted non-preserved benefits are benefits which the member could have withdrawn but which have been rolled over to another superannuation fund. These include employment termination payments that were rolled into a fund rather than taken as cash. These benefits are not subject to preservation and can be withdrawn at any age.

## Service Providers

The Trust Deed permits the Trustee to appoint independent specialists to assist with the management and operation of the Plan. The Trustee has appointed the following professional firms to provide services to it:

Service	Professional Firm
<b>Promoter</b> (supports the Plan by promoting it and providing the Trustee valuable input and investment advice to ensure real benefits are delivered to members)	Spaceship Financial Services Pty Ltd ABN 82 611 615 797
<b>Custodian</b> (the independent corporate Custodian of the Plan)	Australian Executor Trustees Limited ABN 84 007 869 794
<b>Administrator</b> (administers and maintains all records of the Plan)	DDH Graham Limited ABN 28 010 639 219
<b>Eligible Rollover Fund</b> (the vehicle where small value benefits are transferred to minimise costs to members)	SuperTrace, c/- Colonial Mutual Superannuation Pty Ltd ABN 56 006 831 983
<b>Auditor</b> (independently verify the financial and operational strength of the Plan)	From 2 Feb 2017 it is PRICEWATERHOUSECOOPERS ABN 52 780 433 757  Prior to 2 Feb 2017 it was Grant Thornton Australia Limited ABN 41 127 556 389
<b>Banker</b> (provides banking services to the Fund)	Bank SA, a division of Westpac Banking Corporation ABN 33 007 457 141
<b>Investment Manager(s)</b> (where assets of the Plan are invested for future growth)	<ul style="list-style-type: none"> <li>• Fidelity SelectCo, LLC</li> <li>• Krane Funds Advisors, LLC</li> <li>• Macquarie Investment Management Australia Limited ABN 55 092 552 611</li> <li>• Invesco PowerShares Capital Management, LLC</li> <li>• UBS Asset Management (Australia) Ltd ABN 31 003 146 290</li> <li>• VanEck Vectors ETF Trust ARBN 604 339 808</li> </ul>

## Temporary Resident

If you are a former temporary resident, your lump sum benefit is taken to be unclaimed super monies if:

- you held a temporary visa that has ceased to have effect and you have left Australia
- it has been at least six months since the visa ceased to be in effect and/or you left Australia
- the Plan has received a Temporary Resident Notification from the ATO instructing the monies be transferred
- you are neither an Australian citizen nor a New Zealand citizen
- you are not a permanent resident or currently the holder of a temporary, permanent or prescribed visa, and
- you do not have an undetermined application for a permanent visa.

If you are a former temporary resident who has left Australia and your visa has expired or been cancelled, you can claim your superannuation from the Fund as a Departing Australia Superannuation Payment (**DASP**).

Please call Member Services on 1300 222 622 for further information on how to initiate a DASP.

However, if you do not claim your benefit within six months of becoming eligible to do so, we will pay your benefit to the ATO if we receive a written notice from the ATO directing payment to be made. In this event, you have a right to apply to the Commissioner of Taxation for payment of the DASP.

The Australian Securities and Investments Commission (**ASIC**) has provided relief to superannuation trustees to the effect that a trustee is not obliged to notify, or give an exit statement to, a former temporary resident where the trustee pays unclaimed superannuation to the ATO in accordance with the applicable legislation requirements. We wish to rely on this relief. Consequently, members who are departed former temporary residents will not be notified in the event of their benefits being transferred to the ATO in these circumstances

## Eligible Rollover Fund (ERF)

ERFs are approved by the Australian Prudential Regulation Authority (APRA). They generally have more conservative investments than other superannuation funds, which may result in lower long term returns.

In the event your account balance falls below \$2,000 and there is no likelihood that it will be increased up to a minimum balance of \$5,000 together with the prospect of further growth through ongoing contributions and/ roll-overs, the Trustee in your best interest will roll over your benefit as soon as practical to an ERF.

We will write to you prior to taking any action to seek your guidance as to how this will be resolved. If you do not advise an alternative fund, we will pay your benefit to the Trustee's nominated ERF in the following 30 days. We may also transfer your benefit to the ERF in other circumstances permitted by law.

