

Tax Aware Investing

It's the after-tax returns that matter

Webinar 9 October 2024



Click here for the webinar [zoom](#)

Disclaimer.



The information contained on this presentation is produced by Hamilton12 Pty Ltd (H12) ABN 72 626 045 412, AFS Representative #001298730, Corporate Authorised Representative of K2 Asset Management Ltd (ABN 95 085 445 094), AFS License #: 244393.

Its contents are current to the date of the publication only and whilst all care has been taken in its preparation, H12 accepts no liability for errors or omissions. The application of its contents to specific situations (including case studies and projections) will depend upon each particular circumstance. The contents of this presentation have been prepared without taking into account the objectives or circumstances of any particular individual or entity and is intended for general information only.

Any opinions contained within this presentation are the author's own and should not be considered the opinion of H12 or as advice.

Any H12 funds referenced on this presentation are issued by K2 Asset Management Ltd unless otherwise stated. An information memorandum for the funds referred to on this presentation can be requested at www.hamilton12.com or by contacting H12. You should consider the information memorandum before making a decision to acquire an interest in a fund.

H12 does not accept any responsibility and disclaims any liability whatsoever for loss caused to any party by reliance on the information on this presentation. Please note that past performance is not a reliable indicator of future performance. Any advice and information contained on this presentation is general only and has been prepared without taking into account any particular circumstances and needs of any party. Before acting on any advice or information from this presentation you should assess and seek advice on whether it is appropriate for your needs, financial situation and investment objectives. Investment decisions should not be made upon the basis of its past performance or distribution rate, or any rating given by a ratings agency, since each of these can vary. In addition, ratings need to be understood in the context of the full report issued by the ratings agency themselves.

The content of this presentation is not to be reproduced without permission.

All rights reserved Hamilton12 Pty Ltd (ABN 72 626 045 412).

What we will cover today.



- 1. The Importance of After-Tax Investing.** Learn about the significance of evaluating investments based on returns after taxes.
- 2. Limitation of Index Funds.** Understand why passive funds mirroring the S&P/ASX 200 or 300 might not be the best choice for every investor on an after-tax basis.
- 3. Maximising Returns with Franking Credits.** Explore the often-overlooked tax benefits of franking credits and how they can significantly impact returns for Australian resident investors.
- 4. Evidence-Based Systematic Investing.** Discover how a data-driven strategy can outperform the market and most intuition-based decisions in the long run.
- 5. Introducing the Hamilton12 Australian Shares Income Fund.** Look at our strategic solution designed to offer diversification and tax efficiency, aligning with the needs of sophisticated investors.

Expertise in investment, research, governance, and innovation.



Leadership Team and Advisory Board.



Dr Jason Hall
Chief Investment Officer
PhD BCom(Hons) CFA



- Recognised for work on imputation credits and valuation, relied upon by ASX companies and Australian government agencies.
- Former Director at Cardinal Economics & Finance and Frontier Economics; senior lecturer at UQ Business School; equity research analyst at Credit Suisse.
- Lecturer at Ross School of Business, University of Michigan; board member of CFA Society Detroit; holds a PhD in Finance from UQ and is a CFA charter holder.



Richard McDougall
Managing Director
MBA(Hons) LLB BCom



- Over 20 years in financial markets, with executive roles in banking and investment firms domestically and internationally.
- Former Director at Westpac Group, Queensland State Manager for Morgan Stanley Wealth Management, and Director of UBS Wealth Management.
- Advisory Board Member of UQ Institute for Molecular Bioscience; Bachelor of Laws and Commerce from Bond University, MBA (Hons) from the University of Queensland.



Damian Vassallo
Director
MBA BCom



- Over 20 years in security, governance, risk, and compliance; led digital transformation in mining, oil and gas, petrochemical, and nuclear sectors.
- Co-founder of Healthia Ltd and former NED at iOrthotics; key role in the 2018 IPO merger.
- UQ Business School alumnus, Director's Award for Leadership (2007); Adjunct Senior Fellow; Non-Executive Member of Brisbane Archdiocesan Ministries and Services Council.



Dr Adam Walk
Advisory Board Member
PhD BA BBus MAppFin



- Financial economist with over 20 years of experience, held roles at Myer Family Company, QIC, QSuper, and Bank of Queensland.
- Director at Drew, Walk & Co, chairs the Risk Committee and Audit and Finance Committee at Rest Super, and chairs the Investment Committee at RSL Queensland.
- Co-authored "Investment Governance for Fiduciaries" (2019); PhD in financial economics from Griffith University.

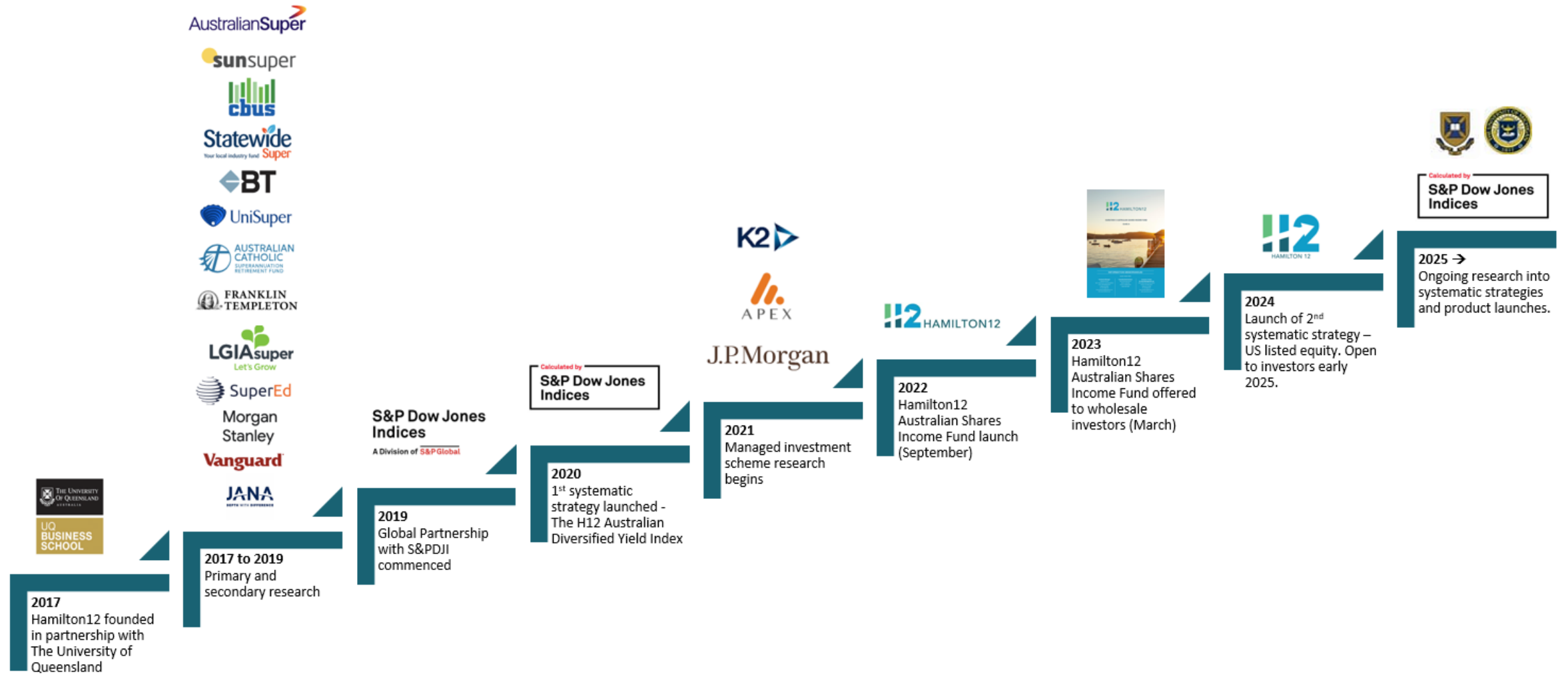


Prof Tim Kastelle
Advisory Board Member
PhD MBA BEcon



- Director of UQ Andrew N. Liveris Academy for Innovation and Leadership.
- Focuses on leadership skills, sustainability, and large-scale innovation; research in innovation management with degrees from Princeton and UQ.
- Collaborates with CSIRO, CSR, Meat & Livestock Australia, Teys Australia, Logan City Council, and Metro South Health.

From research to results.



Hamilton12 was created to fill a market gap.



Challenge: Finding fund managers who outperform the market is difficult.

- Evidence: SPIVA reports indicate active management often fails to outperform lower cost index funds.
- Trend: Shift from active to passive investment strategies.

The Problem with Default Funds:

- Exposure vs. Efficiency: ASX200/ASX300 tracking funds provide market exposure at the expense of material tax benefits.
- Strategy: Current investment strategies aren't optimised for after-tax returns.
- Tax Unaware: Marginal tax rates of individual investors are not considered.

Opportunity:

- Tax-Optimised Investing: Implement strategies that focus on after-tax returns and outperform the market.
- Personalisation: Account for individual investor's marginal tax rates.

Goal: Enhance investor returns by integrating tax efficiency into investment strategy.

Call to Action: "We can do better" - Create a tailored, tax-aware investment approach.

What every investor should know.



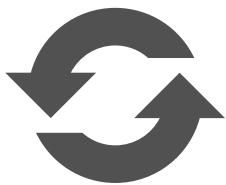
- Investors worldwide have realised that consistently finding a fund manager who can outperform the market is challenging.
- Most active managers underperform the market most of the time.
- The likelihood of underperformance tends to increase over longer periods.



- Consequently, investors are moving their money to passive strategies that mirror the broader market, such as the ASX 200 or ASX 300 for Australian equities.
- While this approach achieves diversification, it sacrifices significant tax benefits in the form of franking credits.



- If you pay less than 30% tax on income and are already well-diversified across other asset classes or geographies, you only need to hold up to 100 Australian shares that pay high-franked dividends and are diversified across industries similar to the market.
- This is preferable to holding 200 or 300 shares based on market capitalisation.
- You can receive franking credits for free, and high-yield stocks provide a long-term premium of 2.3% per annum.



