



HIGHLIGHTS

"The world's major economies continue to stumble along, barely able to reach trend growth - where unemployment and inflation remain stable."

"The US Federal Reserve will be very measured in its interest rate rises so as not to cause a rapid appreciation of the USD"

"The Australian economy continues to grow steadily aided by easy policy, continued buoyancy in the housing market and a resurgence in commodity prices aiding foreign income."

"Australian consumers remain cautious. The rate of spending in the economy is inconsistent and well below trend. While business conditions overall are above average, the broadening across industries seen earlier in the year has not endured."

"The CARE investment philosophy is to maintain suitable exposure in fairly priced assets such as bonds, shares and property for the long term."

"The Investment Committee prefers interest rate investments that have a very low probability of capital loss."

"The CARE Conservative, Moderate, Balanced, Growth and High Growth portfolios were rebalanced during the quarter as Australian share exposure rose in line with the market's increase. The funds were invested into cash, global and emerging market shares."



GLOBAL OVERVIEW

Emmanuel Calligeris - *Chairman of the CARE Investment Committee*

From an economic perspective, the world's major economies continue to stumble along, barely able to reach trend growth - where unemployment and inflation remain stable. Despite ultra-low interest rates, the global backdrop remains disinflationary. The lack of growth and inflation in a world of extremely high debt levels are well understood, however commentary by Central Banks and political posturing have dominated the investment landscape more recently. The US presidential election remains bitterly contested. The prospect of a Trump presidency and the adoption of mercantilist policies aimed at winding back free trade and attempting to road-block further globalisation is a nagging worry for global markets and policymakers. With the election looming, it is likely that the Federal Reserve will wait until its December meeting to lift interest rates which is still by no means a foregone conclusion, despite the strong employment and wages data.

The reality behind the Federal Reserve's delay in raising the official interest rate, is that it would prefer to avoid a sharp appreciation in the US dollar which would choke off the little manufacturing competitiveness left in the economy. There is little political appetite for such an event. Furthermore, the economic weakness in Japan and Europe could see the US dollar rise significantly against the Yen and the Euro.

In Europe, the Central Bank disappointed financial markets after it refused to confirm further quantitative easing (money printing) when its current bond buying programme ends in six months. Investors were looking for this to be extended by six months or so as a signal of the central bank's willingness to keep policy highly accommodative for as long as necessary. There was also a renewed focus on the viability of Germany's largest bank - Deutsche Bank, after the US Department of Justice put forward its opening bid on the mortgage-securities cases fines.

The Euro economy more broadly slowed in the second quarter as weakness in domestic demand outweighed a brighter export sector. Despite the downturn, many of the conditions that have driven the recovery remain intact and monthly data has been resilient, suggesting that a large Brexit-induced shock to growth has yet to materialize. Readings on the health of manufacturing remained positive in September and economic sentiment recorded only a mild decline in August. However, post-Brexit vote optimism is still premature as the brunt of the impact will be felt over a longer horizon.

The Bank of Japan (BoJ) left its policy interest rate unchanged at minus 0.1% as expected and will also continue to purchase Japanese government bonds (print money) at an annual rate of ¥80 trillion. However, something new was added to its recent communiqué. The Bank will now adjust these purchases to target a zero percent yield for the 10-year government bond. It previously only targeted the short term cash rate. This means the Bank will use the shape of the yield curve to implement policy rather than the pace of monetary expansion. The monetary policy board (MPB) also adjusted its inflation target to above 2.0% as soon as possible rather than within a specific time period so that its average level will be closer to the target over the longer term. The experiment rolls on.

The Chinese economy has been moving along at a reasonable rate. Policy stimulus earlier this year continues to buoy the economy overall. The latest current account data, suggests some softening of growth over the near term and likely to keep authorities biased towards further stimulus. Pleasingly for Australia, China's demand for commodity imports remained solid. There has been some overheating in property again with the government reintroducing house purchase restrictions in over 20 cities however this should not pose a threat to the economy at this stage.

The Australian economy continues to grow steadily aided by easy policy, continued buoyancy in the housing market

and a resurgence in commodity prices aiding foreign income. The picture is consistent with a 3% growth level which may be considered close to trend. Australian consumers remain cautious. The latest retail sales data improved slightly and although welcomed, the rate of spending in the economy is inconsistent and well below trend. Business survey data suggest that while business conditions overall are above average, the broadening across industries seen earlier in the year has not endured.

