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SPRING 2023 EDITION



Greater super contribution opportunities from 1 July 2023



If you are looking to increase your super, and are under age 75, then a good way is through making non-concessional contributions. Recent changes to legislation have provided greater opportunities for additional non-concessional super contributions that may help you in building your super balance.

When and why make non-concessional contributions?

If you sell an asset of considerable value or receive a significant financial windfall, it could give you the opportunity to deposit that money into your super and better help you fund your retirement and future. Making non-concessional contributions not only increases your investment wealth in a tax-advantaged environment, it also is a great estate planning strategy, as no tax is payable on this amount when you die regardless of whom it is paid to.

What are non-concessional contributions and bring forward non-concessional contributions?

Non-concessional contributions are after tax contributions made to super with no 15% contribution tax on the way in. The standard non-concessional contribution cap in 2023/24 is \$110,000 per annum.

In addition, the bring-forward non-concessional contribution rule allows you to make up to three years' worth of non-concessional contributions in one financial year (\$110,000 x 3). There are certain eligibility criteria that you need to meet in order to make a non-concessional contribution such as total super balance restrictions, but it does mean you might be able to boost your super balance by up to \$330,000 in a tax effective environment. If you are approaching 75 years of age, it is important to contact your Financial Adviser urgently, as strict age limits apply.

What is total super balance (TSB)?

Generally, your TSB is the sum of all amounts you have in the super system at 30 June each year. At a high level, it includes:

- your accumulation account balances
- your super pension accounts.

Exceptions and modifications may apply. Calculating TSB can be complex, especially for people with defined benefit components, so it's important to seek advice.

What has changed from 1 July 2023?

Since 1 July 2023, the general transfer balance cap has increased to \$1.9m (increase from \$1.7m).

In this issue

- Greater super contribution opportunities from 1 July 2023
- Keys to long-term wealth creation
- Beyond Bricks – companies powering organisational design to create a sustainable competitive advantage
- What you can do to protect your personal information

The total super balance threshold for making non-concessional contributions has increased to \$1.9m. This increase in the total super balance threshold means there are more opportunities to make non concessional contributions under the bring forward rule from this financial year onward.

This is because in the year the bring forward contribution is triggered, the increased total super balance (TSB) thresholds allow greater opportunities to make larger non-concessional contributions as outlined in the following table:

Total super balance at 30 June 2023	Non-concessional contributions available in 2023/24
Less than \$1.68m (previously \$1.48m)	Up to \$330,000
At least \$1.68m but less than \$1.79m (previously \$1.59m)	Up to \$220,000
At least \$1.79m but less than \$1.9m (previously \$1.7m)	Up to \$110,000
\$1.9m or greater (previously \$1.7m)	Nil

These rules are complicated, so it's important you speak to your Financial Adviser before you turn 75, as strict age limits apply.

Keys to long-term wealth creation



Understanding the relationship between valuation, volatility, and wealth creation risk.

A great way to profit from volatility and manage investment risk is through understanding fundamental intrinsic valuation. That is, buying undervalued companies when they offer a material margin of safety selling down exposure to overvalued companies.

The link between valuation, volatility and wealth creation risk is underappreciated. Using intrinsic valuation as a tool to profit from share market volatility and safeguard against investment risk is central to long-term wealth creation.

Start with valuation. The goal is to buy quality companies when they trade well below their long-term intrinsic value. Often, that requires buying out-of-favour assets.

Market volatility fuels valuation anomalies. Investor sentiment and market noise can cause the share prices to move away from their long-term intrinsic value. This often distracts investors who then either overpay for assets in upswings or sell too cheaply in downdrafts.

Some investors fear this volatility because they confuse it with risk to long term wealth creation. Whereas volatility simply denotes the change in asset returns from one period to the next and is largely a measure of swings in short-term market sentiment.

The real risk for most investors is that of not generating sufficient wealth from their investments to fund a multi-decade retirement and meet rising living costs in an inflationary environment. Paradoxically, the biggest risk retirees can incur is to not take enough risk, as the income they need is not met by the returns on their investments.

While long-term fundamental risk needs to be carefully managed to achieve desired wealth outcomes, short-term volatility should

be embraced as a facilitator of buying undervalued and selling overvalued assets.

You may benefit from market volatility by using active fund managers who understand long term intrinsic equity valuations.

Reduce investment risk by not overpaying for assets. Buying undervalued assets sets portfolios up for higher long-term returns and helps preserve capital.

Investing in volatile markets requires conviction. Buying out-of-favour assets when markets are fearful or selling stocks when greed takes hold and the "herd" is driving prices to unsustainable levels needs fortitude.

Managing investment risk requires discipline and patience. It can take years for industry cycles to play out and for bottom-quartile valuations to revert to top-quartile valuations.

None of this is easy. Company valuation is complex and requires expert skills, but the hard work is worth it. Buying undervalued assets in volatile markets allows returns to compound over time and amplifies wealth.