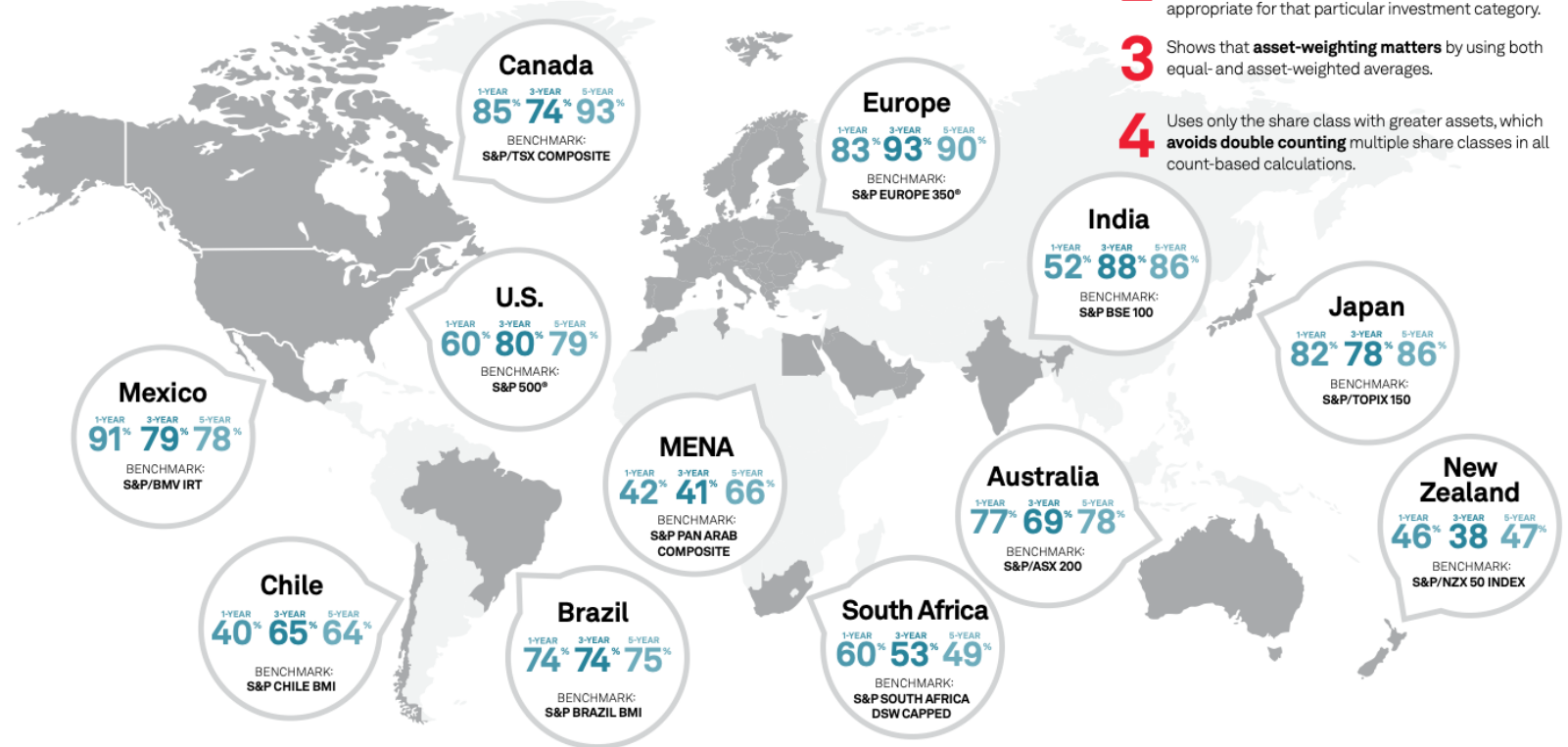
- Evidence-based systematic investing enables you to outperform the market on an after-tax basis with the same level of risk as investing in the ASX 200 or ASX 300.
- By adopting a simple, repeatable investment strategy based on research and focused on after-tax returns, you may achieve superior performance.
- This approach removes, speculation and emotions, which often lead to poor results.

Global challenge: finding market-beating fund managers.

Investors worldwide have realised that consistently finding a fund manager who can outperform the market is challenging.

SPIVA® Around the World

Percentage of active funds underperforming their assigned benchmarks* over 1-, 3-, and 5-year periods



The SPIVA Difference

- 1 Accounts for the entire opportunity set — not just the survivors — thereby **eliminating survivorship bias**.
- 2 Applies an **apples-to-apples comparison** by measuring a fund's returns against the returns of a benchmark appropriate for that particular investment category.
- 3 Shows that **asset-weighting matters** by using both equal- and asset-weighted averages.
- 4 Uses only the share class with greater assets, which **avoids double counting** multiple share classes in all count-based calculations.

* Regional benchmarks included here are large cap, with the exception of Brazil and Chile, where SPIVA results displayed reflect regional broad-market indices. Multiple benchmarks exist in all regions tracked by SPIVA. For more information on SPIVA methodology, including a full list of regional benchmarks and results, visit <https://www.spglobal.com/spdji/en/research-insights/spiva>.

Source: S&P Dow Jones Indices LLC, Morningstar, Funddata, CRSP. Data as of Dec. 31, 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

SPIVA: S&P Indices Versus Active

www.spglobal.com/spiva

A declining trend over time.

Most active managers underperform the market most of the time, and the likelihood of underperformance tends to increase over longer periods.

Report 1b: Percentage of Funds Outperformed by the Index (Based on Risk-Adjusted Return)

Fund Category	Comparison Index	3-Year (%)	5-Year (%)	10-Year (%)	15-Year (%)
Australian Equity General	S&P/ASX 200	59.88	79.88	84.85	86.97
Australian Equity Mid- and Small-Cap	S&P/ASX Mid-Small	52.90	58.70	72.32	-
International Equity General	S&P Developed Ex-Australia LargeMidCap	77.54	94.68	96.48	95.60
Australian Bonds	S&P/ASX Australian Fixed Interest 0+ Index	51.47	47.89	-	-
Australian Equity A-REIT	S&P/ASX 200 A-REIT	70.97	65.67	72.60	73.68
New Zealand Domestic Equity	S&P/NZX 50 Index	33.33	52.63	75.00	84.62

Report 1b: Percentage of U.S. Equity Funds Underperforming Their Benchmarks (Based on Risk-Adjusted Return)

Fund Category	Comparison Index	3-Year (%)	5-Year (%)	10-Year (%)	15-Year (%)	20-Year (%)
All Domestic Funds	S&P Composite 1500	78.64	90.25	95.01	96.19	96.83
All Large-Cap Funds	S&P 500	73.50	87.21	94.06	95.46	96.39
All Mid-Cap Funds	S&P MidCap 400	65.19	61.15	80.11	87.15	90.00
All Small-Cap Funds	S&P SmallCap 600	62.91	61.63	86.19	85.47	93.46
All Multi-Cap Funds	S&P Composite 1500	76.15	89.61	95.19	94.71	95.96
Large-Cap Growth Funds	S&P 500 Growth	71.24	64.10	91.55	98.09	98.64
Large-Cap Core Funds	S&P 500	72.07	79.84	94.81	96.38	97.02
Large-Cap Value Funds	S&P 500 Value	93.86	89.68	91.87	88.35	85.58
Mid-Cap Growth Funds	S&P MidCap 400 Growth	86.76	53.79	73.37	87.64	91.76
Mid-Cap Core Funds	S&P MidCap 400	48.04	67.50	84.73	92.36	90.55
Mid-Cap Value Funds	S&P MidCap 400 Value	63.64	54.84	84.72	81.53	85.71
Small-Cap Growth Funds	S&P SmallCap 600 Growth	87.00	64.29	85.00	89.84	96.34
Small-Cap Core Funds	S&P SmallCap 600	51.20	60.43	87.06	88.85	93.03
Small-Cap Value Funds	S&P SmallCap 600 Value	35.62	51.46	82.91	71.71	84.54
Multi-Cap Growth Funds	S&P Composite 1500 Growth	76.63	77.05	90.95	95.92	96.71
Multi-Cap Core Funds	S&P Composite 1500	81.74	91.24	97.88	96.29	95.53
Multi-Cap Value Funds	S&P Composite 1500 Value	96.20	97.01	95.69	91.10	91.04
Real Estate Funds	S&P United States REIT	94.87	52.94	67.42	77.88	82.43

Sources: S&P Dow Jones Indices LLC, Morningstar. Data for periods ending Dec. 31, 2023. Risk adjusted return is computed as the annualised average monthly return divided by the annualised standard deviation of the monthly return for the measured periods.