The notable danger for the Australian economy is the housing market. Recent data released by CoreLogic shows dwelling prices in Sydney up 3.5% in the last three months and by 5% in Melbourne. However, the data is somewhat misleading in that there would seem to be an undersupply of free standing homes and an oversupply of units. The low advertised stock levels are likely adding to some buyer urgency as too is the low return from term deposits and bonds. Listing numbers in Sydney and Melbourne have started to trend higher however overall listing numbers remain well below the long term average levels. Whether a correction in property prices materialises depends principally on the labour market as an increase in interest rates / funding costs seems highly unlikely. The labour market has been holding steady to date, however may develop a softer undertone with the shutting down of car manufacturing and lack of business investment.

The Australian Share market ended the September quarter 5.14% higher. Global property trusts performed well over the quarter, however this masks a fall in values over the month of September as a result of higher bond interest rates (lower prices). The Australian bond market returned 0.93% over the quarter however, once again the return over the month of September was -0.22% as bond prices fell on the back of news that the European central bank failed to appease investors with an announcement that it would extend its bond buying (money printing) programme. International shares rose by 2.16% over the quarter however were weaker in September on the back of uncertainty regarding the US election and the Deutsche Bank issue mentioned above.



"The CARE Active Portfolio was rebalanced with Australian Shares reduced. The Gold exposure was also reduced whilst Cash was increased in line with the CARE Investment Philosophy."

As reported in our last CARE newsletter, extreme risk aversion following the Brexit vote saw bond interest rates around the world fall to their lowest levels in history in July. Government bonds are considered the safest assets, however unfortunately prices seem to have divorced from fundamentals. The CARE investment philosophy is to maintain suitable exposure in fairly priced assets such as bonds, shares and property for the long term. If an asset class becomes cheap or expensive, portfolios will be rebalanced at the margin, to take advantage of market mispricing. In terms of the CARE portfolio's exposure to bonds, the Investment Committee prefers to maintain exposure to this asset class through investment strategies that have a very low probability of capital loss. This is done through Kapstream Absolute Return Income Fund and Realm High Income Fund. Both investments are conservative and focused on income generation which has been over 5% over the past year.

In terms of portfolio activity, the CARE Conservative, Moderate, Balanced, Growth and High Growth portfolios were rebalanced during the quarter as Australian share exposure rose in line with the market's increase. The proceeds, which took the portfolios back to the long term benchmark exposure, mainly went into cash, global and