As people live longer, they will need to build more wealth for retirement. That means having a higher allocation to carefully selected equities within portfolios to generate greater returns.

This requires a new mindset towards volatility and risk. In the short-term, view heightened volatility as an opportunity for active managers to take advantage of mispriced assets. In the long-term, view risk as the potential of failing to generate sufficient wealth for a multi-decade retirement in an environment of rising living costs.

Most importantly, understand the differences and linkages between valuation, volatility, and long-term risk in the wealth-creation journey.

Important Information

Source: PM Capital Limited is the investment manager of the PM Capital Global Companies Fund and PM Capital Australian Companies Fund. PM Capital is a leading active asset manager in global and Australian equities and fixed income.

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Beyond Bricks – companies powering organisational design to create a sustainable competitive advantage

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The history of societal progress is often told as the history of technological change. As managers of an investment strategy with a mandate to purchase companies driven by secular growth trends, we believe it's worth reflecting on how more subtle changes can act as a driving force at both the industry and company level to create new sustainable competitive advantages and profit pools.

In this article, we'll explore some of the companies held by Franklin Global Growth Fund that we see as innovating to enable better ways of doing business.

Rockwell Automation – Mining for efficiency

Today, technology like the internet of things (IoT) and machine vision is empowering companies to digitise their workflow process. Rockwell Automation is at the leading edge of building such IoT systems, one of which is their FactoryTalk InnovationSuite (FactoryTalk).

FactoryTalk is a software platform that combines advanced analytics, machine learning, and Industrial IoT (IIoT) capabilities to improve organisational design in manufacturing settings. By integrating data from various sources within the factory, this platform provides real-time insights and predictive analytics that enable better decision-making, improved efficiency, and reduced downtime. FactoryTalk connects to IIoT devices, collecting sensor data for analysis in the cloud.

Advanced AI algorithms detect failure patterns and alert managers of potential issues.

Rockwell Automation is well-positioned to shape the future of industrial automation and bring about positive change for businesses and society alike.

Aptiv PLC – Driving innovation

Aptiv PLC specialises in automotive solutions and transforming the automotive industry with its advanced technologies and systems. The company's expertise in areas such as vehicle connectivity, electrification, and advanced driver-assistance systems (ADAS) is enabling the development of more intelligent and connected vehicles. These advancements not only improve the driving experience but also pave the way for a more efficient and environmentally friendly transportation ecosystem.

Aptiv's integration of technological capital has the potential to create a sustainable business advantage by offering propriety systems that deliver a critical service. This will allow Aptiv to capture more of the automobile market value chain and place the company in a position to deliver attractive returns to shareholders.

Aptiv's journey from component integration to the development of advanced automotive systems and autonomous driving technologies shows what is possible. By embracing new technologies, Aptiv is well-positioned to shape the future of transportation and bring about positive change for society.

Enabling optimised and more reliable ADAS

Enabling advanced features with greater availability, robustness and efficiency

Integration of advanced software and hardware delivers equal or better system performance at as much as 25% lower cost than an equivalent vision-based system



L2/L2+/L3 feature functions highway and urban



Automated simulation, validation and testing



Positioning system and host state estimation



Advanced radar tracker with machine learning



Forward-facing vision-agnostic camera



AI/ML forward facing radar



Motion planning for "human-like" vehicle control



Driver monitoring system supporting hands-free driving



AI/ML corner radar (4x)



High precision radar based localisation



Organisation design – The backbone of proprietary systems and processes

Organisational design plays a pivotal role in shaping the modern business landscape. Companies like Rockwell Automation and Aptiv are developing proprietary solutions to create sustainable competitive advantages.

In a fast-evolving world, we believe the power of organisational design will serve as a key driver for growth, fostering innovation and efficiency, and ultimately positioning businesses at the forefront of their respective industries.

Important Information:

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What you can do to protect your personal information

In Australia we are seeing an increase in the number and sophistication of cyber threats.

With a 13% increase in cybercrime reports in the 2021-22 financial year, according to the Australian Cyber Security Centre, we know cybercrime is a real threat to all Australians.

Which is why it is important that we all do what we can to keep our data, systems and devices safe. We ask you to please check the sender address on all correspondence you receive, and never click on a link you are unsure of.

Here are a few simple, additional steps we recommend to help keep you cyber-safe:

Install anti-virus software

on all your devices and regularly update the software



Use a strong password

or unique passphrase and activate two-factor authentication where possible



Don't share your personal information or whereabouts on social media



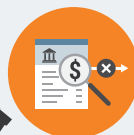
Never give out your personal information over the phone

unless you have properly identified the caller



We will not ask you to perform financial transactions

over the phone



If you see an email from us that you think is a scam

let us know



Thinking ahead? Let's talk about strategies for creating a positive financial future.

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