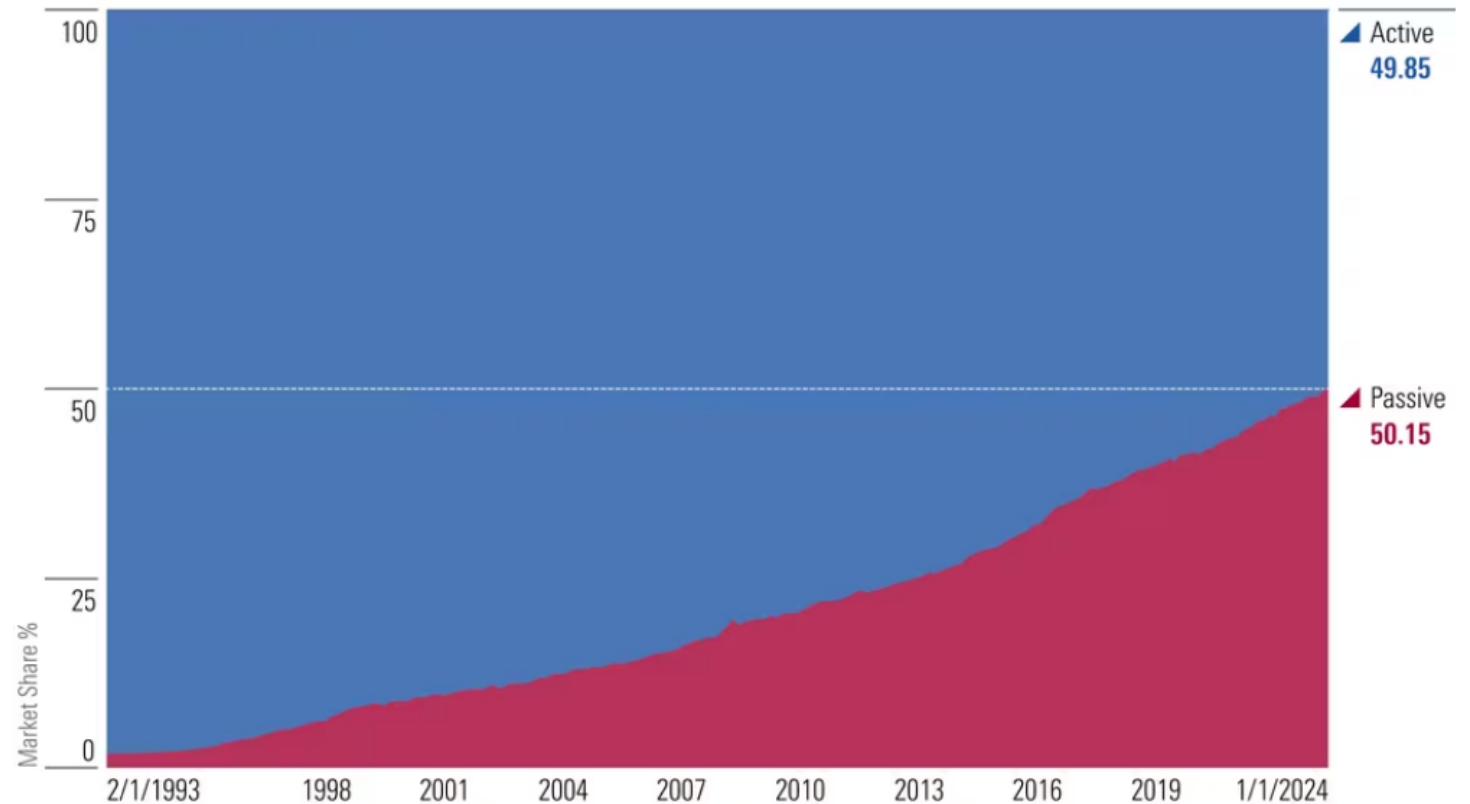
Investors embrace passive strategies.

Consequently, investors are moving their money to passive strategies that mirror the broader market, such as the ASX 200 or ASX 300 for Australian equities.

This year, for the first time, passively managed funds in the US controlled more assets than their actively managed competitors. (This count includes both traditional managed funds and exchange-traded funds.)

Market Share: All Funds

(Active vs. passive market shares, all long-term mutual funds and ETFs, Feb. 1, 1993 - Jan. 1, 2024)

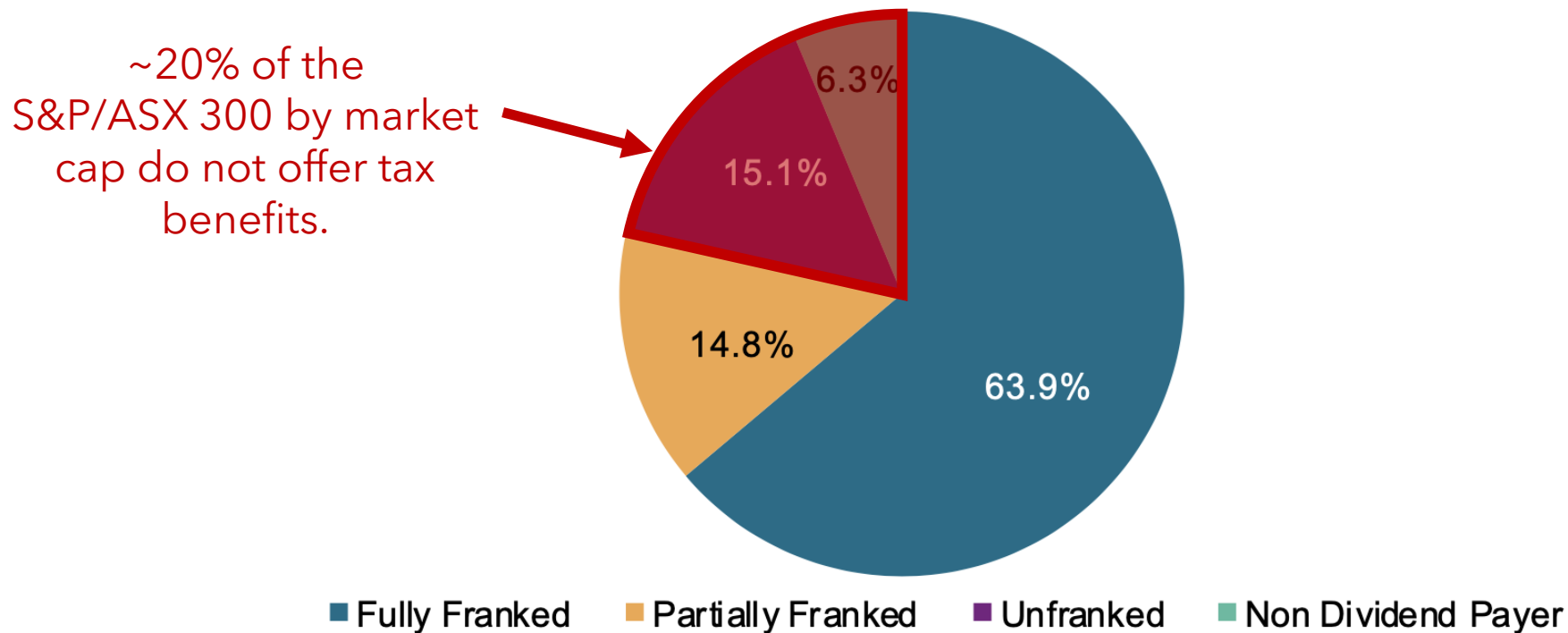


Source: [Index Funds Have Officially Won | Morningstar](#) (14 Feb 2024)

A missed opportunity.

Exposure to the ASX 200 or ASX 300 achieves diversification, however it sacrifices significant tax benefits in the form of franking credits.

Weight Distribution of Companies' Franking Credits in the S&P/ASX 300



Source: S&P Dow Jones Indices LLC, FactSet. Data as of Dec. 31, 2023. Franking percentage based on dividend events during the past 12 months. Past performance is no guarantee of future results. Chart is provided for illustrative purposes

What are these tax benefits?

Let's look at franking credits.

Introduction: The imputation system was introduced in Australia in 1987 under the government of Prime Minister Bob Hawke and Treasurer Paul Keating. It aimed to **eliminate the double taxation of Australian generated corporate profits** by allowing Australian resident shareholders to receive a credit for the tax paid by the company on its profits, known as franking credits.

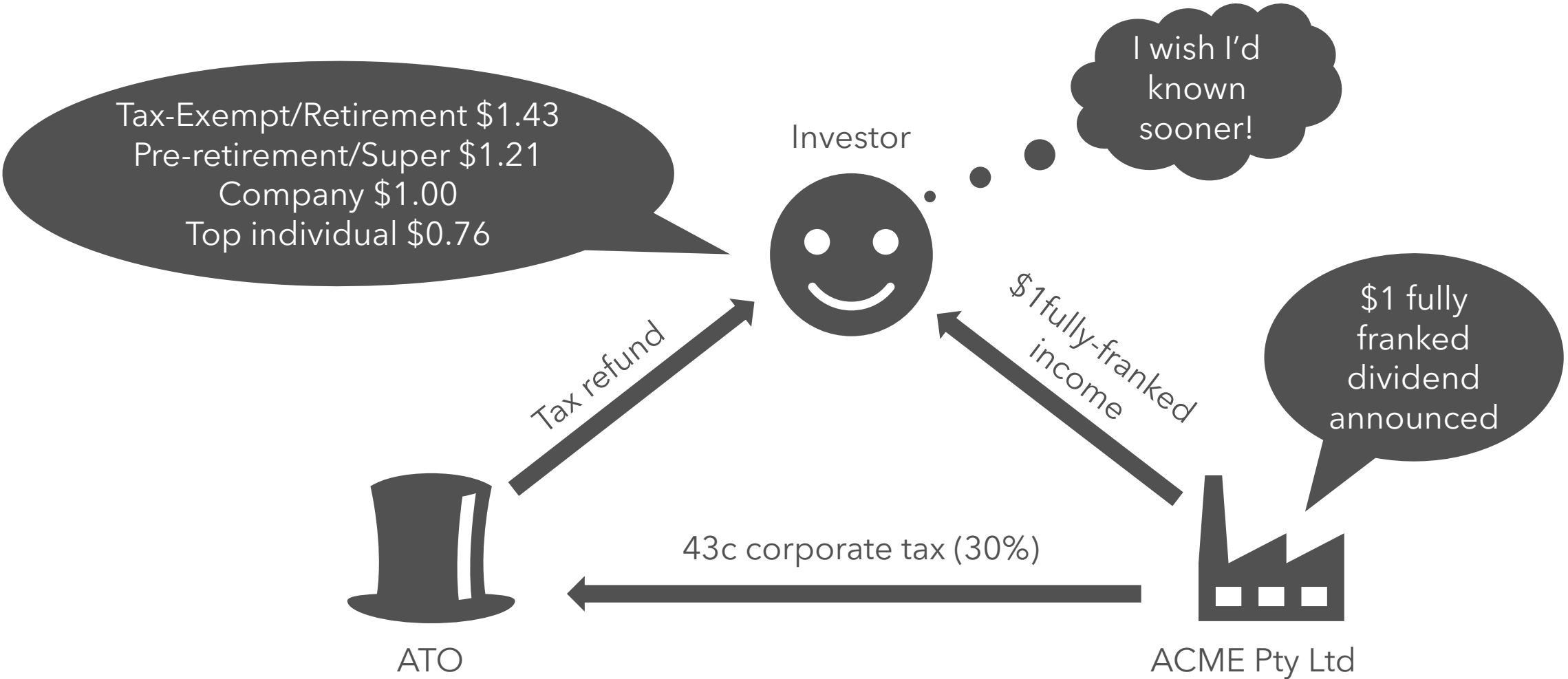
Evolution: In 2000, under the Howard government, the system was **expanded to include refundable franking credits**, allowing shareholders to receive cash refunds for excess imputation credits. This was seen as a measure to benefit low-income and retired investors.

