ShawandPartners

Shaw SMA - International Equity Portfolio

Shaw and Partners Portfolio Strategies

Monthly Review – April 2018

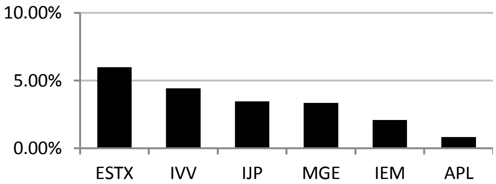
Top Holdings

ASX Code	Security	Alloc: 96.14%
IVV	iShares Core S&P 500 (IVV)	42.28%
ESTX	ETFS EURO STOXX 50 ETF ETF UNI	16.58%
IEM	iShares MSCI Emerging Market ET	10.87%
MGE	Magellan Global Equities Fund (M	9.59%
APL	Antipodes Global Investment Com	9.26%
IJP	iShares MSCI Japan ETF (IJP)	7.56%

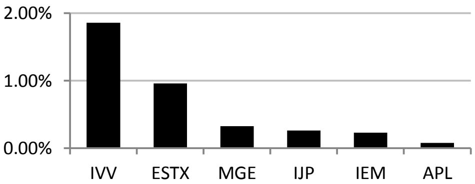
Portfolio TWR Performance

Number of Securities:					6
Return	**1 Mth**	**3 Mth**	**6 Mth**	**1yr**	**Incep.**
Total TWR Portfolio	3.71%	0.69%	4.70%		12.14%
Portfolio Objective	2.75%	1.78%	5.08%		14.77%
Excess vs. Objective	0.96%	-1.09%	-0.38%		-2.63%

1 Month: Total Return



1 Month: Total Attribution



**Returns are gross of franking credits*

Portfolio Details

Portfolio Name: Shaw International Equity Portfolio
Portfolio Inception Date: 6-Sept-16
SMA Model code: SP0007
Indicative # of securities: 15-25
Portfolio Return Objective: MSCI World Index (ex-Australia unhedged)
Shaw Model Managers: Martin Crabb

Investment Objectives

The primary objective of the Shaw International Equity Portfolio is to provide long term capital growth and income from an investment in international equity markets, over the medium term (3 - 5 years). It achieves this by investing in a portfolio of ETFs and managers that have superior expected risk-adjusted returns.

Investment Strategy

Shaw's investment process combines quantitative and qualitative criteria and analysis to identify securities/markets/managers which have above average expected return characteristics and some dividend paying capacity.

The portfolio construction is based on macro-economic and thematic views of Shaw's Research team in order to best meet the risk and return objectives of the investment strategy. The team will establish the underlying markets for investment and use a combination of managers, equities and ETF's to manage the exposure.

Portfolio Highlights

- **The Shaw and Partners International Equity Portfolio returned 3.71% in April, above the MSCI World ex Australia Index return of 2.75%.** A combination of recovery in price movements from the end of March and strong performance from the European markets boosted returns.

- **We strongly favour international equities over domestic equities** and have taken steps to rotate our equity weightings in the goals based portfolios we manage as part of the overall Shaw and Partners Separately Managed Accounts. Our expected return for global equities was 7.4% higher than Australian equities at the end of April.

- **Our investment in the Antipodes Global Investment Company (APL) has performed relatively poorly**, not because the underlying portfolio has done so, but more due to the fact that the LIC is trading at a discount to NAV and is also weighed down by the exercise of 215m $1.10 options expiring in October this year. Investors have been purchasing these options as a cheap way of entering the LIC and selling the headstock.

- **European equities were the best performing region in April.** A strong start to the earnings season and easing geopolitical tensions competed with concerns of a trade war to hold the market's attention over April. Fundamentals won the day; the S&P Europe 350® gained. Energy led the way among equity sectors this month, outperforming in Europe by a whopping 8% in total return. Strong gains in energy prices fuelled the sector, but it was a good month for commodities generally**.**

- **U.S. large-cap equities returned to positive territory in April**, with the S&P 500 up 0.4%. Small caps performed better, as the S&P SmallCap 600 gained 1%. Equity volatility declined, with the VIX closing the month at 15.93. Energy was the top performing sector in April, up 9%, aided by rising oil prices. Consumer Staples was the laggard, down 4%, driven by disappointing earnings reports. While fluctuating during the month, Value ended the month ahead of Growth.

