

# Shaw SMA - Balanced Goal Portfolio

Shaw and Partners Portfolio Strategies

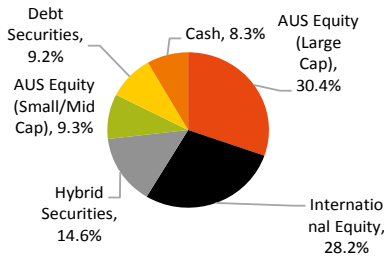
## Monthly Review – April 2018

### Portfolio TWR Performance

<b>Number of Securities:</b>	<b>91</b>			
<b>Return</b>	<b>1 Mth</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1yr</b>
<b>Total TWR Portfolio</b>	2.50%	-0.04%	3.14%	7.04%
<b>Portfolio Objective</b>	0.45%	1.35%	2.76%	3.62%
<b>Excess vs. Objective</b>	2.05%	-1.38%	0.38%	3.42%

### Asset Class Allocation

<b>Australian Equity (Large Cap)</b>	30.4%
<b>International Equity</b>	28.2%
<b>Hybrid Securities</b>	14.6%
<b>Australian Equity (Small/Mid Cap)</b>	9.3%
<b>Debt Securities</b>	9.2%
<b>Cash</b>	8.3%



### Asset Type Allocation

<b>Listed Australian Equity</b>	34.9%
<b>ETF</b>	20.2%
<b>Listed Hybrid Securities</b>	14.6%
<b>Managed Funds</b>	9.5%
<b>Cash</b>	8.3%
<b>Listed International Equity</b>	4.9%
<b>Listed Investment Company/Trust</b>	3.7%
<b>Senior Debt - XTB</b>	2.1%
<b>Listed Sub Debt</b>	1.9%

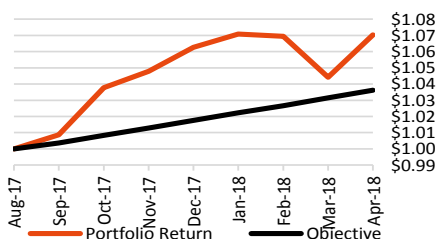
### Portfolio Attribution - 1 month

<b>Income Attribution</b>	0.05%
<b>Capital Attribution</b>	2.45%

### Asset Class Total Return - 1 Month

Asset Class	Portfolio	Objective
<b>Debt Securities</b>	0.20%	0.25%
<b>Hybrid Securities</b>	0.78%	0.37%
<b>Australian Equity (Large Cap)</b>	2.97%	3.91%
<b>Australian Equity (Small/Mid Cap)</b>	0.27%	2.75%
<b>International Equity</b>	3.88%	2.75%

### Value of \$1 Invested at Inception\*



As at 6-Sept-17

\*Returns are gross of franking credits

### Martin Crabb | Chief Investment Officer

+61 2 9238 1352  
mcrabb@shawandpartners.com.au

### Steve Anagnos | Co-Head Income Strategies

+61 2 9238 1279  
sanagnos@shawandpartners.com.au

### Portfolio Details

<b>Portfolio Name:</b>	Shaw Balanced Portfolio
<b>Portfolio Inception Date:</b>	6-Sept-17
<b>SMA Model code:</b>	SP0008
<b>Portfolio Return Objective:</b>	RBA Cash + 4% (Total Return)
<b>Shaw Model Managers:</b>	Martin Crabb / Steve Anagnos

### Investment Objectives

The primary objective of the Shaw Balanced Portfolio is to provide a regular and sustainable income stream over the medium term (3 – 5 years), together with some capital growth whilst preserving capital. It achieves this by investing in a diversified portfolio of asset classes and strategies.

The strategy is deemed to have a moderate level of risk of not meeting its return objectives over a 3 – 5 year time horizon.

### Investment Strategy

Shaw's investment process combines quantitative and qualitative criteria and analysis to identify asset classes, markets, securities, and strategies which have a focus toward producing sustainable income as opposed to capital growth.

The portfolio construction is based on macro-economic and thematic views of Shaw's research to best meet the risk and return objectives of the investment strategy.

The portfolio is a blend of the Shaw and Partners' SMA strategic portfolios based on their suitability to the income objective. Each goal based portfolio effectively has its own asset and risk allocation managed by the Shaw Portfolio Strategies Team.

Asset classes and strategies may include Cash, Australian Debt Securities, and Australian Equities including Property Securities, International Equities (ETF and or managed Funds).