Current Status: The imputation system remains a key feature of Australia's tax policy, providing incentives for domestic investment, economic efficiency, and shareholder participation in the equity market. However, it has been a topic of debate, with discussions around its fairness, particularly regarding its impact on government revenue.

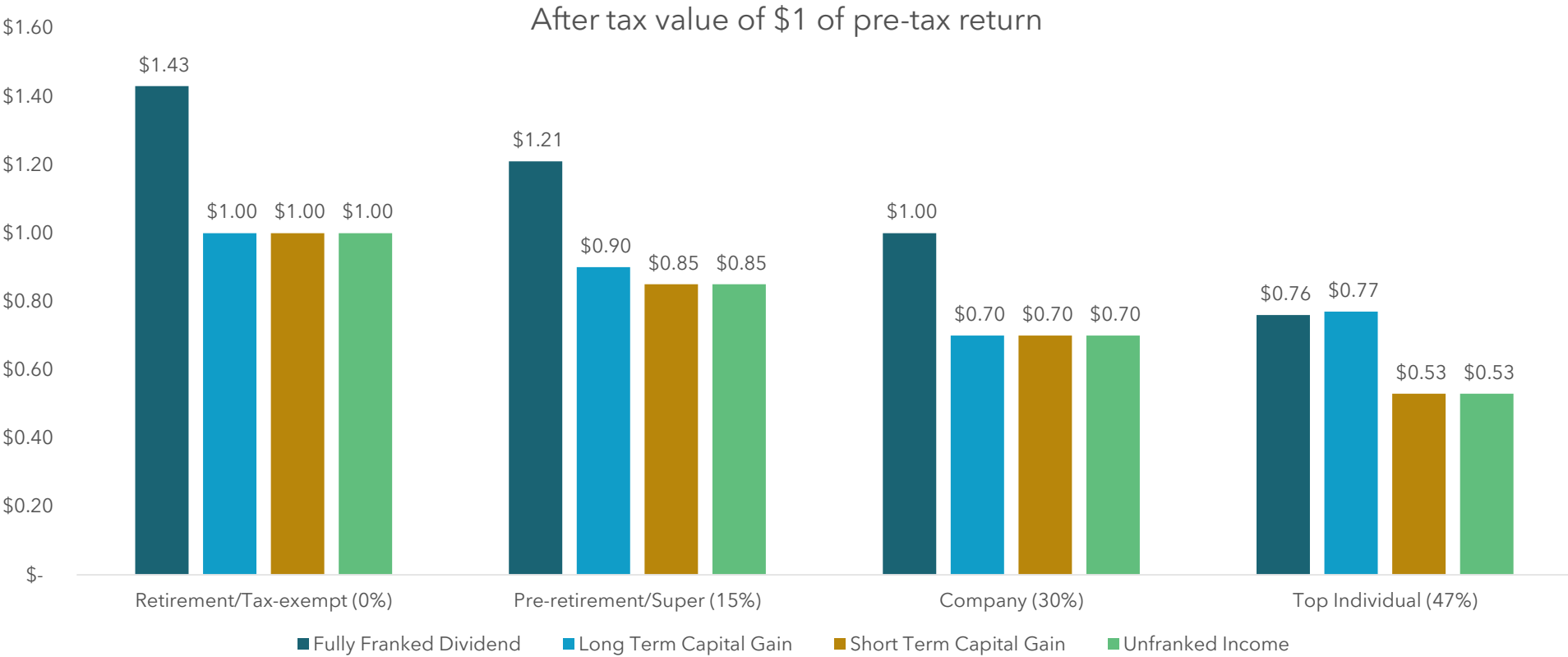
Future Status: To remain a key feature of Australia's tax policy, rules will continue to evolve. Incentive for domestic investment, economic efficiency, and shareholder participation remain key.



Corporate tax is a prepayment of personal tax.



It's the after-tax returns that truly matter.



Source: Australian Taxation Office using 30 June 2023 tax rates including Medicare levy.

Validated for 24 years by S&P Dow Jones Indices.

Hamilton 12 Australian Diversified Yield Index

2,166.10 AUD | 0.73% 1 Day

Calculated by
**S&P Dow Jones
Indices**

Overview

Data



PERFORMANCE

AUD

FRANKING CREDIT ADJUSTED DA... ▾

GRAPH VIEW TABLE VIEW

As of Sep 30, 2024

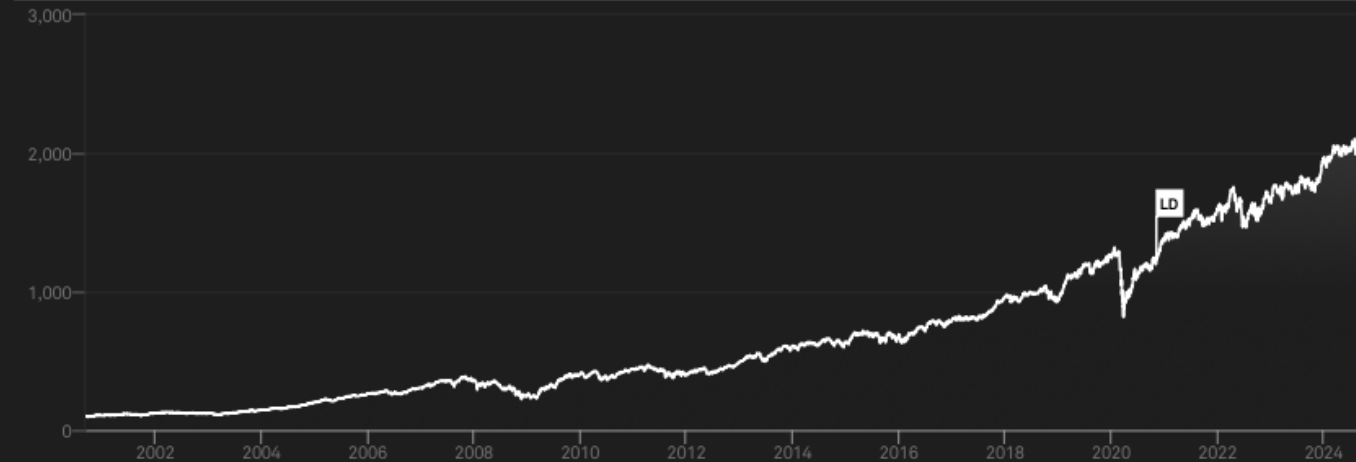
2,166.10

13.64%

ANN. RETURN SINCE FIRST VALUE

MTD QTD YTD 1 YEAR 3 YEAR 5 YEAR 10 YEAR **ALL**

EXPORT ⌵

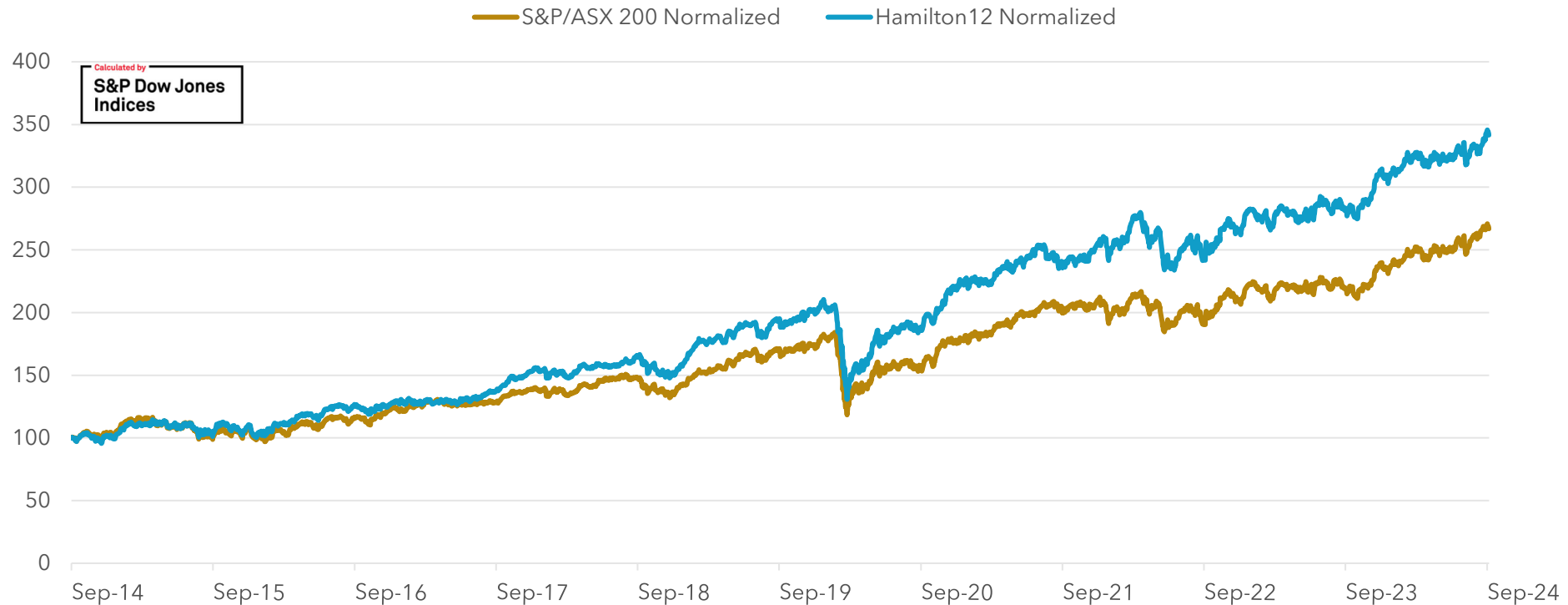


The index Launch Date is Nov 06, 2020. All information for an index prior to its Launch Date is hypothetical back-tested, not actual performance, based on the index methodology in effect on the Launch Date. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results. This back-tested data may have been created using a "Backward Data Assumption". For more information on "Backward Data Assumption" and back-testing in general, please see the [Performance Disclosure](#)

Enhanced returns with diversification and franking credits.