The ERF will hold your transferred benefit until you claim it. You will not have any claim against us once your benefit has been transferred to an ERF because your Plan membership will have ceased. Your insurance cover (if any) will cease. The rules of the ERF will govern your benefit once it has been transferred.

Our current ERF is the SuperTrace whose details are:

SuperTrace

C/- The Colonial Mutual Superannuation Pty Ltd  
Locked Bag No 5429  
PARRAMATTA NSW 2124

Telephone: 1300 788 750

Web: [www.supertrace.com.au](http://www.supertrace.com.au)

SPIN: LGL0515AU

USI: 73 703 878 235 251

ABN: 73 703 878 235

If your benefit is transferred to an ERF and if we can provide the ERF with your contact details, the ERF will provide you with its current Product Disclosure Statement (PDS).

Alternatively, you can contact the ERF for a copy of its PDS.

The ERF will apply a different fee structure than that of the Plan. You should refer to the ERF's PDS for more information.

## Unclaimed Monies

In certain circumstances the Trustee is required to report and transfer unclaimed superannuation benefits to the Australian Taxation Office.

These unclaimed superannuation benefits include:

- unclaimed superannuation money for
  - a member 65 years old or older;
  - a non-member spouse; or
  - a deceased member.
- unclaimed superannuation money of former temporary residents;
- certain accounts belonging to lost members;
- small amounts (where the balance is less than \$6,000); and
- inactive accounts (of unidentifiable lost members).

To enquire about unclaimed superannuation money you can contact the Australian Taxation Office on 13 10 20.

To search for lost superannuation, you can access the Super Seeker tool at the Australian Taxation Office website at [www.ato.gov.au](http://www.ato.gov.au) or by phoning 13 28 65 and following the prompts.

Super Seeker is a free service available 24 hours a day, 7 days a week. To use Super Seeker online or by phone you will need to provide:

- your name;
- date of birth; and
- Tax File Number (TFN)

## Procedures for Inquiries and Complaints

If you have an issue or concern regarding the Plan you can outline your concerns in writing to the Trustee and the matter will be investigated in accordance with our inquiries and complaints handling procedure.

Inquiries & Complaints Officer  
Spaceship  
PO Box 3528  
TINGALPA DC QLD 4173

### General Complaints

If the matter cannot be resolved by the Trustee to your satisfaction within 90 days, you can lodge an appeal to an external forum, known as the Superannuation Complaints Tribunal (**SCT**). The SCT is an independent body, established by the Commonwealth Government to resolve disputes between superannuation funds and their members and/or potential beneficiaries if the internal complaints procedure of the superannuation fund has failed to resolve the complaint. Acting as a mediator, the SCT aims to resolve issues by mutual agreement. If a mutual agreement cannot be reached, the SCT may review the matter and make a binding decision.

The complaints which the SCT can deal with are limited. If you wish to find out whether the SCT can deal with your complaint and, if so, what information you will need to supply, you may contact them at:

Superannuation Complaints Tribunal  
Locked Bag 3060  
MELBOURNE VIC 3001  
  
Phone: 1300 884 114  
Email: [info@sct.gov.au](mailto:info@sct.gov.au)

### Financial Product Advice

If your complaint relates to financial product advice provided by the Trustee or a representative of the Trustee, and you are not happy with the response to your complaint or dispute, or you have not received a response within 45 days, you may be able to lodge a complaint with the Financial Ombudsman Service (**FOS**).

The FOS is an independent body set up to assist consumers in the resolution of complaints relating to the financial services industry; in particular, the provision of financial products and advice. The FOS may be able to assist you to resolve your complaint. You can contact FOS at:

Financial Ombudsman Service  
GPO Box 3  
MELBOURNE VIC 3001  
  
Phone: 1300 780 808  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## Investments representing more than 5% of the Plan assets

The table reflects those investment managers managing 5% or more of **Spaceship's** assets as at 30 June 2017, including the last item in the table which is less than 5% of the Plan's assets:

Investment Manager	Amount	% of Plan Assets
Fidelity SelectCo, LLC	\$ 19.772M	18.14%
Krane Funds Advisors, LLC	\$ 6.462M	5.93%
Macquarie Investment Management Australia Limited	\$ 51.413M	47.17%
Invesco PowerShares Capital Management, LLC	\$ 9.683M	8.89%
UBS Asset Management (Australia) Ltd	\$ 16.637M	15.26%
VanEck Vectors ETF Trust	\$ 5.028M	4.61%

## Derivatives

Derivatives, such as futures or options, are financial contracts used in the management of investments whose value depends on the value of specific underlying investments. For example, the value of a share option is linked to the value of the underlying share.

