Issue 189, 27 May 2013

On the nose

I know the share market doesn't look like a fun place to be right now, but haven't I been saying for ages that a pullback was on the cards? The problem now is timing what I like to call BO, or a buying opportunity. I'm holding fire for now, but you'll be the first to know when I do start getting in.

Also in the *Switzer Super Report* today, we have head of research at Kimber Capital, Greg Fraser giving us the lowdown on Crown and its plans for Barangaroo. Paul Rickard gives the BT income funds a good road test and Rudi Filapek-Vandyck finds that despite the rash of downgrades, there are still some stocks in favour, like Asciano and AWE.

Sincerely,

Peter Switzer

Inside this Issue

Stock in focus – Crown
by Greg Fraser
04

Switzer Super Report is published by Switzer Financial Group Pty Ltd AFSL No. 286 531
36-40 Queen Street, Woollahra, 2025
T: 1300 SWITZER (1300 794 8937) F: (02) 9327 4366

Full scale stench or just BO?

by Peter Switzer

Newspapers can't help themselves — they're running a scare campaign using headlines like "markets in turmoil". I have no problem with this sort of thing as they are doing their job.

These people are writing about it but I have to make sense of it to give my readers a leg up for their investment decisions.

So, what's going on with our stock market closing at 4,983.5 on Friday and the dollar diving to 96.51 US cents on Monday morning? By the way, this is not just an Aussie weakness story, it is also a stronger greenback story.

We haven't fallen much against the euro in recent days but over three months we've gone from 0.81 euro to around 0.75 euro.

On the nose

Sure, our market stinks. On Monday morning, we were down about 4.5% from the high closing level of the S&P/ASX 200 index of 5,221 on Budget day before the Treasurer spoke. But this is not drastic stuff, as we are up about 7% since the start of the year and my bet is it will be higher by year's end.

Some might say we have a market stench issue, but I prefer to say there's a BO problem – a Buying Opportunity problem of when do I get in?

Regular readers know I have been talking about an eventual buying opportunity and so the question is – do we get in now or wait for further falls?

Our challenge is like the old joke about the Irish minesweeper, who tippy-toed across a minefield with his fingers in his ears!

(Is this racial vilification nowadays? Apologies to any sensitive Irish ex-pats out there, but my forebears were Irish, so I can get away with it. Google Switzer's of Dublin!)

Right now our dollar has dived, which helps explain why our stock market has been slugged, so let me list what has been hurting the dollar and our stock market:

- Fear that the Fed could taper QE3 soon has worried Asian markets, including our stock market, but it has not badly affected Wall Street, which seems a little crazy;
- Tapering QE3 leads to eventual higher rates in the USA and the greenback has gained because of it;
- The budget deficit here being bigger than expected;
- The RBA is expected to cut interest rates again, after a surprise cut in May;

- China's economy looks to be growing slower than expected;
- Commodity prices are softer, as the mining boom wanes, which means a lower dollar and less export demand;
- Our growth could be slower than expected, which could push up unemployment and this could hurt local companies selling into a worsening jobs market;
- The lower dollar is making some foreigners – especially US ones – take their profits home before the greenback goes much higher and our currency falls further;
- There is a Government confidence issue, which has been made worse by a pending election, which is never good for investor confidence; and
- The formerly high dollar, along with our relatively high interest rates, as well as wages rates and low productivity is not a great combination to inspire unbridled investment in the companies that make up the S&P/ASX 200 index.

Relativities

The above reasons explain why there is nervousness and selling, but it also needs to be remembered that our market is up some 30% since 26 June last year, when we closed at 4,103.

We're due for a pullback, but now we have to guess how long this will last. I have to confess, I have a little war chest I want to unleash and so I want to time this BO to perfection. I know it's hard but I'll try.

I think the line in the sand is Friday week's jobs report in the USA, and if it's too good, then Wall Street might join us in a sell-off. Ironically, our dollar dive and the end of QE3 might coincide with a share market sell-off, but they both will usher in another period of higher stock prices after the short-sellers and hedge funds have their fun.

So, how do you play this?

I reckon there'll be volatility until we see the next US jobs report and Chinese data could add to the negativity or reduce it. I'm holding fire on exploiting the buying opportunity but you'll be the first to know when I go. I'll not only tell you when, I'll also tell you what I've gone for.