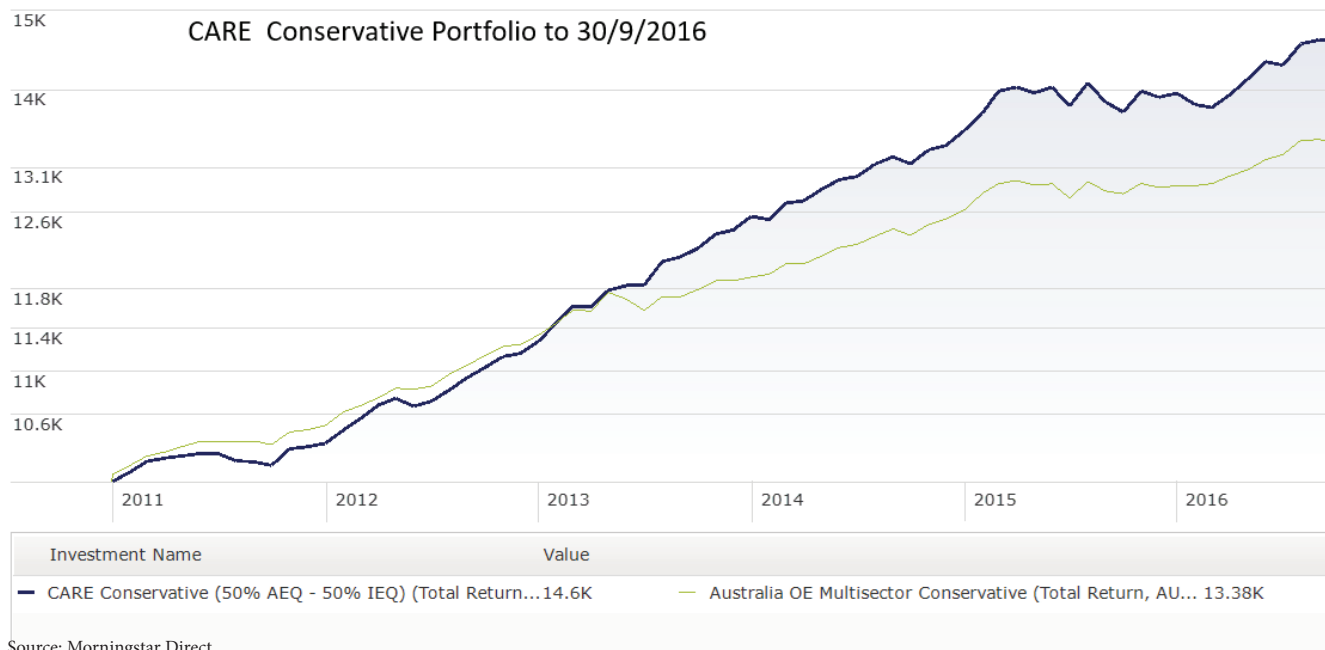
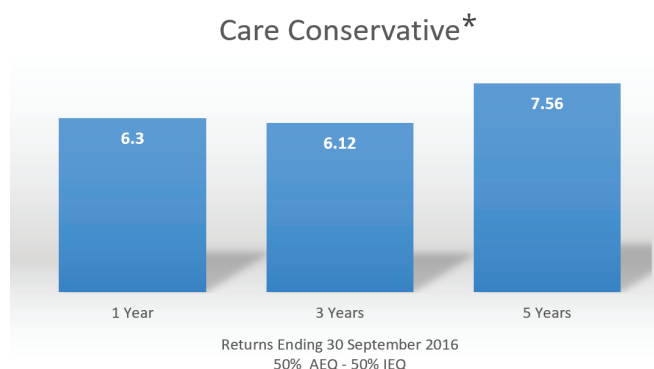
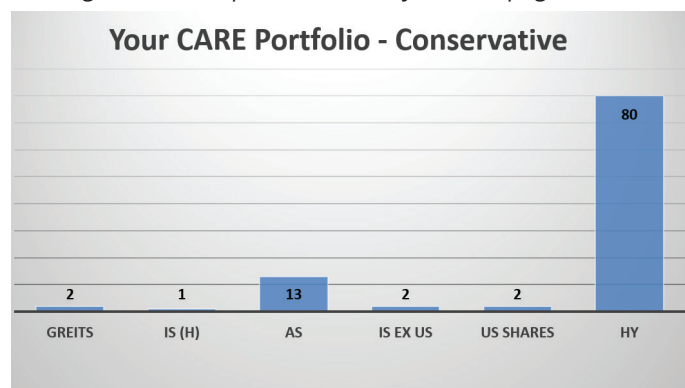
emerging market shares. The CARE Active Portfolio was rebalanced with Australian Shares reduced. The Gold exposure was also reduced whilst Cash was increased in line with the CARE Investment Philosophy.

Within the CARE Enhanced International Shares Portfolio the investments were rebalanced to equal weights between Magellan Asset Management and the World Dividend shares. This was due purely to the rise in shares with high dividends – the result of lower bond yields. The CARE investment philosophy is to construct well diversified portfolios for the long term and to rebalance the investments within the portfolios periodically if portfolio exposures alter. Within the international shares sector, eBay and Intel performed well with Lowe's (America's equivalent of Bunnings), drug company – Sanofi and CVS Health held the portfolio back.

Despite the short term rise in bond yields from extremely overvalued levels, the deflationary backdrop still remains and the world seems to be locked in a low growth low inflation trajectory for some time to come. Surprisingly this bodes well for the Australian and international share market and Global Property trusts.

RETURNS TO THE 30TH SEPTEMBER 2016 BY CARE INVESTMENT STRATEGY

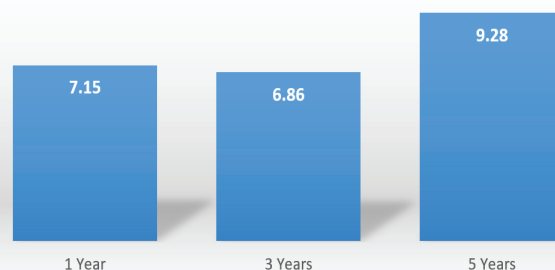
*The Legend which explains the acronyms is on page 6.