The Trustee does not directly use derivative instruments.

External fund managers may use derivatives in managing the investment options that are available through the Plan.

## Member's Right to Request Information

As a Member you have the right to request any information that you reasonably require to understand your benefit entitlements. This includes such things as copies of the following information from the Trustee:

- the provisions of the governing rules of the Plan which relate to the person's membership or would affect the entitlements or rights of the Member.
- the audited accounts and Auditor's Report.
- the most recent Actuarial Report.
- the most recent Annual Report to Members.
- any other information a Member reasonably requires to understand their benefit entitlements.

This information must be provided within 30 days of receiving the Member's request.

## Further Information

We encourage you to review your individual benefit statement with this Annual Report. If you would like to discuss any aspect of your statement, the underlying investments or this Annual Report, please contact your financial adviser or Member Services on 1300 049 532.

## FEATURE ARTICLE

Oliver's Insights | AMP Capital

25 July 2017 | Edition 21

### Five great charts on investing

#### Key points

- At its core, successful investing is simple, but we have a knack of making it look complex.
- These five great charts help illuminate key aspects of investing: the power of compound interest; the investment cycle; the roller coaster of investor emotion; the wall of worry; and time is on your side when investing.

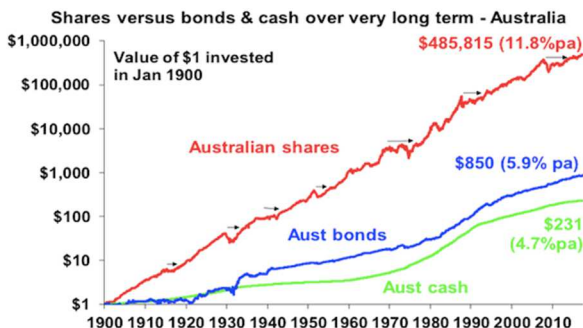
#### Introduction

Investing is often seen as complicated. And this has been made worse over the years by the increasing complexity in terms of investment products and choices, regulations and rules around investing, the role of the information revolution and social media in amplifying the noise around investment markets and the expanding ways available to access various investments. But at its core, the basic principles of successful investing are simple.

And one way to demonstrate that is in charts or pictures – after all, a picture tells a thousand words. So this note looks at five charts I find useful in understanding investing.

#### Chart #1 The power of compound interest

This chart is my absolute favourite. My good friend, the well known economist Dr Don Stammer, has said there are six things we owe our children or grandchildren: a sense of humour; a reasonable education; an early understanding of the magic of compounding; an awareness the cycle lives on; some help when they buy their first house or apartment; and a feeling of optimism. I can't argue with the first, second and fifth, the fourth I will deal with next, and a feeling of optimism is essential if you wish to succeed as an investor. But on compound interest – he's right it is like magic!



The chart shows the value of \$1 invested in various Australian assets in 1900 allowing for the reinvestment of dividends and interest along the way. That \$1 would have grown to \$231 if invested in cash, to \$850 if invested in bonds and to \$485,815 if invested in shares. While the average return since 1900 is only double that in shares relative to bonds, the huge difference between the two at the end owes to the impact of compounding or earning returns on top of returns. So any interest or return earned in one period is added to the original investment so that it all earns a return in the next period. And so on.

The "Law of 72" is a useful tool to understanding how long it takes an investment to double in value using compounding. Just divide the rate of return into 72 and that's the answer (roughly). For example, if the rate of return is 2% per annum (eg, the interest rate on a bank term deposit), it will take 36 years to double in value (= 72 divided by 2). But if it's, say, 8% pa (eg, the expected total return from shares including dividends), then it will take just 9 years (= 72 divided by 8).

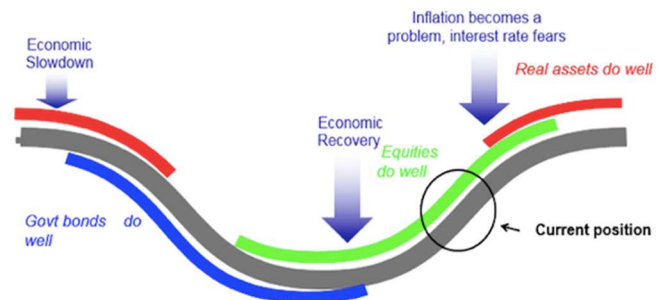
**Key message:** if we want to grow our wealth, we must have exposure to growth assets like shares and property.