Watch this space – when you get a sniff of a BO, you have to act.

One final point has to be made. I'm not as negative on the Australian economy as many who are commenting in the media. The first half of the financial year ahead will be slower than the second, but when a new government mixes in with a lower dollar, a stronger US economy and a Chinese economy that will pick up as the year kicks along, then stock prices here will react positively.

Stock in focus – Crown

by Greg Fraser

The NSW Government is yet to decide which casino proposal it will back, but Crown's posturing is either a brave bluff or a supremely confident hand.

We think Crown is worth $16.00 per share, based on robust earnings growth in Australia and conservatively attributing the market value of its Macau investment.

Source: Bloomberg

We have been recommending Crown to our clients since September 2011 when the share price was $7.85, based on the same rationale.

Crown's proposed Barangaroo development, at 250 metres in height, is already above the allowable 170 metre limit, but the bravado with which the company has approached the concept should be admired rather than admonished.

The history

Crown's original entrée into gaming in 1999, was under its former guise as PBL, when James Packer agitated to acquire the Crown Casino in Melbourne for $1.9 billion, representing a 9.3 times multiple of operating earnings (EBITDA) at the time.

Shortly after, in April 1999, Tabcorp (the forerunner to Echo Entertainment Group) bought Sydney's Star Casino (now The Star) for $1.66 billion, representing a 10.7 times multiple of operating earnings.

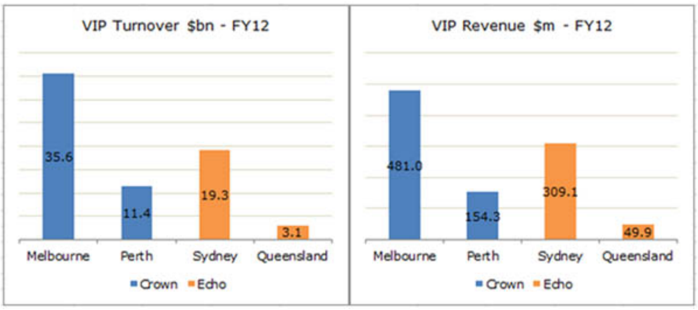
In the intervening 14 years, Crown has consistently spent money on its properties to maintain and improve an offer that has appealed to its customer base, both locally and internationally. In the last seven years, Crown has spent more than $2 billion in Melbourne and Perth, and has detailed the next $1 billion out to 2015.

Casino properties are capital-intensive businesses incorporating hotels, car parks, restaurants and other non-gaming facilities, to complement the gaming business. Just as important is the timing of such expenditure, and it is in this regard that Crown has comprehensively outmanoeuvred its Sydney-based opponent since 1999.

Tabcorp belatedly recognised the need to update its Sydney casino, possibly due to the distraction of its wagering and gaming machine businesses in Victoria. The $1 billion 'Project Star' plan was initially underdone but subsequently topped up (by former CEO Larry Mullin) to create a much-improved property.

Echo Entertainment has also muddled about with its capital spending plans at its Queensland casinos.

The net effect of this difference is that Crown has built a more substantial domestic business and a dominant high-roller (also called VIP) business in Australia.



Crown, through its investment in Macau and its greater focus on high-roller business, has accumulated a higher quality list of clientele over the years.

Last year, Echo suffered the embarrassment of having to write-off almost $30 million due to the liquidation of a junket operator that owed the company money.

If Crown can convince the NSW Government that its proposal will add significantly more pizzazz to the Sydney skyline, as well as financial and economic benefits, then the outcome will be good for Crown (obviously) and bad for Echo.

Not only would Crown be able to leverage its existing high-roller clientele across three Australian properties, it would probably take market share from Echo as well.

Echo Entertainment's refurbished Sydney property is virtually complete but it is unclear what the company is now proposing to supplement what has been an arduous process to achieve the new Star casino.

Management scandals aside (now history) and with a new chairman and chief executive, Echo is barely out of one major refurbishment before it is being bullied into another. The company has hardly had a chance to produce the expected earnings from Project Star but may now undergo a further period of disruption if it wins favour from the state government.

Either way, Crown has made a crafty move to exit its stake in Echo (even at a loss) yet still has the regulatory approval to acquire up to 23% of Echo.