### Portfolio Highlights

- **The Shaw and Partners Balanced Goal portfolio recovered strongly in April**, rising 2.5% and is now some 3.4% above the objective since inception. Strong returns from Australian and Global equity markets pushed portfolio returns higher and we moved overweight global equities relative to our neutral weighting in the month.
- **The Australian Equities Large Cap portfolio rebounded strongly in April**, posting a return of just shy of 3%. No stocks in the portfolio paid dividends in April so the return was all capital growth. Our overweight position to Energy and Materials added most to returns. The portfolio remains positioned for a reflationary environment.
- **The Australian Small/Mid Cap Growth Portfolio had a small positive return during April** and we took steps to further diversify the portfolio by adding a 20% allocation to OC Premium Small Companies Fund, cutting back our allocation to individual companies. Small Companies underperformed large companies in April.
- **The International Equity Portfolio returned 3.88% 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.
- **A more benign macro environment in April saw positive moves in credit spreads** with the median margin across financial hybrids contracting from 3.75% in to 3.50%. As we expected, fears abated in relation to Labor's proposed change to abolish refundable excess dividend imputation credits, as concessions as to its application were made to the policy by Shorten as commentators highlighted the shortcomings of the original proposal. For the month the total portfolio return was +0.78%. Whilst the total return for the quarter fell short of its respective objective, the hybrid portfolio was ahead for the month and for the 12 month period.

## Top 3 Holdings - Portfolio Positioning and Underlying Performance

Asset Class	Class Weight	Top 3 Holdings per Asset Class	1 Month Asset Class Performance		
			Actual	Objective	Diff
<b>Debt Securities</b> <i>Objective: RBA Cash rate +1.5%</i>	9.2%	Metrics Credit Legg Mason AUS Bond Trust Franklin AUS Absolute Return Bond Fund	0.20%	0.25%	-0.04%
<b>Hybrid Securities</b> <i>Objective: RBA Cash rate +3.0%</i>	14.6%	Westpac Capital Note IV (WBCPG) Nat Aust Bank Capital Note (NABPC) CBA - PERLS VII CPS (CBAPD)	0.78%	0.37%	0.41%
<b>Australian Equity (Large Cap)</b> <i>Objective: ASX 100 Accumulation</i>	30.4%	BHP Billiton Limited (BHP) Commonwealth Bank. (CBA) Macquarie Group Ltd (MQG)	2.97%	3.91%	-0.93%
<b>Australian Equity (Small/Mid Cap)</b> <i>Objective: ASX Small Ords Accumulation</i>	9.3%	OC PREMIUM SMALL COMPANIES Fidelity Future Leaders (Smallcaps) Aberdeen AUS Small Company Fund	0.27%	2.75%	-2.49%
<b>International Equity</b> <i>Objective: MSCI World ExAUS (Unhedged)</i>	28.2%	iShares Core S&P 500 (IVV) ETFs EURO STOXX 50 ETF ETF UNITS (ESTX) iShares MSCI Emerging Market ETF (IEM)	3.88%	2.75%	1.13%
<b>Cash</b> <i>Objective: RBA Cash Rate</i>	8.3%		0.00%	0.12%	-0.12%

### Portfolio Performance

Following a setback in February and March, our portfolio has experienced a more positive month of returns which has taken the returns since inception back above the accumulated return objective. Flat fixed income markets were offset by stronger equity markets to produce solid portfolio gains for April. Our recent decision to allocate a greater proportion of the equity weighting to global markets paid off in April.

### Portfolio Outlook and Strategy

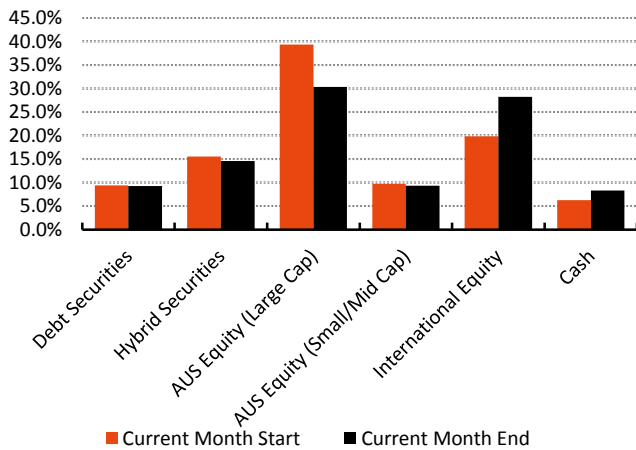
The portfolio is being managed according to its long term policy objectives, with a lack of compelling reason to deviate from these parameters given current market pricing and behaviour – with the exception of the local versus global equities allocation. Whilst there has not been a significant divergence in the underlying performance across equity markets, under the surface the economic outlook for the rest of the world has improved at a significant rate due to a combination of strong manufacturing activity, tax cuts and other fiscal stimulus measures.

The “risk” that growth assets get overbought as investors chase inflation hedges seems somewhat distant, but we would use such a scenario to adopt a more defensive stance, favouring floating rate debt, emerging market equities and resource stocks. We are not at that point yet and consider it prudent to maintain the broad growth/defensive allocation at roughly 68/32 for the Balanced Portfolio.