If your income tax rate is below 30% and you are well-diversified in other asset classes or geographies, holding up to 100 Australian shares with high-franked dividends, diversified across industries, may be better than holding 200-300 shares based on market capitalisation.

Normalised Performance Comparison of S&P/ASX 200 and Hamilton12 Tax-Exempt Indices

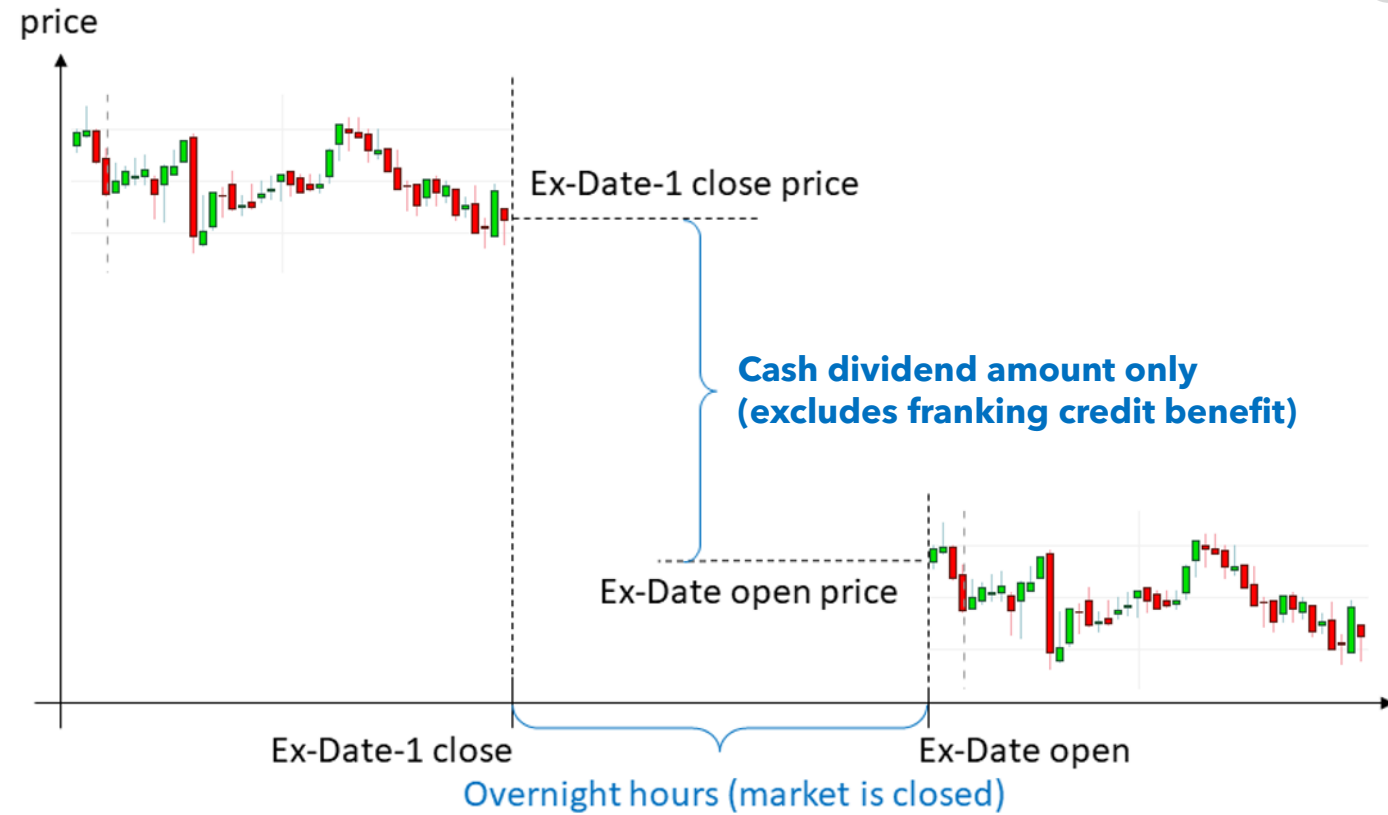


Performance figures include franking credits and assume dividends have been reinvested.

Benefits of free franking credits.

This is because you get the franking credits for free.

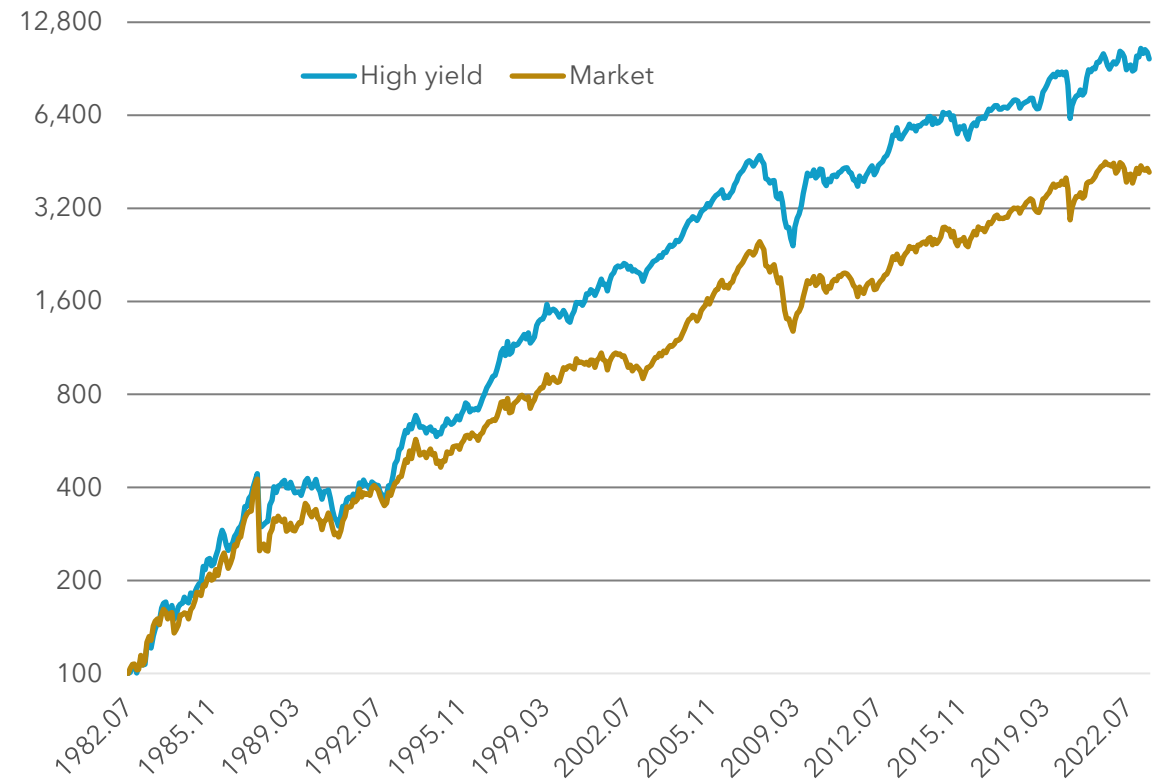
- Cannavan, D., S. Gray, and J. Hall, 2022. "Sampling error and the joint estimation of imputation credit value and cash dividend value," *Accounting and Finance*, <https://doi.org/10.1111/acfi.12922>.
- 73,076 observations from the 22-year period from 16 May 1994 to 27 October 2016. 75,502 observations of which 2,426 outliers were excluded.
- Each observation comprises a match of a derivative (LEPO) trade and a stock trade.



Key insights on high yield shares.

And high-yield shares provide a long-term premium of 2.3% per annum.

- High yield investments historically yield 1-3% annual return premium across countries.
- Australian-listed company portfolios targeting yield, with imputation credits, returned 11.9% annually over 41 years, outperforming the market by 2.3%.
- Imputation credits contribute 1.2% to the outperformance, with 1.0% attributed to yield premium.
- High yield investments have below-average market risk exposure, which is offset by above-average exposure to interest rate risk. A 1% increase in the 10-year bond yield is associated with a -0.6 % return to high yield investments.
- Investors should consider industry diversification, rather than forming a portfolio purely on the basis of prospective dividend yield.