Cash Macau

To rub salt in Echo's wounds, Crown is beginning to harvest the fruit of its Macau investments as the gross gaming revenue in the Chinese enclave consistently climbs at a double-digit clip.

Macau has well and truly surpassed Las Vegas as the largest gaming region in the world and yet has barely tapped the full potential of China's burgeoning middle class, who are exercising their greater freedom to travel and gamble.

Macau's gaming industry is beginning to transition towards more mass gaming after initially relying heavily (as it still does) on VIP gaming. Crown's 33.67% stake in Melco Crown Entertainment (MCE) has exposure to both groups of players.

The share price of MCE has risen strongly this year, in line with the whole sector in Macau. If it is included simply at market value in Crown's valuation, it contributes approximately $6.00 per Crown share.

MCE's Studio City is now under construction and when completed will give MCE its third casino property in Macau, along with the Mocha gaming machine business plus a valuable sub-concession (casino licence).

Crown is already looking beyond Macau for its next Asian investments and has established a partnership to build a gaming property in the Philippines. When it opens next year, The Belle Grand will be one of four properties in Manila that could generate up to US$10 billion of revenue each year and attract up to 10 million tourists annually. This formula has been successfully tested in Singapore.

Understandably, Crown's share price currently reflects no value for this or subsequent investments in Asia but must surely do so eventually, given the track record in Macau.

Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Product road test – BT Equity Income Funds

by Paul Rickard

BT Investment Management's innovative equity income funds are clearly aimed at the SMSF market – particularly those with a more defensive investment appetite. They offer the opportunity to earn a consistent tax-advantaged, high monthly income, while taking a measured exposure to movements in the share market. Sound ideal? Let's find out.

The funds

Two funds are available – the BT Defensive Equity Income Fund and the BT Balanced Equity Income Fund. The former benchmarks its performance against a synthetic index, comprising a 30% weighting to equities and a 70% weighting to cash/the money market through the UBS Bank Bill index. The balanced fund has a benchmark comprising a 40% weighting to equities and a 60% weighting to cash.

The funds invest in a portfolio of 20 to 60 stocks from the S&P/ASX 200, with a bias towards those stocks paying high fully-franked dividends, and stocks where there is a liquid options market.

By selling short-term call options over the individual stocks in the fund in exchange for a premium, additional income is generated for unit holders. The sale of these options also caps the potential upside exposure to the market. Some of this income is then used to purchase downside protection – the net effect being that an investor in the defensive income fund should, on average, have a 30% exposure to share market falls or gains.

Key benefits

- High target income – the defensive fund targets an income return of 6.0% per annum (partially franked), the balanced fund targets an income return of 7.5% per annum (partially franked);
- Income is set in advance and distributed monthly. Rather uniquely, the funds set the distributions up to six months in advance. For example, the defensive fund will distribute 0.50 cents per unit (the unit price is approx 101.08 cents) in June, July, August and September, and by 30 June, will announce the monthly distribution for October, November and December;
- Potential for moderate capital growth through limited exposure to the share market. Depending on the fund, your investment will be approximately 30% exposed to the share market – you should get 30% of any gains, and 30% of any losses;
- Access to BT's investment management expertise – stock selection, investment management processes.

Fees and minimum size

- BT charges a management fee of 0.99% for the Defensive Equity Income Fund, and 1.39% for the Balanced Fund. When expense recoveries of up to 0.30% are added, this takes the total fees to 1.25% and 1.69% pa;
- Buy/sell spread of 0.70%;
- Minimum investment is $25,000;
- You can invest through your adviser, or through this website.

Issues?

Like many of the innovations from BT, this product is great in concept and certainly suits those SMSFs who want a relatively high income while taking only a moderate level of risk. Predictably, the fees are on the high side – but they are not out of the ordinary.

Unfortunately, BT is yet to fully demonstrate the "investment expertise" it claims. As the following table shows, the Defensive Fund has underperformed its benchmark for each of the periods since its inception in October last year:

	April %	3 months to April %	6 months to April %	Since inception in Oct 12 %
Fund return	1.24%	1.48%	3.54%	3.94%
Benchmark return	1.54%	2.83%	6.14%	6.95%

While unit holders have been enjoying the 6.0% per annum (3.55% over seven months) income return, they haven't participated in the increase in the share market over this period. With the underperformance, the unit price has hardly moved – a net capital increase of 0.39% since inception. The April Investment Report notes some interesting stock exposures, as it seeks to explain its underperformance. I particularly liked the comments about Newcrest – when did this stock ever qualify as a "high dividend yielding stock with franking credits"?