- Emerging markets posted losses, with the S&P Emerging BMI down 1%, due to headwinds including rising rates and the US dollar's strong performance.

Martin Crabb | Chief Investment Officer
+61 2 9238 1352
mcrabb@shawandpartners.com.au

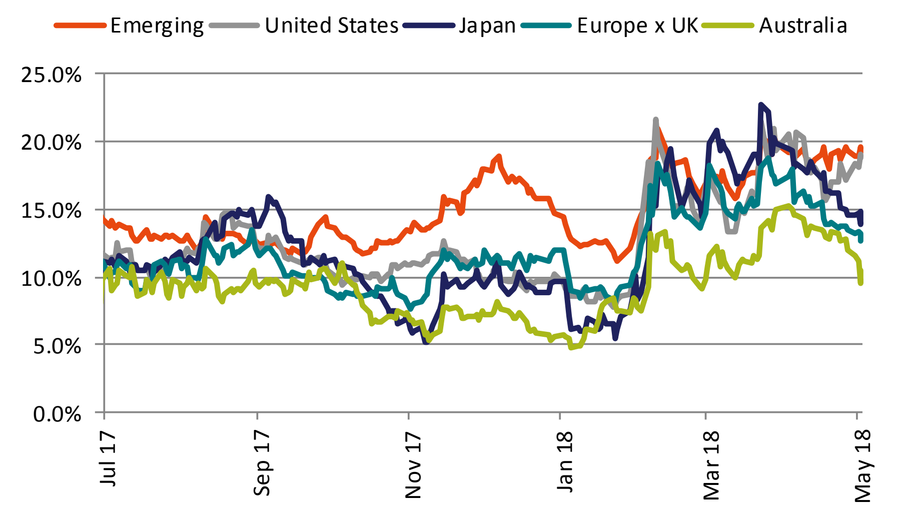
Portfolio Performance

Our portfolio performed well in April, returning 1% above the index. Since we are investing in mostly passive indexes and tilting country allocation based on expected risk and return, we did not expect to deviate as much from the index in March as we did. We took time to sit down with our major provider of index exchange traded funds (iShares) to understand the differences between index pricing and ETF pricing. We thought we should share our understanding from the meeting with our investors:

- Where an iShares ETF is managed as a wrapper fund of fund(s), the iShares ETF’s NAV is based on the closing price of the underlying iShares ETF(s).
- The index tracked by the iShares ETF uses local closing prices for its securities.
- The difference in underlying prices used for such calculations can lead to tracking error between the iShares ETF and its index.
- The market price will include any premium or discount to the underlying iShares ETF’s NAV based on new information and/or investor sentiment garnered during local market trading hours, i.e. “price discovery.”
- Similarly the end-of-day market price will incorporate, FX market movement between the index rate (4 PM London) and close on the listing exchange.
- That end-of-day price will vary from the index value, which like the underlying iShares ETF’s NAV is based on the local closing prices of the underlying securities.
- The differences generally “wash out” over time, as reflected in the more appropriate tracking difference measurement.

In light of shifting fundamentals in the Emerging Markets (favourable) and Europe (unfavourable) we have moved more overweight Emerging Markets in our portfolio, and now hold underweight positions to both Japan and Europe and remain overweight the United States.

Figure 1: Expected Returns



Source: Shaw and Partners, FactSet

Portfolio Outlook and Strategy

We prefer International Equities to domestic equities in a diversified portfolio due to the superior growth outlook, potential for a weaker Australian dollar and in some regions, more attractive valuation.

Disclaimer

Shaw and Partners Limited ABN 24 003 221 583 (“Shaw”) is a Participant of ASX Limited, Chi-X Australia Pty Limited and holder of Australian Financial Services Licence number 236048.