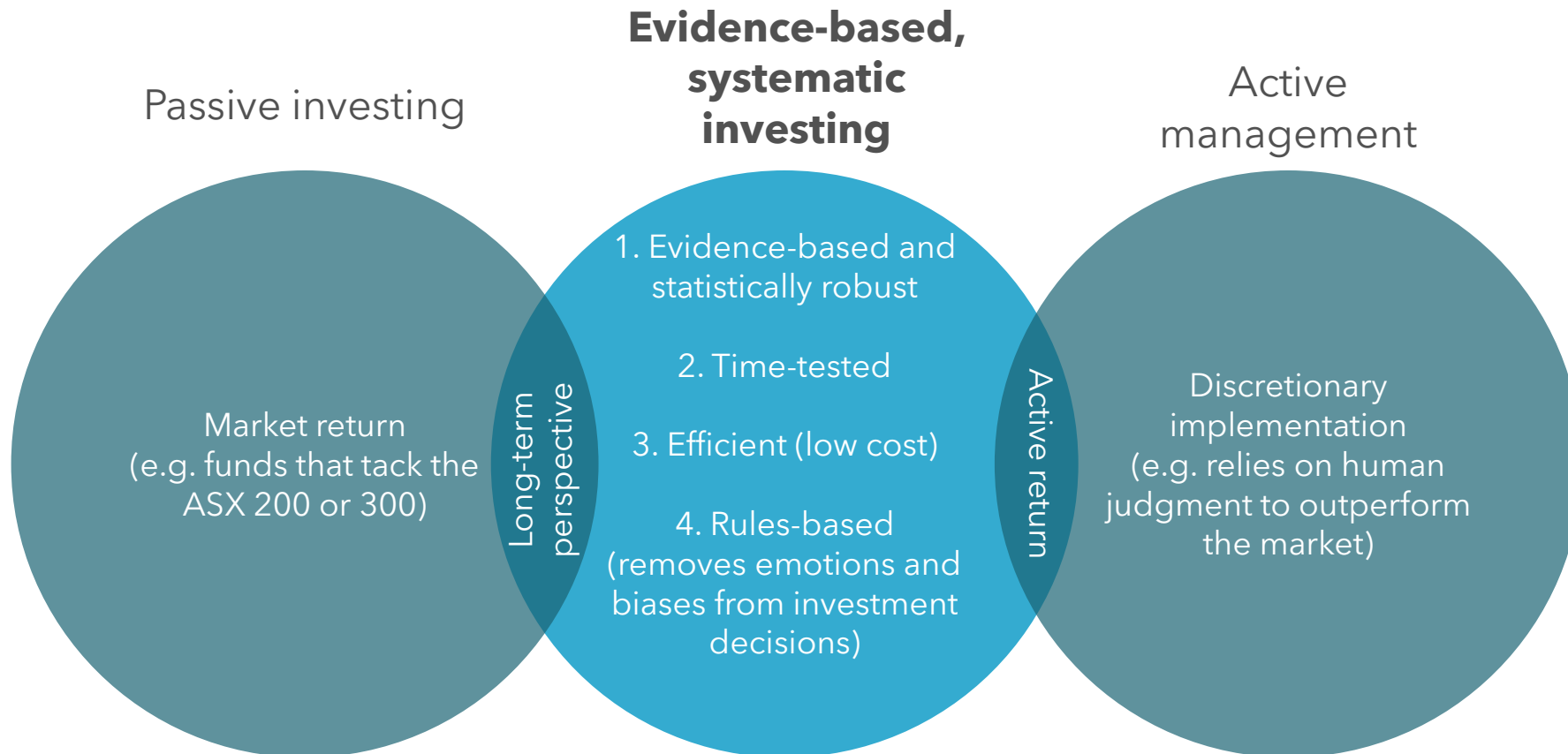


[Livewire Article: Performance of Australian High Yield Portfolios](#)
[June 2023 Whitepaper: Performance of Australian High Yield Portfolios](#)



Simple, repeatable, research-driven.

Evidence-based systematic investing can enable you to outperform the market on an after-tax basis with the same level of risk as investing in the ASX 200 or ASX 300.

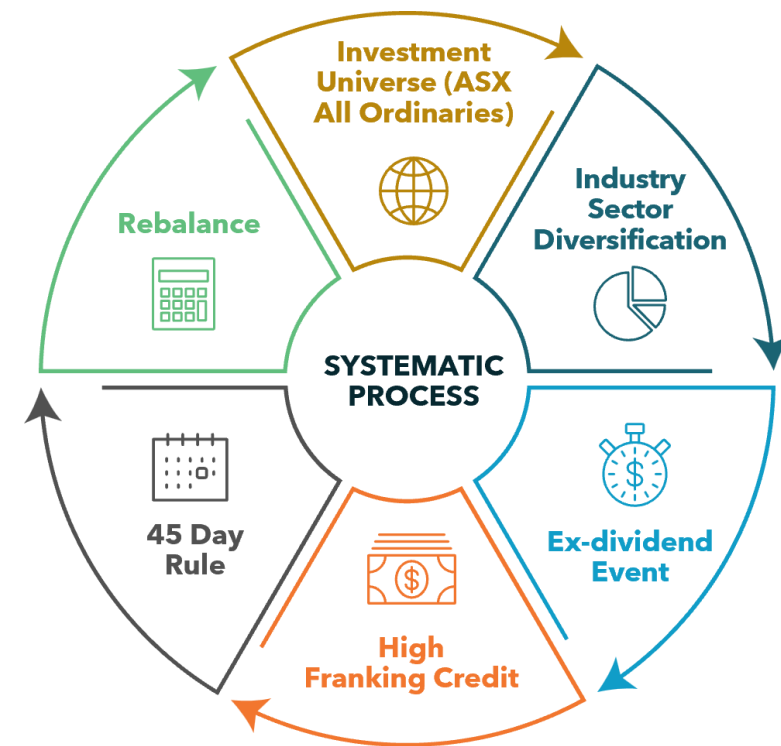


Research-based, repeatable, and tax-efficient.

By adopting a simple, repeatable investment strategy based on research and focused on after-tax returns, Hamilton12 aims to achieve superior performance compared to buying an index fund or relying on intuition, speculation, or emotions, which often lead to poor results.

Our unique process.

- 1. Investment Universe:** Selection from the All Ordinaries Index comprising approximately 500 stocks.
- 2. Cohort Categorisation:** Stocks categorised into 22 groups by industry and size.
- 3. Dividend Selection:** Projections based on analyst forecasts, with a minimum 41.18% franking for tax efficiency.
- 4. Stock Inclusion:** Target of 100 stocks based on yield, franking, and ex-dividend timing for diversified representation.
- 5. Weight Allocation:** Combination of market cap, trade volume, and equal weight, with liquidity considerations. Portfolio closely mirrors the broader market on an industry basis.
- 6. Rebalance:** six times per year.



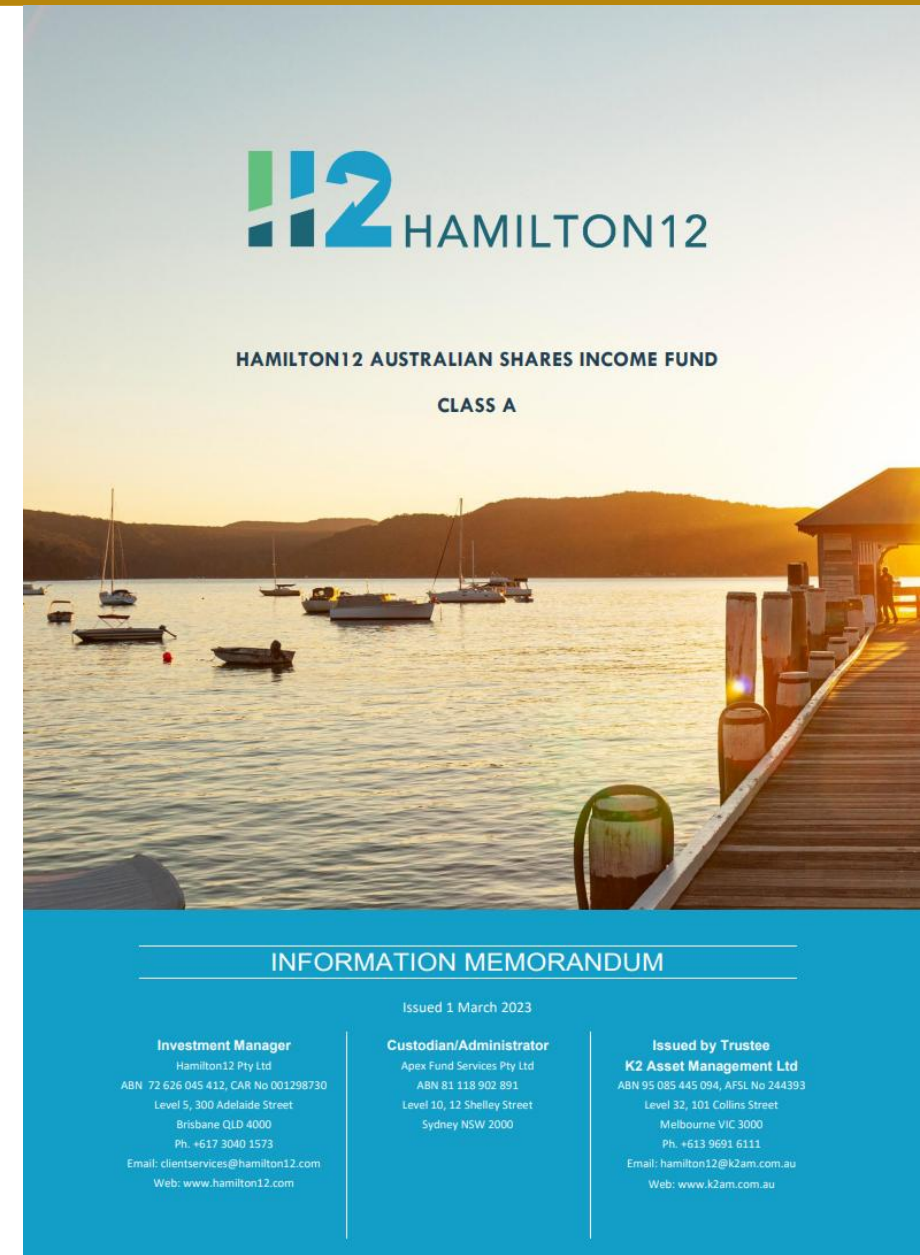
How to access the evidence-based systematic strategy.

The Hamilton12 Australian Shares Income Fund adopts the same validated systematic investment strategy as the Hamilton12 Australian Diversified Yield Index.

1. Evidence-based and statistically robust, supported by empirical data and time-tested academic evidence.
2. Time-tested, S&P Dow Jones Indices calculated validation extending back 24 years to September 8, 2000.
3. Efficient (validated and low cost), and
4. Rules-based. Hamilton12 follows a unique 'rules-based' process used to remove emotions and biases from investment decisions, creating a disciplined and methodical way of investing.