## Asset Allocation

Asset Class	Current Month	Current Month
	Start	End
Debt Securities	9.4%	9.2%
Hybrid Securities	15.5%	14.6%
Australian Equity (Large Cap)	39.3%	30.4%
Australian Equity (Small/Mid Cap)	9.8%	9.3%
International Equity	19.8%	28.2%
Cash	6.2%	8.3%
<b>Totals</b>	<b>100.0%</b>	<b>100.0%</b>

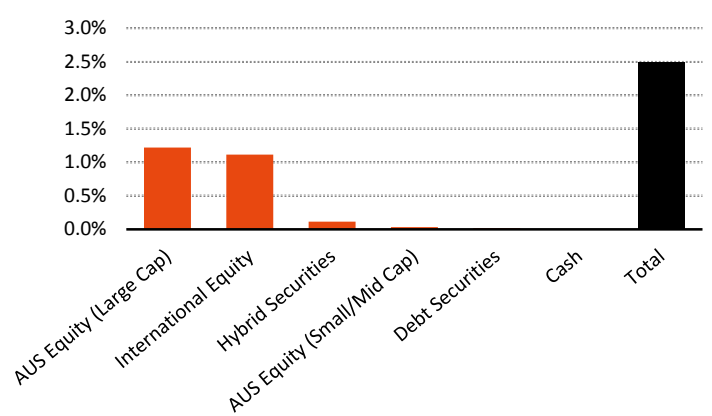
### Asset Allocation



## Asset Class Attribution

Asset Class	1 Month
Debt Securities	0.02%
Hybrid Securities	0.12%
Australian Equity (Large Cap)	1.22%
Australian Equity (Small/Mid Cap)	0.03%
International Equity	1.11%
Cash	0.00%
<b>Total Return</b>	<b>2.50%</b>

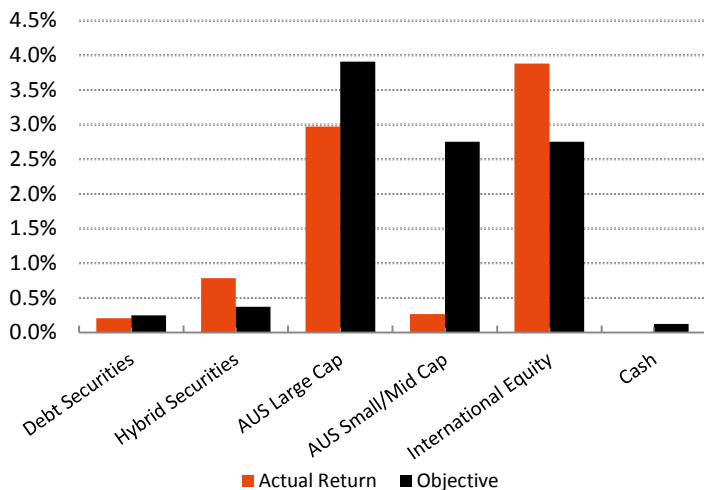
### Asset Class Attribution- 1 Month



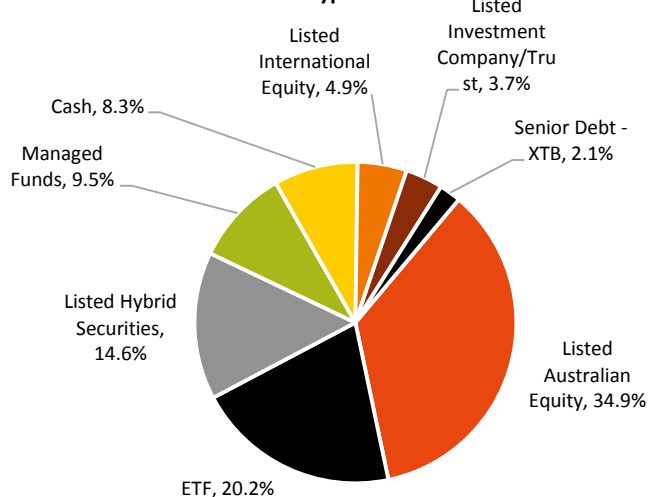
## Asset Class Returns

Asset Class	1 Month		
	Actual	Objective	Diff
<b>Debt Securities</b> Objective: RBA Cash rate +1.5%	0.20%	0.25%	-0.04%
<b>Hybrid Securities</b> Objective: RBA Cash rate +3.0%	0.78%	0.37%	0.41%
<b>AUS Large Cap</b> Objective: ASX 100 Accumulation Index	2.97%	3.91%	-0.93%
<b>AUS Small/Mid Cap</b> Objective: ASX Small Ords Accumulation Index	0.27%	2.75%	-2.49%
<b>International Equity</b> Objective: MSCI World ExAUS (Unhedged)	3.88%	2.75%	1.13%
<b>Cash</b> Objective: RBA Cash rate	0.00%	0.12%	-0.12%

### Asset Class Returns - 1 Month



### Asset Type Allocation



\*Returns are gross of franking credits

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