While it is early days in the life of these funds, it doesn't look like BT has really got its act together yet. Watch and wait.

Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

Weekly broker wrap – AIO and AWE upgraded to buy

by Rudi Filapek-Vandyck

Downgrades for individual stocks in Australia have outnumbered upgrades for six straight weeks now and it's clear that on a micro-level, more downward adjustments to forecasts and valuation estimates for mining and energy stocks will need to be made as the world is preparing for a more subdued outlook for Chinese growth

Last week again saw mining and resources stocks feature heavily on both sides of the ledger.

Changes to stock broker ratings in the past week

Upgrades				
Code	Company	Old Rating	New Rating	Broker
AIO	Asciano Limited	Neutral	Buy	BA-Merrill Lynch
AWE	AWE Limited	Neutral	Buy	BA-Merrill Lynch
AWE	AWE Limited	Neutral	Buy	UBS
CFX	CFS Retail Property	Sell	Neutral	Credit Suisse
MYR	MYER Holdings	Neutral	Buy	Credit Suisse
WDC	Westfield Group	Neutral	Buy	JP Morgan
WOR	WorleyParsons Limited	Sell	Neutral	Deutsche Bank

In the good books

Asciano Group (AIO) was upgraded to Buy from Neutral by BA-Merrill Lynch. The broker is starting to think the company is going to be able to book some market share gains over the next year. BA-Merrill Lynch noted Aurizon (AZJ) is also set to review its unprofitable Intermodal business in FY14, which could even spell more market share gains for Asciano. The broker thinks the stock offers an attractive valuation case. Forecasts were lifted a little on planned cost savings, which saw the recommendation upgraded.

AWE (AWE) was upgraded to Buy from Neutral by BA-Merrill Lynch and to Buy from Neutral by UBS. BA-Merrill Lynch noted AWE has reported an increase in the reserves at Ande Ande Lumut to 101mmbbl. The 33% increase improves the economics and increases the chances of AWE completing a sell-down of the asset by mid-year. The broker also suggested a sell-down will be a key catalyst for the stock. The price target was raised to $1.64 from $1.51.

UBS also noted the increase at Ande Ande Lumut. The broker said it continued to see a number of challenges ahead for the development, but the reserve increase was a definite positive and should help the company achieve a value above the original acquisition price. Recent share price weakness was also cited as a reason for the upgrade.

Worley Parsons (WOR) was upgraded to Hold from Sell by Deutsche Bank. The broker reported management has cut the FY13 net profit guidance to $320m-$340m, the mid-point representing a 4.5% downgrade. Weaker than expected activity in Western Australia and Canada were blamed for the softness. Deutsche Bank's FY13-14 EPS forecasts were lowered by 9% and 8%, which pulled the price target lower. Given the recent trend of project deferrals, the broker thinks risks are increasing and lower margins, at least over the short term, are more than likely. With the stock now in line with the broker's target and in the same multiple neighbourhood as peers, a Hold call was deemed more appropriate.

In the not-so-good books

Adelaide Brighton (ABC) was downgraded to Neutral from Buy by Citi. The company has said it expects 1H net profit to come in below last year's 1H. The broker noted lower demand (especially in Victoria), the carbon tax and an earlier than expected planned maintenance shutdown were to blame. With the downgrade taking a chunk out of the broker's total return expectations, Citi thought it was time to downgrade the recommendation. While short to mid-term headwinds abound, the company is expected to remain a premium pure-play on Australian construction.