Optimised for investors* seeking Australian high-yield equity exposure within an investment entity subject to an income tax rate of 30% or lower.

- superannuation investors in retirement or pre-retirement,
- foundations, not-for-profits, charities, clubs,
- select trust and company structures.



 HAMILTON12

HAMILTON12 AUSTRALIAN SHARES INCOME FUND

CLASS A

INFORMATION MEMORANDUM

Issued 1 March 2023

Investment Manager

Hamilton12 Pty Ltd
ABN 72 626 045 412, CAR No 001298730
Level 5, 300 Adelaide Street
Brisbane QLD 4000
Ph. +617 3040 1573
Email: clientservices@hamilton12.com
Web: www.hamilton12.com

Custodian/Administrator

Apex Fund Services Pty Ltd
ABN 81 118 902 891
Level 10, 12 Shelley Street
Sydney NSW 2000

Issued by Trustee

K2 Asset Management Ltd
ABN 95 085 445 094, AFSL No 244393
Level 32, 101 Collins Street
Melbourne VIC 3000
Ph. +613 9691 6111
Email: hamilton12@k2am.com.au
Web: www.k2am.com.au

Established Institutional-Grade Service Providers.

The fund is supported by institutional-grade service providers, ensuring robust regulatory compliance and operational integrity, delivering both security and confidence to investors.

Governance and Oversight



Trustee

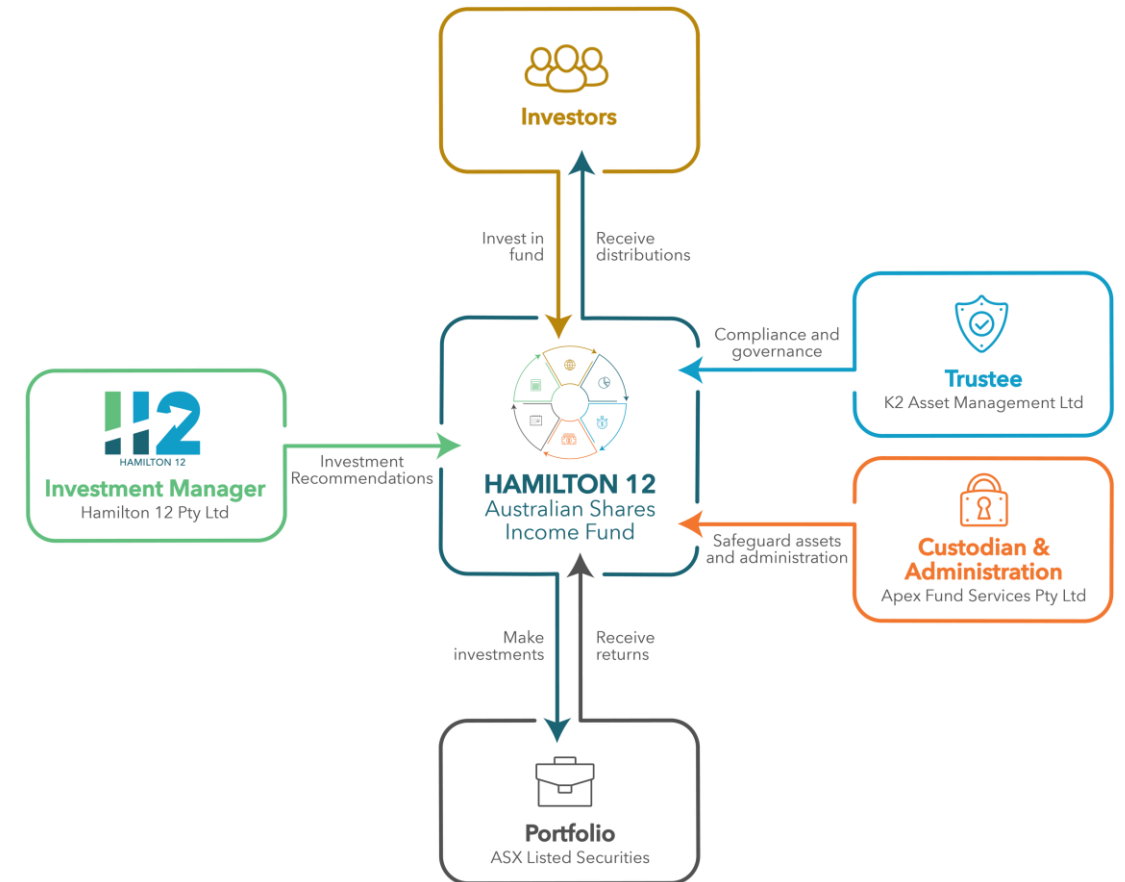
- [K2 Asset Management Ltd](#), a licensed trustee, provides compliance and governance oversight, ensuring the fund adheres to strict regulatory and fiduciary standards.

Safeguard assets and Administration



Custodian & Administrator

- [Apex Fund Services Pty Ltd](#) safeguards the fund's assets and manages administration processes with a reputation for reliability and operational excellence in global financial markets.



Achieve market outperformance.

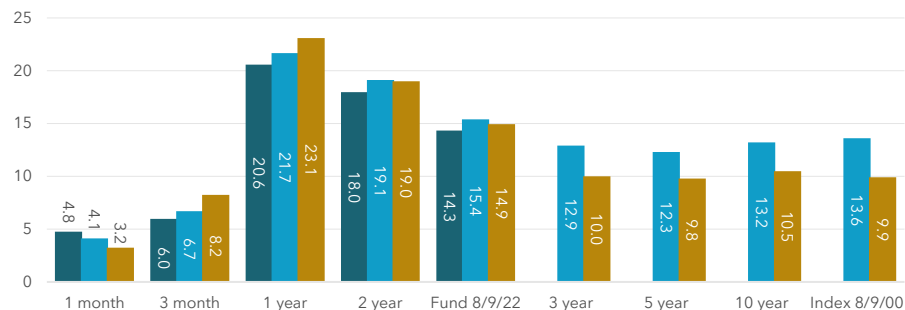
The Hamilton12 Australian Shares Income Fund adopts the validated systematic investment strategy as the Hamilton12 Australian Diversified Yield Index.

Calculated by
**S&P Dow Jones
Indices**

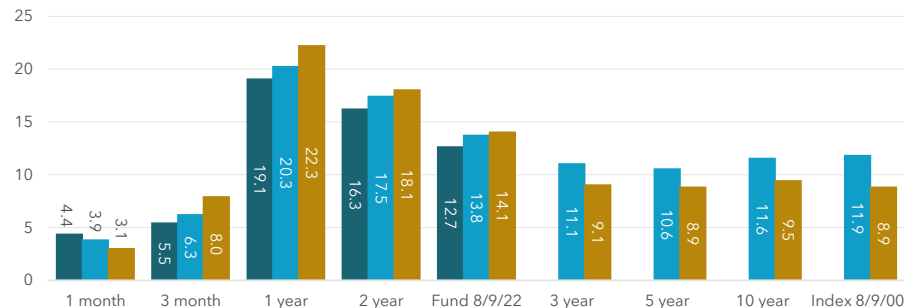
Performance After Fees (%) - 30 Sep 2024

■ Hamilton12 Income Fund ■ Hamilton12 Index (H12ADYI) ■ S&P/ASX 200

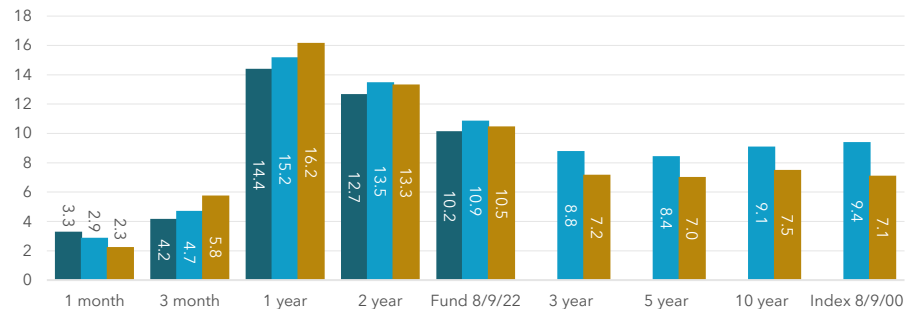
Retirement/Tax-exempt (0%)



Pre-retirement/Super (15%)

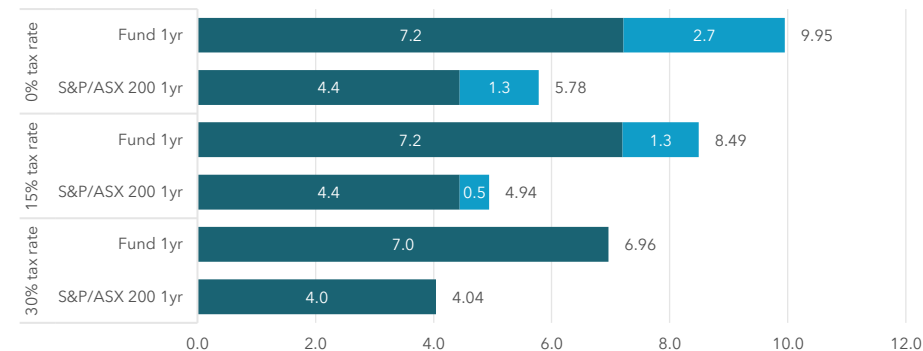


Company (30%)



After-tax dividend yield (%)

■ Cash ■ Franking



Outperform with the same level of risk.



Calculated by
**S&P Dow Jones
Indices**



Risk Decomposition* - 8 Sep 2000 to 30 Sep 2024

Concept	Metric	Super	Tax-exempt
Overall risk	Standard deviation	15.6%	15.8%
	S&P/ASX 200 Std dev	14.5%	14.7%
	Maximum drawdown	43.1%	42.2%
	Recovery	2.3 years	2.1 years
	S&P/ASX 200 max draw	50.2%	49.4%
	S&P/ASX 200 recovery	5.5 years	5.5 years
Reward-for-risk	Sharpe ratio	0.57	0.67
	ASX 200 Sharpe	0.40	0.46
Equity market exposure	Alpha	3.0%	3.7%
	Beta	0.97	0.97
	Upside capture	105%	108%
	Downside capture	89%	88%

* Definitions are included in the appendix of this presentation deck.