#### Chart #2 The cycle

But of course shares can have lots of setbacks along the way as is particularly evident during the periods highlighted by the arrows on the share market line. In fact, the higher returns shares generate over time relative to cash and bonds is compensation for the periodic setbacks that they suffer from.

But understanding those periodic setbacks – that there will always be a cycle – is important in not getting blown away from the higher returns that shares and other growth assets provide over time. The next chart shows a stylised version of the investment cycle.

#### The investment cycle



The grey line shows the economic cycle from “boom” to “bust” to “boom” again. Prior to the low point in the economic cycle, shares invariably find a bottom thanks to attractive valuations and easy monetary policy and as smart investors look forward to an eventual economic recovery.

This phase is usually characterised by scepticism as economic conditions are yet to improve. Shares then move higher, eventually supported by stronger earnings on the back of improving economic conditions, which eventually gives way to a blow off phase or euphoria as investors pile in.

This is ultimately brought to an end as rising inflation flowing from strong economic conditions results in ever-tightening monetary policy, which combines with smart investors anticipating an economic downturn and results in shares coming under pressure. Usually around the top of the cycle real assets – like property and infrastructure – are a better bet than shares as they benefit from strong real economic conditions.

But once the downturn hits bonds are the place to be as slowing growth eventually gives way to falling inflation all of which sees bond yields decline producing capital gains for investors. At some point, of course, easing monetary conditions and attractive valuations see shares bottom out and the whole cycle repeats.

**Key message:** cycles are a fact of life and while they don't repeat precisely, it's invariably the case that the share market leads the economic cycle (bottoming out before economic recovery is clear and topping out before an economic downturn has really hit) and that different assets perform relatively best at different phases in the cycle.

### Chart #3 The roller coaster of investor emotion

The swings we see in investment markets are far greater than can be justified by movements in investment fundamentals alone – ie profits, dividends, rents, interest rates, etc. In fact, investor emotion plays a huge part.

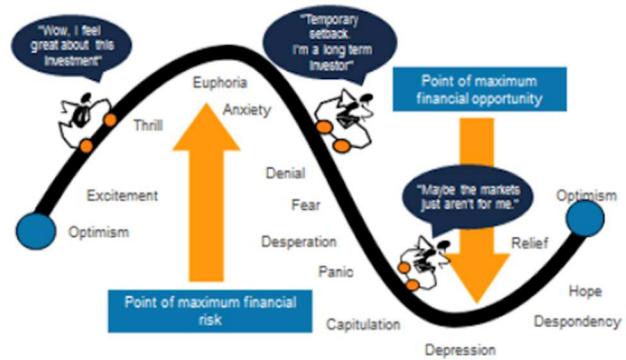
The next chart shows the roller coaster that investor emotion traces through the course of an investment cycle. A bull market runs through optimism, excitement, thrill and ultimately euphoria by which point the asset class is over loved (and usually overvalued too) – everyone who is going to buy has – and it becomes vulnerable to bad news.

This is the point of maximum risk.

Once the cycle starts to turn down in a bear market, euphoria gives way to anxiety, denial, fear, capitulation and ultimately depression at which point the asset class is under loved (and usually undervalued) – everyone who is going to sell has – and it becomes vulnerable to good (or less bad) news.

This is the point of maximum opportunity.

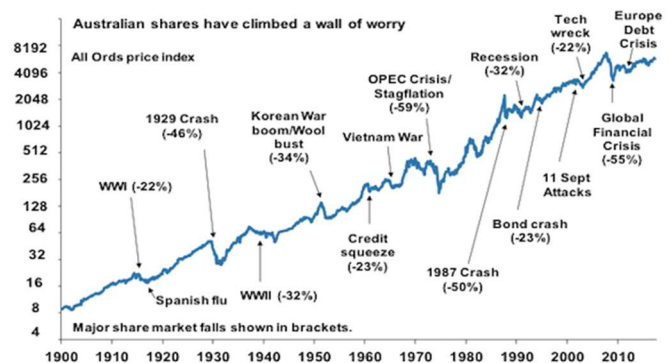
Once the cycle turns up again, depression gives way to hope, relief and optimism before eventually moving on to euphoria again.