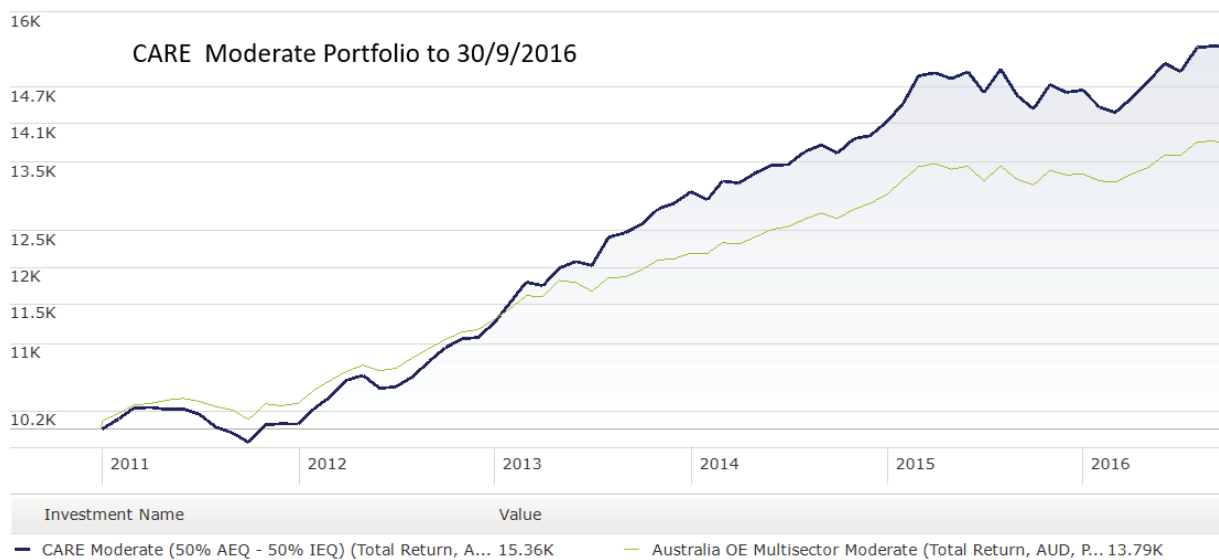
Your CARE Portfolio - Moderate



Care Moderate*

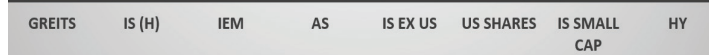


Returns Ending 30 September 2016
50% AEQ - 50% IEQ



Source: Morningstar Direct

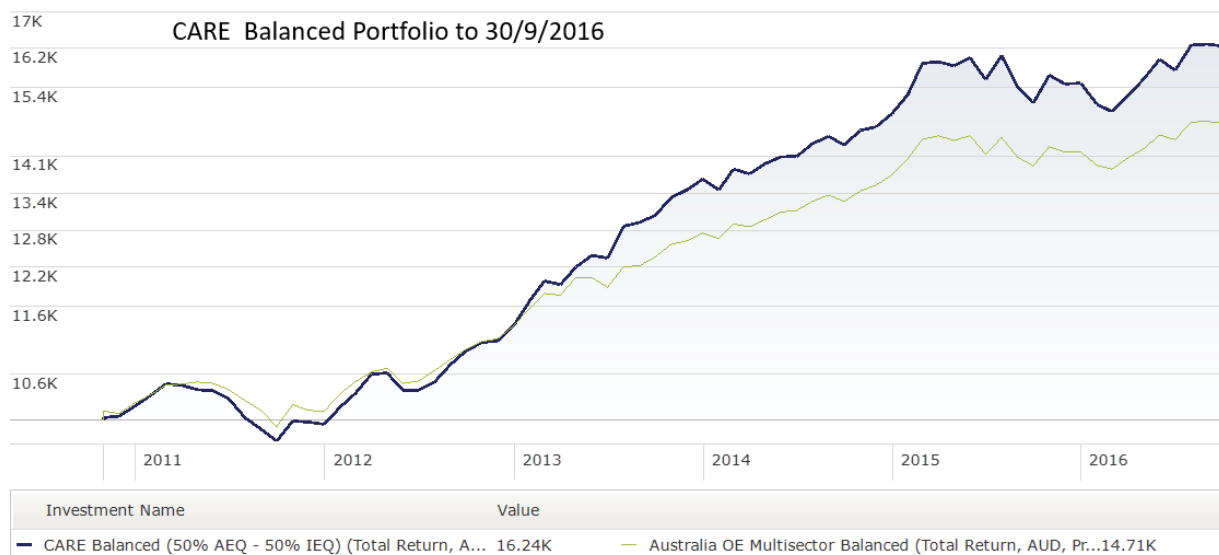
Your CARE Portfolio - Balanced



Care Balanced*

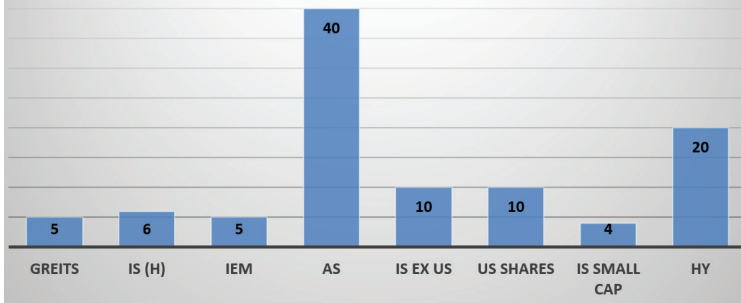


Returns Ending 30 September 2016
