

# Blended Australian Equities Portfolio

As at 31 July 2018

## Key Facts

Inception date	21 Feb 14
Investment minimum	\$25,000
Investment time horizon	5+ years
Management fee	0.60%
Maximum holding limit	12%
Number of stocks	20 - 40
Dividend yield	3.94%*

\*Gross yield inc franking for the previous 12 months

## Portfolio Objective

The portfolio seeks to generate long-term capital appreciation by investing in Australian listed equities. The portfolio aims to do so with lower volatility and greater downside protection relative to the S&P/ASX 200 Accumulation Index benchmark.

Throughout July, our focus was to build our position in strong businesses with favourable economics and/or are trading at attractive valuations. Similarly, we have also reduced/exited our positions in several companies with significant re-ratings in their share prices.

## Monthly Commentary

Equity markets continued to exhibit extraordinary resilience in July, with the Australian market delivering a strong start to the new financial year. Overall, economic conditions remain supportive to company earnings, with the US economy expanding at a 4.1% annual rate in the second quarter, the best three-month increase since 2014. The growing myriad of geo-political issues ranging from Brexit, energy supply concerns in the Middle East, or the potentially damaging trade dispute between the US and China is seemingly having little impact on equity markets.

The Blended Australian Equities Portfolio finished the month of July up 2.53% compared to the ASX 200 Accumulation Index which was up 1.39%. Positive attribution for the Blended Australian Equities Portfolio was driven by Nearmap (NEA), Brambles (BXB), and Cleanaway Waste Management (CWY). Whereas, News Corporation (NWS), Woolworths (WOW), and Origin Energy (ORG) weighed negatively on the portfolio's attribution.

With equity markets at or close to decade highs, the discovery of untapped value is proving to be challenging. Nevertheless, in July we were favourably disposed to increase our weightings in BHP (sale of onshore US assets), Brambles (value proposition) and Caltex (long term strategic agreement with Woolworths on convenience retail and fuel supply). The portfolio continues to be underpinned by a cash weighting of c. 17%, providing a level of fortification if equity markets eventually tilt downwards and an invaluable source of liquidity.

## Cumulative Return From Inception (%)



Source: Praemium Ltd

## Total Return (%)

	FY15	FY16	FY17	FY18	FY19	Inception*
Portfolio Performance	15.40%	6.15%	11.17%	16.61%	2.53%	12.21%
ASX 200 Accumulation	5.68%	0.55%	14.09%	13.01%	1.39%	8.06%
Relative Performance	9.72%	5.60%	-2.92%	3.60%	1.14%	4.15%

Source: Praemium Ltd. Figures shown are before fees and inclusive of franking credits. \*Annualised.

## Top 5 Holdings (%)

Stock	Weight
BHP	8.42%
WES	6.50%
BXB	5.68%
WOW	5.28%
CWY	4.37%

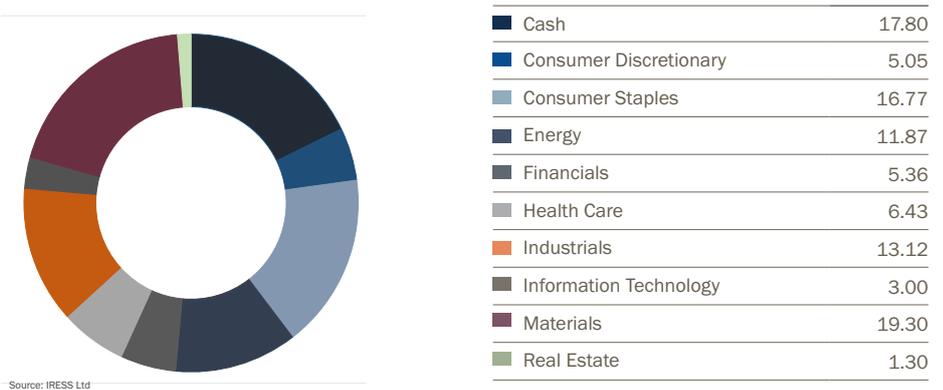
Source: Praemium Ltd.