**Key message:** investor emotion plays a huge roll in exaggerating the investment cycle. The key for investors is not to get sucked into this emotional roller coaster: avoid assets where the crowd is euphoric and convinced it's a sure thing and the asset is over loved, and favour assets where the crowd is depressed and the asset is under loved.

### Chart #4 The wall of worry

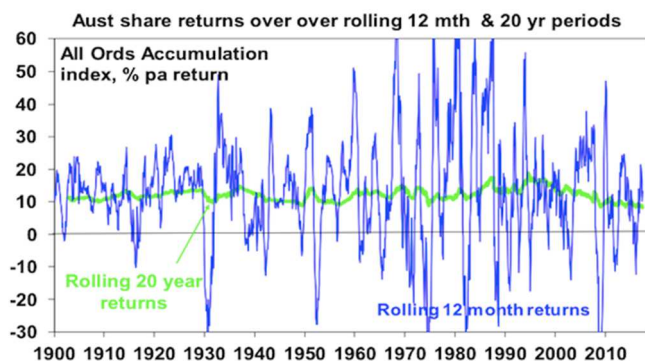
It seems that these days there is always something for investors to worry about. This year so far has been no exception with numerous worries about President Trump on multiple fronts (will he overstimulate the US economy? will he cause trade wars? will he deliver on his pro-business policies? will he be impeached? etc), various terrorist attacks, elections in the Netherlands and France and worries about Italy, the surprise election result in the UK, tensions between Saudi Arabia and Qatar, a new plunge in the oil price, intensifying “provocations” from North Korea, ongoing worries about the Australian property market and banks, etc. But most of this stuff is just noise. The global economy has had plenty of worries over the last century, but it got over them with Australian shares returning 11.8% per annum since 1900, with a broad rising trend in the All Ords price index as can be seen in the next chart, and US shares returning 9.8% pa. (Note that this chart shows the All Ords share price index whereas the first chart shows the value of \$1 invested in the All Ords accumulation index, which allows for changes in share prices and dividends.



**Key message:** worries are normal around the economy and investment markets but most of them are just noise.

### Chart #5 Time is on your side

Investment markets bounce all over the place in the short term. As can be seen in the next chart even annual returns in the share market are highly volatile, but longer-term returns tend to be solid and relatively smooth. Since 1900 for Australian shares roughly two years out of ten have had negative returns but there are no negative returns over rolling 20-year periods. (It's roughly three years out of ten for US shares since 1900.)



**Key message:** the longer the time horizon, the greater the chance your investments will meet their goals. So in investing, time is on your side.

**Dr Shane Oliver**  
**Head of Investment Strategy and Chief Economist**  
**AMP Capital**

**Important note:** While every care has been taken in the preparation of this document, AMP Capital Investors Limited (ABN 59 001 777 591, AFSL 232497) and AMP Capital Funds Management Limited (ABN 15 159 557 721, AFSL 426455) make no representations or warranties as to the accuracy or completeness of any statement in it including, without limitation, any forecasts. Past performance is not a reliable indicator of future performance. This document has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. An investor should, before making any investment decisions, consider the appropriateness of the information in this document, and seek professional advice, having regard to the investor's objectives, financial situation and needs. This document is solely for the use of the party to whom it is provided.



## INVESTMENT INFORMATION

The Trustee has in conjunction with its advisers constructed the *Spaceship GrowthX* investment option with a bias towards the Technology sector.

We monitor the underlying investments to ensure we take advantage of the expected growth within the Technology sector and very importantly with a view of ensuring the investment performance continues to remain competitive into the future.

Summary key Investment features	Page
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# Investment

## Spaceship GrowthX

### Objective (for the year ending 30 June 2017)

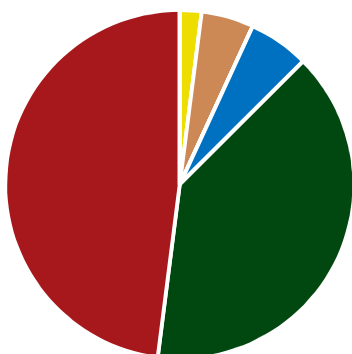
*Spaceship GrowthX* aims to generate a net return (after fees and taxes) exceeding CPI + 2.5% over the minimum suggested timeframe. It will aim to achieve long-term capital growth by investing predominantly in growth assets with an emphasis on Australian and international shares.