50% AEQ - 50% IEQ



Source: Morningstar Direct

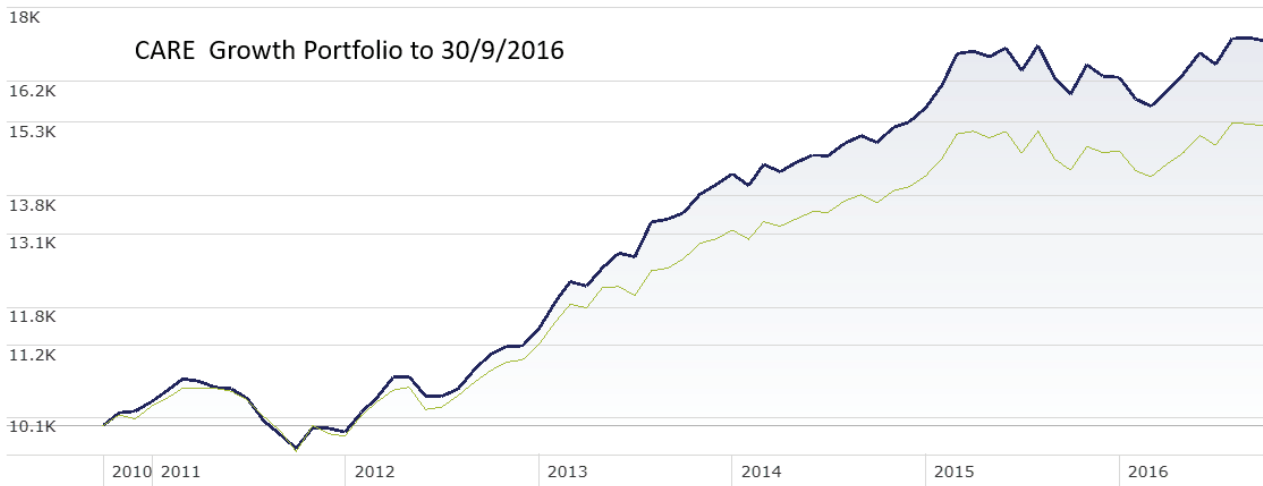
Your CARE Portfolio - Growth



Care Growth*



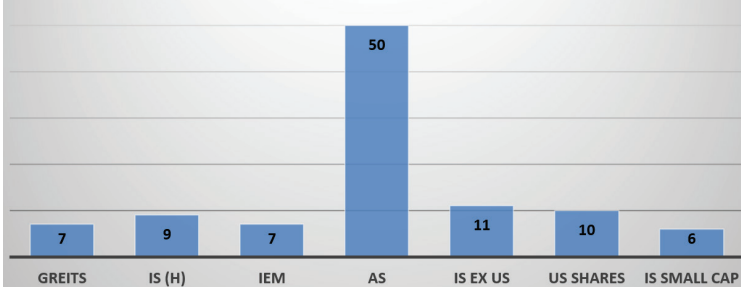
Returns Ending 30 September 2016
50% AEQ - 50% IEQ



Investment Name	Value
— CARE Growth (50% AEQ - 50% IEQ) (Total Return, AUD...)	17.16K
— Australia OE Multisector Growth (Total Return, AUD, Pre...)	15.22K