## Risk Metrics

	Portfolio Metrics	ASX 200 Accum.
Risk adjusted return	1.01	0.55
Annualised volatility	10.62%	13.05%
Beta	0.76	1.00
Correlation	0.90	1.00
Max drawdown	-8.96%	-17.57%

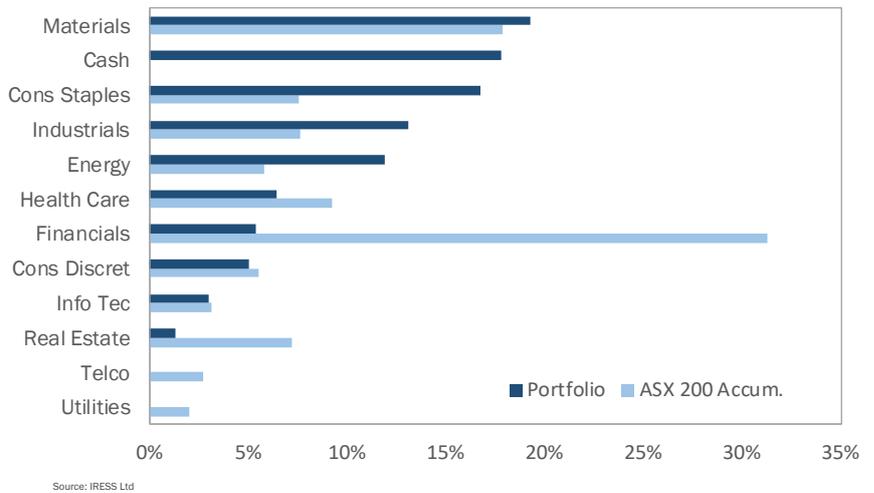
Source: Bloomberg

### Portfolio Sector Exposure (%)



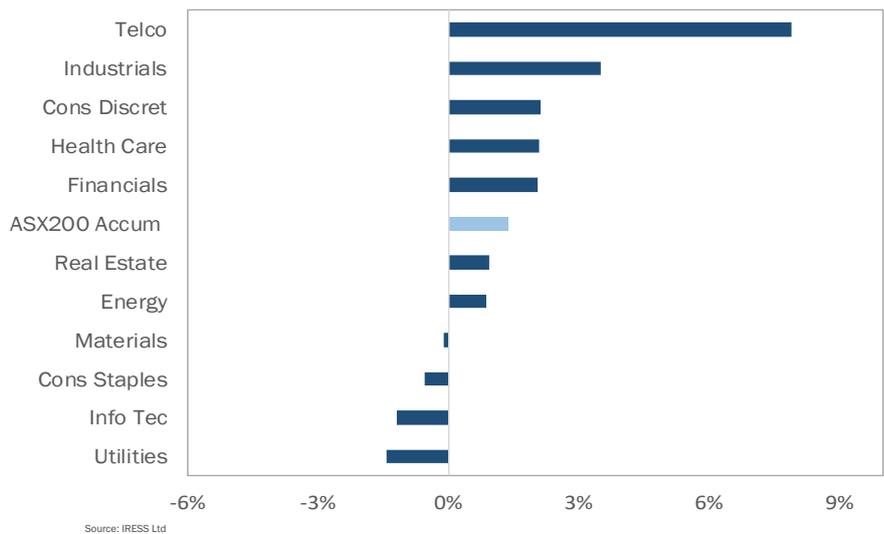
The portfolio outperformed the ASX 200 notwithstanding elevated levels of cash allocation, demonstrating a vigilant investment philosophy and portfolio construction process.

### Sector Relative Weights (%) Month of July 2018



The Australian market was supported by share price recovery in Telstra and favourable operating results in the Industrials sector. In contrast, the competition regulator's crackdown on AGL Energy and widespread technology sell-off has weighted negatively on the Australian equity benchmark.

### Sector Total Return (%) Month of July 2018



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