### Strategy

The underlying investments have been selected to provide an intended equity bias to the Technology sector via investments in Exchange Traded Funds that follow indexes dedicated to the Technology sector along with a small balancing exposure to property, fixed interest and cash.

This option suits those who are prepared to accept a higher level of risk to achieve greater returns over the longer term. As a result, the value of your investment may rise or fall in the short term.

### Asset Allocation



Cash	2.01%
Australian Fixed Interest	4.87%
Australian Property	5.63%
Australian Shares	39.52%
International Shares	47.97%

### Performance as at 30 June 2017

Annual Returns		Compound Annual Returns	
30 June 2017 #	N/A%	1 year #	N/A%
30 June 2016 #	N/A%	3 years pa #	N/A%
30 June 2015 #	N/A%	5 years pa #	N/A%
30 June 2014 #	N/A%	10 years pa #	N/A%
30 June 2013 #	N/A%	Since start 4/1/17 pa #	5.66%

# Please note that the listed investment returns are not available as this investment option did not commence until 4 January 2017.

Returns shown are net of indirect administration and investment costs and investment taxes (where applicable). The returns represent past performance and do not guarantee future results. Current performance may be lower of higher than the performance quoted.

### Revision of Objective for Spaceship GrowthX

Please note that the Investment Objective in respect to the Spaceship GrowthX investment option was reviewed and updated by the Trustee with effect from 28 September 2017.

Going forward Spaceship GrowthX aims to generate a net return (after fees and taxes) exceeding CPI + 2.75% over the minimum suggested timeframe. It will aim to achieve long-term capital growth by investing predominantly in growth assets with an emphasis on Australian and international shares.

## ABRIDGED FINANCIAL INFORMATION

Statement of Financial Position	2017 (audited)	2016 (audited)
<b>Assets</b>	<b>\$'000</b>	<b>\$'000</b>
Investments	113,041	-
Tax Assets	122	-
Other assets	193	-
<b>Total Assets</b>	<b>113,356</b>	<b>0</b>
<b>Liabilities</b>		
Tax Liabilities	369	
Other liabilities	394	
<b>Total Liabilities</b>	<b>763</b>	<b>0</b>
<b>Net assets available for member benefits</b>	<b>112,593</b>	<b>0</b>
Members' benefits	111,342	
<b>Total net assets (liabilities)</b>	<b>1,251</b>	<b>0g</b>
Reserves	875	
Unallocated surplus (deficit)	376	
<b>Total reserves</b>	<b>1,251</b>	
<b>Operating Statement</b>	<b>2017 (audited)</b>	<b>2016 (audited)</b>
	<b>\$'000</b>	<b>\$'000</b>
Investment Income	1,516	
<b>Total Revenue</b>	<b>1,516</b>	<b>0</b>
General administration and operating expenses	(441)	
<b>Total expenses</b>	<b>(441)</b>	<b>0</b>
<b>Operating result before income tax</b>	<b>1,075</b>	
Income tax expense (benefit)	(258)	
<b>Results from superannuation activities after income tax expense</b>	<b>1,333</b>	
Net benefit allocated to defined contribution members	(459)	
<b>Operating result after income tax</b>	<b>874</b>	<b>0</b>
<b>Statement of changes in benefits</b>	<b>2017 (audited)</b>	<b>2016 (audited)</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Opening Balance</b>	<b>-</b>	<b>-</b>
Contributions	4,309	
Transfers from other superannuation plans	110,101	
Income tax on contributions	(589)	
<b>Net after tax contributions</b>	<b>113,821</b>	<b>0</b>
Benefits to members or beneficiaries	(2,938)	
Net benefits allocated to members' accounts	459	
<b>Closing Balance</b>	<b>111,342</b>	<b>0</b>

The full audited Accounts of Tidswell Master Superannuation Plan which includes **Spaceship** together with Directors' remuneration and attendance record, and the auditor's report, are available for inspection on the Trustees website, [www.tidswell.com.au](http://www.tidswell.com.au).

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