Downgrades

Code	Company	Old Rating	New Rating	Broker
ABC	Adelaide Brighton	Buy	Neutral	Citi
ALL	Aristocrat Leisure	Neutral	Sell	Credit Suisse
CDD	Cardno Limited	Buy	Neutral	UBS
DXS	Dexus Property	Neutral	Sell	Credit Suisse
EGP	Echo Entertainment Group	Buy	Neutral	BA-Merrill Lynch
FAN	Fantastic Holdings	Neutral	Sell	JP Morgan
FWD	Fleetwood Corporation	Neutral	Sell	UBS
IOF	Investa Office Fund	Sell	Sell	Credit Suisse
JHX	James Hardie	Neutral	Sell	JP Morgan
MYR	MYER Holdings	Buy	Neutral	CIMB Securities
PBG	Pacific Brands	Neutral	Sell	Credit Suisse
PRG	Programmed	Buy	Neutral	JP Morgan
QBE	QBE Insurance	Buy	Neutral	Credit Suisse
REA	REA Group	Buy	Neutral	BA-Merrill Lynch

Cardno (CDD) was downgraded to Neutral from Buy by UBS. The company said it expects an FY net profit of $73m-$77m, with a final dividend of 18cents. The broker noted that delays to both private and government infrastructure spending and tailing off in work from the US Gulf of Mexico have impacted margins. FY13-14 net profit forecasts were cut by 8% and 11% on the falling margins and a weakening outlook for the non-oil and gas sectors. The recommendation was also downgraded, but the broker said it continues to see value for investors patient enough to wait for it.

James Hardie Industries (JHX) was downgraded to Underweight from Neutral by JP Morgan. The FY13 results underwhelmed JP Morgan. Earnings forecasts were lowered, as the broker believes that operating challenges and elevated trading multiples will take their toll at some point. The broker also lowered its recommendation, albeit with some trepidation given the last time this was done it was a "painful" experience. The uncertainty is caused by the falling Australian dollar and the recovering US housing market. The challenges outweigh the positives at this juncture, said JP Morgan.

Earnings Forecast in cents per share

Order	Company	Previous EF	New EF	Change	Recs
Positive Change Covered by > 2 Brokers					
1	AWE	0.570	0.860	29.00%	7
2	VAH	0.430	0.710	28.00%	7
3	CFX	-0.290	-0.140	15.00%	7
4	WDC	0.140	0.290	15.00%	7
5	AIO	0.750	0.880	13.00%	8
6	WOR	0.250	0.380	13.00%	8
7	CRZ	0.170	0.290	12.00%	7
8	BLY	0.130	0.250	12.00%	8
9	IGO	0.400	0.500	10.00%	6
Negative Change Covered by > 2 Brokers					
1	FAN	-0.330	-0.670	-34.00%	3
2	CDD	0.600	0.400	-20.00%	5
3	FWD	-0.200	-0.400	-20.00%	5
4	SPN	-0.140	-0.290	-15.00%	7
5	PRG	0.710	0.570	-14.00%	7
6	ABC	0.380	0.250	-13.00%	8
7	QBE	0.250	0.130	-12.00%	8
8	JHX	-0.380	-0.500	-12.00%	8
9	DUE	-0.140	-0.250	-11.00%	8

The FNArena database tabulates the views of eight major Australian and international stock brokers: BA-Merrill Lynch, CIMB, Citi, Credit Suisse, Deutsche Bank, JP Morgan, Macquarie and UBS.

Weekly auction results – chugging along

by Penny Pryor

It looks like more interest rate cuts could be on the cards, following the release of the Reserve Bank minutes for their May meeting.

Noting some improvements in conditions, the RBA said: "At the same time, however, conditions in the business sector, as assessed in surveys, generally had remained below average, possibly in part because the exchange rate had remained high despite lower export prices and interest rates."

The expectation of lower rates adds further impetus to the recovery that is building in the housing sector, as evidenced by the ongoing improvements in auction clearance rates.

The data for the weekend just gone (see Table 1 below) shows that preliminary clearance rates for Sydney and Melbourne are robust.

Auction Results: This Saturday, 25 May 2013

	Clearance Rate%	Number Listed	Number Reported Auctions	Number Sold	Number W/drawn	Total Value Sold ($million)	Auction Median Houses	Auction Median Units
Sydney	75.5%	419	286	237	28	$211.8	$910,000	$693,000
Melbourne	65.1%	714	268	181	10	$108.1	$662,000	$445,000
Adelaide	58.1%	36	31	18	0	$4.2	SNR	SNR
Brisbane	58.7%	70	43	27	3	$9.5	$550,000	SNR

But what is more important, are the updated results for the previous week (see Table 2 below), which show clearance rates of over 70% in both major cities and a massive 355 properties sold at auction in Melbourne for a total value of $206.1 million and a median value of $684,000.