Diversified across industries similar to the market.



Average Weights in the Hamilton12 Australian Shares Income Fund

Industry	Fund	S&P/ASX 200
Financials	23.4%	27.3%
Basic Materials	22.3%	19.9%
Consumer Discretionary	10.7%	8.1%
Industrials	10.2%	10.9%
Health Care	8.5%	10.3%
Energy	6.1%	5.7%
Real Estate	5.5%	6.8%
Consumer Staples	4.3%	3.8%
Technology	3.0%	3.5%
Telecommunications	2.3%	2.5%
Utilities	1.7%	1.2%
Industry Active Share		9.1%

The table is based upon average weights in the Hamilton12 Australian Shares Income Fund at the end of each month for the 12 months at the end of the period, and the corresponding relative market capitalisation of stocks in the S&P/ASX 200. Active share is the sum of absolute differences between Hamilton12 Australian Shares Income Fund weight and S&P/ASX 200 weight, averaged across the six rebalancing dates.



Hamilton12 Australian Shares Income Fund.

OVERVIEW

Fund Benchmark	S&P/ASX 200 Franking Credit Adjusted Daily (Superannuation)
Fund Inception Date	8 September 2022
Reference Index	Hamilton12 Australian Diversified Yield Index (H12ADYI)
Index Launch Date	6 November 2020
Index Inception Date	8 September 2000
Investment Manager	Hamilton12 Pty Ltd
Trustee	K2 Asset Management Ltd
Administrator	Apex Group Ltd
APIR	HMN7149AU
Applications	Daily
Redemptions	Daily
Distributions	Quarterly

FEES AND COSTS

Management Fee	0.60% p.a., exclusive GST
Buy/Sell Spread	+/- 0.20%
Performance Fee	15%, exclusive of GST, of the amount by which the after-tax returns of the Fund exceed the returns of the Benchmark on a quarterly basis.

HOW TO INVEST

The Fund is available only to investors who qualify as Wholesale Clients under section 761G of the Corporations Act or to any other person who is not required to be given a regulated disclosure document under the Corporations Act.

Direct Investment

You can invest directly with Hamilton12 as an investor or adviser and apply online or use our paper application.

www.hamilton12.com

Invest via an adviser

You may be able to invest with Hamilton12 via your financial planner.

Please contact them directly or have them contact Hamilton12 at

clientservices@hamilton12.com



HAMILTON12 AUSTRALIAN SHARES INCOME FUND

CLASS A

INFORMATION MEMORANDUM

Issued 1 March 2023

Investment Manager

Hamilton12 Pty Ltd
ABN 72 626 045 412, CAR No 001298730
Level 5, 300 Adelaide Street
Brisbane QLD 4000
Ph. +617 3040 1573
Email: clientservices@hamilton12.com
Web: www.hamilton12.com

Custodian/Administrator

Apex Fund Services Pty Ltd
ABN 81 118 902 891
Level 10, 12 Shelley Street
Sydney NSW 2000

Issued by Trustee

K2 Asset Management Ltd
ABN 95 085 445 094, AFSL No 244393
Level 32, 101 Collins Street
Melbourne VIC 3000
Ph. +613 9691 6111
Email: hamilton12@k2am.com.au
Web: www.k2am.com.au

Steps to enhance your investment strategy.



- ✓ Explore franking credits utilisation in your investment strategy.
- ✓ Analyse investments against the appropriate benchmark for potential improvement.
- ✓ Consult with an advisor on tax-efficient portfolio reassessment.
- ✓ Consider incorporating the **Hamilton12 Australian Shares Income Fund** for diversification and tax-efficiency.
- ✓ Reach out for further information.



Questions?

To invest or subscribe for monthly performance updates, news, and events visit:

hamilton12.com



Richard McDougall
Managing Director
MBA(Hons) LLB Bcom



richard.mcdougall@hamilton12.com

+61(0)418 152 814



Dr Jason Hall
Chief Investment Officer
PhD BCom(Hons) CFA



jason.hall@hamilton12.com

+61(0)419 120 348

+1 (734) 926 6989

Level 5/300 Adelaide St, Brisbane City QLD 4000, Australia

1321 Fountain Street, Ann Arbor MI 48103, United States of America

info@hamilton12.com

+61 (0) 7 3040 1573

Appendix

Franking credits explained.



To calculate the value of a franked dividend, use the following formula:

1. **Grossed up dividend** = $\text{Dividend} / (1 - \text{corporate tax rate}) \times \text{franking percentage} + \text{Dividend} \times (1 - \text{franking percentage})$
2. **Tax payable** = $\text{Grossed up dividend} \times \text{investor tax rate}$
3. **Franking benefit** = $\text{Dividend} / (1 - \text{corporate tax rate}) \times \text{corporate tax rate} \times \text{franking percentage}$

After tax dividend = $\text{Dividend} - \text{Tax payable} + \text{Franking benefit}$

- For a tax-exempt investor, a \$1 of fully franked dividend is actually worth **\$1.43** due to the attached tax credit.
- For a pre-retirement super investor, a \$1 of fully franked dividend is actually worth **\$1.21**.

Risk definitions.



- Standard deviation is measured using monthly returns and converted to an annual figure according to the following equation.
- Standard deviation of annual returns = Square root {[Standard deviation of monthly returns² + (1 + Average of monthly returns)²]¹² – [1 + Average of monthly returns]²⁴}
- In computing the annual standard deviation, we compiled 10,000 simulations of possible annual returns by re-sampling from the distribution of monthly returns and computed the standard deviation of annual returns.
- The Sharpe ratio is annualised portfolio returns minus the annualised return on investments in the risk-free rate, divided by the annualised portfolio standard deviation.
- Alpha and beta are measured by regression monthly portfolio excess returns on S&P/ASX 200 excess returns. Excess returns are returns above the risk-free rate of interest, measured using the one month bank bill swap rate at the start of each month.
- To compute upside and downside capture we split months into those in which the S&P/ASX 200 earned returns above or below the risk-free rate. Upside capture is the annualised return on the portfolio during up market months minus the annualised return on the risk-free rate, scaled by the annualised return on the S&P/ASX 200 minus the annualised return on the risk-free rate.
- Downside capture is the corresponding figure for down market months.
- Tracking error is the annualised standard deviation of the difference in portfolio returns and returns on the S&P/ASX 200. To compute the annualised tracking error, we compiled 10,000 simulations of possible annual returns by re-sampling from the distribution of monthly returns and computed the standard deviation of the difference in portfolio returns and those of the S&P/ASX 200.

Who is Hamilton12.



Dr Jason Hall
Chief Investment Officer
PhD BCom(Hons) CFA

Jason has been widely recognised for his work on imputation credits and his work on valuation has been relied upon by companies listed on the ASX, and by Australian state and federal government agencies.

Prior to co-founding Hamilton12, Jason was a Director of the consulting firm Cardinal Economics & Finance, a Director of Frontier Economics, a senior lecturer in finance at The University of Queensland Business School and an equity research analyst at Credit Suisse.

Jason is also a lecturer in finance at the Ross School of Business, University of Michigan and a board member of the CFA Society Detroit. He completed his PhD in Finance at The University of Queensland and is a CFA charter holder.



Richard McDougall
Managing Director
MBA(Hons) LLB BCom

With over two decades of experience in financial markets, Richard has held pivotal advisory and executive positions in banking and investment firms, both domestically and internationally.

Prior to co-founding Hamilton12, Richard was a Director at the Westpac Group, the Queensland State Manager for Morgan Stanley Wealth Management, and a Director of UBS Wealth Management.

Richard contributes as an Advisory Board Member of the UQ Institute for Molecular Bioscience, holds a Bachelor of Laws and Commerce from Bond University and a Master of Business Administration (Hons) from The University of Queensland.



Damian Vassallo
Director
MBA BCom

With over 20 years of global expertise in Security, Governance, Risk, and Compliance, Damian is a respected technology leader. He has successfully led digital transformation projects for prestigious organisations in Mining, Oil and Gas, Petrochemical, and Nuclear energy sectors.

As the co-founder of Healthia Ltd and former NED at iOrthotics, Damian played a key role in co-leading the merger that resulted in the 2018 IPO.

Damian, a UQ Business School alumnus, received The Director's Award for Leadership in 2007 during his MBA. In 2022, he became an Adjunct Senior Fellow at UQ School of Mechanical and Mining Engineering. Damian also serves as a Non-Executive Member of the Brisbane Archdiocesan Ministries and Services Council.



Dr Adam Walk
Advisory Board Member
PhD BA BBus MAppFin

Dr Adam Walk, a financial economist with more than two decades of experience, held significant roles at Myer Family Company, QIC, QSuper, and Bank of Queensland.

Adam currently serves as a Director at Drew, Walk & Co. His governance positions include Trustee Director and Chair of the Risk Committee and Audit and Finance Committee at Rest Super. Additionally, he is a member of the Board Investment Committee at Rest Super and chairs the Investment Committee at RSL Queensland.

Adam's published research includes a monograph co-authored with Dr. Michael Drew, titled "Investment Governance for Fiduciaries," released by the CFA Institute Research Foundation in 2019. He earned his PhD in financial economics from Griffith University.



Prof Tim Kastle
Advisory Board Member
PhD MBA BEcon

Professor Tim Kastle is the Director of The University of Queensland Andrew N. Liveris Academy for Innovation and Leadership.

Tim focuses on educating students with leadership skills, sustainability passion, and the ability to address challenges through large-scale innovation. Tim's research, teaching, and engagement revolve around innovation management, drawing from his Princeton economics degree, and UQ MBA and PhD.

Tim collaborates on innovation and leadership programs with various organisations, including the CSIRO, CSR, Meat & Livestock Australia, Teys Australia, Logan City Council, and Metro South Health.