Source: Morningstar Direct

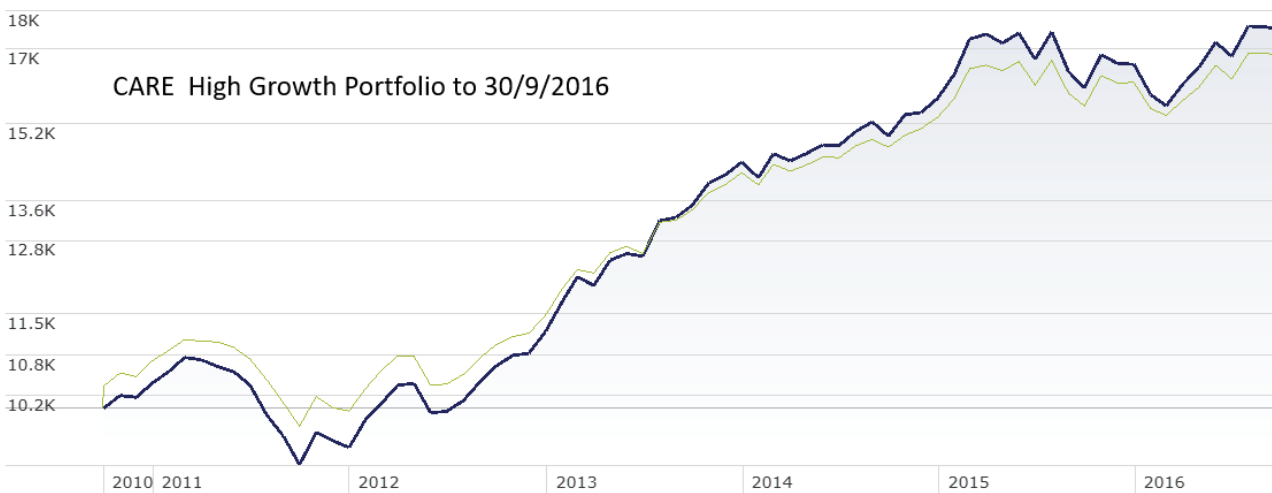
Your CARE Portfolio - High Growth



Care High Growth*



Returns Ending 30 September 2016
50% AEQ - 50% IEQ



Investment Name	Value
— Core High Growth (Total Return, AUD, Pre-Tax)	17.49K
— Australia OE Multisector Aggressive (Total Return, AUD, ...)	16.84K

Source: Morningstar Direct

Legend

International Real Estate - GREITS
 International Shares (Hedged) - IS (H)
 Australian Shares - AS
 International Shares (ex-USA) - IS ex US
 International Shares USA - US Shares
 High Income - HY
 International Emerging Market Shares - IEM
 International Small Companies Shares - IS Small Cap
 Australian Fixed Interest - AFI
 Australian Corporate Fixed Interest - Corp FI

*Returns are based on model portfolio, benchmark allocation & assumes investment over 1 , 3 & 5 years ending 30th September 2016. The E (enhanced) component is assumed to be 50% Australian Equities & 50% International Equities. Past Performance is not indicative of future performance.

GPS CORE PORTFOLIO RETURNS TO THE 30TH SEPTEMBER 2016

GPS CORE Portfolios	1 year	3 years	5 years
CORE Conservative	6.14	5.75	6.8
CORE Moderate	7.07	6.38	8.36
CORE Balanced	7.84	7.21	10.06
CORE Growth	8.12	8.35	12.03
CORE High Growth	9.04	9.03	13.7

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GAME of money®

Meet the CARE Investment Committee

Emmanuel Calligeris

Emmanuel is Chairman of the CARE Investment Committee. Emmanuel holds a degree in economics and previously had 20 years' experience as Chief Investment Officer for OnePath Investments (the investment arm of ANZ Bank) and was responsible for \$13 Billion of funds under management.

Rob McGregor

Rob Invented the CARE Investment Philosophy over the last 15 years and successfully managed \$100m in clients' funds during the GFC.

Grahame Evans

Grahame is the Risk and Compliance member of the CARE Investment Committee. Grahame brings over 35 years of financial planning industry experience.

Dr. Mark Brimble

Mark Brimble is an Independent member of the CARE Investment Committee. Mark holds a doctorate in Capital Markets and is keenly interested in investor behaviour.



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