Auction Results: Saturday, 18 May 2013

	Clearance Rate%	Number Listed	Number Reported Auctions	Number Sold	Number W/drawn	Total Value Sold ($million)	Auction Median Houses	Auction Median Units
Sydney	74.8%	370	314	252	23	$212.4	$835,000	$631,500
Melbourne	73.0%	614	482	355	4	$206.1	$684,000	$430,000
Adelaide	45.5%	39	30	15	3	$8.3	$540,000	SNR
Brisbane	50.0%	54	39	20	1	$8.7	$572,030	SNR

The same week last year (see Table 3 below) had auction clearance rates at below 55% in both major cities and some very low rates were recorded in Adelaide and Brisbane.

Auction Results: Saturday, 26 May 2012

	Clearance Rate%	Number Listed	Number Reported Auctions	Number Sold	Number W/drawn	Total Value Sold ($million)	Auction Median Houses	Auction Median Units
Sydney	54.3%	436	366	223	45	$189.9	$891,000	$615,000
Melbourne	54.7%	813	525	293	11	$187.3	$680,000	$455,500
Adelaide	30.8%	34	22	8	4	$5.0	SNR	SNR
Brisbane	39.5%	43	34	15	4	$6.7	$505,000	SNR

Sydney hosted the most expensive property sold at auction on the weekend, but it wasn't on the north shore. Rather it was in the western suburb of Strathfield, where a six-bedroom house went for $2.94 million.

Earlier in the week on Wednesday night, Sydney recorded its third highest price for a property sold at auction ever, when a Bellevue home next to Cranbrook private school went for $15.5 million. It is understood the home was bought by the school.

Even Brisbane recorded a million dollar property on the weekend, with a five-bedroom house going for $1.48 million in the inner Brisbane suburb of Paddington.

If you're self-employed, get the paper work right on your tax-deductible contributions

by Tony Negline

Personal super tax deductions, if you're self-employed and can access them, significantly increase the tax effectiveness of superannuation because they reduce the cost of investing into super.

This is the second in a series of articles about year-end tax planning from a super perspective. You can read the first installment here.

Claiming these personal contributions as a deduction contains a number of traps for the unwary, as there is a considerable amount of sometimes confusing paperwork involved.

Here we will focus on the forms that you need to complete and how to make sure that process works smoothly.

Use the right form

You must trade documentation with your super fund trustee before you can actually claim your personal super contributions as a tax deduction.

You begin this process by writing to the trustee and telling them that you'll claim some or all of your personal contribution as a tax deduction. This notice is known as a "Sec 290-170(1)(a) Notice" – ATO document reference NAT 71121. Your trustee then acknowledges in writing that they have received this information. This is called a "Sec 290-170(1)(c) Notice".

Hand it in on time

Your Sec 290-170(1)(a) Notice must be given to your fund before the end of the financial year following that when the contribution was made or before you submit your income tax return for the income year in which the contribution was made, whichever date is earlier.

This is a very important step. There has been an Administrative Appeals Tribunal case – Byron Johnston v Commissioner of Taxation [2011] AATA 20 – about not completing this documentation process in the required timeframe and the taxpayer lost access to the deduction.

In this case, the Tax Office audited the client and asked to see the taxpayer's and super fund's documentation. When it wasn't produced, the deduction was struck out and a penalty was applied for underpaying income tax. The AAT decided that the deduction wasn't allowed because the legally required paper trail hadn't been followed, but it cancelled out the penalty.

Ensure its validity

Make sure that your Sec 290-170(1)(a) Notice is valid. Your notice will be invalid – and can't be accepted by your super fund – if before submitting the notice to your fund:

- You cease to be a member of the super fund
- You have rolled over or transferred some, or all, of a contribution to another super fund
- The super fund has begun to pay a pension with some, or all, of the contribution.

You can vary your Sec 290-170(1)(a) Notice, however, the tax laws say you can only reduce the amount you want to claim as a tax deduction. You can't vary your Sec 290-170(1)(a) Notice if you've rolled over, or transferred some of the contribution or you've started a pension with the contribution before seeking to vary the amount you want to claim.