This report is published by Shaw to its clients by way of general, as opposed to personal, advice. This means it has been prepared for multiple distribution without consideration of your investment objectives, financial situation and needs (“personal circumstances”). Accordingly, the advice given is not a recommendation that a particular course of action is suitable for you and the advice is therefore not to be acted on as investment advice. You must assess whether or not the advice is appropriate for your personal circumstances before making any investment decisions. You can either make this assessment yourself, or if you require a personal recommendation, you can seek the assistance of your Shaw client adviser. This report is provided to you on the condition that it not be copied, either in whole or in part, distributed to or disclosed to any other person. If you are not the intended recipient, you should destroy the report and advise Shaw that you have done so. This report is published by Shaw in good faith based on the facts known to it at the time of its preparation and does not purport to contain all relevant information with respect to the financial products to which it relates. Although the report is based on information obtained from sources believed to be reliable, Shaw does not make any representation or warranty that it is accurate, complete or up to date and Shaw accepts no obligation to correct or update the information or opinions in it. If you rely on this report, you do so at your own risk. Any projections are estimates only and may not be realised in the future. Except to the extent that liability under any law cannot be excluded, Shaw disclaims liability for all loss or damage arising as a result of any opinion, advice, recommendation, representation or information expressly or impliedly published in or in relation to this report notwithstanding any error or omission including negligence.

IMPORTANT INFORMATION TO CONSIDER: It is important that before making a decision to invest in a Shaw Managed Accounts, a managed fund, an exchange traded fund, an individual hybrid security or listed debt instrument that you read the relevant Product Disclosure Statement (“PDS”). The PDS will contain information relevant to the specific product, including the returns, features, benefits and risks.

RISKS ASSOCIATED WITH HYBRID SECURITIES: Hybrid securities and listed debt instruments differ from investments in equities and cash products in a number of important respects. The liquidity risk associated with an investment in hybrid securities and listed debt instruments will generally be greater than that associated with equities. The credit risk associated with hybrid securities and listed debt instruments is higher than that of a cash product or term deposit. Some hybrid securities may be perpetual in nature, meaning that they can only be redeemed or exchanged for cash or equity at the issuer’s option. Hybrids may also contain terms which automatically trigger the deferral of an interest payment or cause the issuer to repay the hybrid earlier or later than anticipated. ASIC has published information to assist consumers in understanding the risks and benefits associated with an investment in hybrid securities or listed debt instruments. This information can be found under the heading ‘Complex Investments’ at www.moneysmart.gov.au/investing.

DISCLOSURE: Shaw will charge commission in relation to client transactions in financial products and Shaw client advisers will receive a share of that commission. Shaw, its authorised representatives, its associates and their respective officers and employees may have earned previously, or may in the future earn fees and commission from dealing in the financial products. Performance of the Model Portfolio is based on a model portfolio and is gross of investment management, administration fees and transaction costs. The total return performance figures quoted are historical and include franking credits. Total returns assume the reinvestment of all portfolio income.

Sydney | Head Office	Melbourne	Brisbane	Perth	Adelaide	Canberra
L15, 60 Castlereagh Street	L20, 90 Collins Street	L28, 111 Eagle Street	L14, 197 St Georges Terrace	L21, 25 Grenfell Street	L1, 18 National Circuit
Sydney NSW 2000	Melbourne VIC 3000	Brisbane QLD 4000	Perth WA 6000	Adelaide SA 5000	Barton ACT 2600
Telephone: +61 2 9238 1238	Telephone: +61 3 9268 1000	Telephone: +61 7 3036 2500	Telephone: +61 8 6188 7643	Telephone: +61 8 7109 6000	Telephone: +61 2 6113 5300
Fax: +61 2 9232 1296	Fax: +61 3 9650 2277	Fax: +61 7 3036 2599	Fax: +61 8 6188 7607	Fax: +61 2 9232 1296	Fax: +61 2 6113 5399
Toll Free: 1800 636 625	Toll Free: 1800 150 009	Toll Free: 1800 463 972	Toll Free: 1800 636 625	Toll Free: 1800 636 625	Toll Free: 1800 636 625

Holder of Australian Financial Services Licence Number 236048 | ABN 24 003 221 583 | Participant of ASX Limited, Chi-X Australia Pty Limited | www.shawandpartners.com.au