This last problem, in particular, catches some people unawares, which can result in taxpayers paying contribution tax and not being able to get it refunded.

For example, in another AAT case handed down last year – Confidential and Commissioner of Taxation [2013] AATA 110 – the personal super contribution tax deduction was denied but the 15% tax on the contribution remained.

This investor had personally contributed money to the super fund. In the following financial year, they gave the fund a written notice, declaring that they intended to claim the contribution as a tax deduction. This notice was handed over before the investor put in their personal tax return. The super fund then acknowledged receipt of that notice in writing and, as demanded by the tax laws, deducted the 15% contributions tax from the member's account.

However, soon after the investor wanted to leave the super fund. In the meantime the Tax Office denied the deduction because the taxpayer had failed the 10% assessable income test. The taxpayer tried to change the notice given to the super fund but because they'd left the fund nothing could be done.

So make sure you adhere and understand all of the above requirements, particularly if you plan on changing funds or starting a pension from your fund anytime soon.

Important: *This content has been prepared without taking account of the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. Consider the appropriateness of the information in regards to your circumstances.*

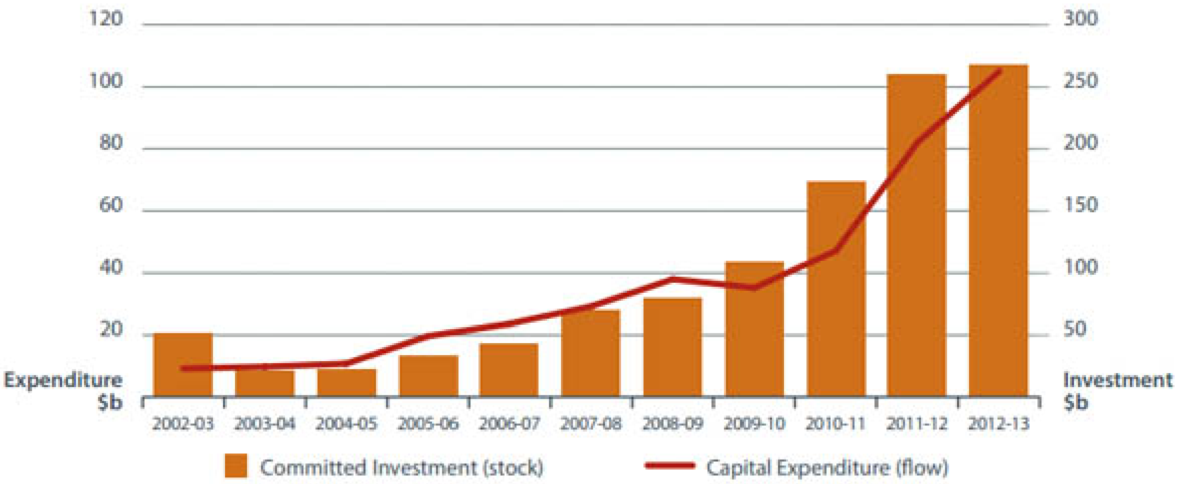
Chart of the week

As concerns about the future of China build, attention naturally turns to the future of the resources sector. But while tables like the below show that the first phase of the resources boom may be nearing completion, according to the Bureau of Resources and Energy Economics (BREE), it also highlights the massive amount of funds in committed resource projects.

Of the $268 billion in committed projects, $8 billion will be completed in 2014 and $63 billion is expected to be completed in 2015.

After 2017, BREE says the stock of committed investment in the mining sector will revert to levels comparable with 2007.

Committed project investment and capital expenditure 2002–03 to 2012–13



Source: ABS, BREE
Notes:
Committed project investment shown as the value in April of each financial year.
ABS estimate for 2012–13 capital expenditure shown.

The week ahead

Australia
May 29 Construction work done (March quarter)
May 30 Business investment (March quarter)
May 30 Building approvals (April)
May 31 Private sector credit (April)

International
May 28 US Case-Shiller home prices (March)
May 28 US Consumer confidence (May)
May 30 US Economic growth (March qtr, prelim)
May 30 US Pending home sales (April)
May 31 US Personal income (April)
May 31 US Consumer sentiment (May, final)