

# Shaw SMA - Growth Goal Portfolio

Shaw and Partners Portfolio Strategies

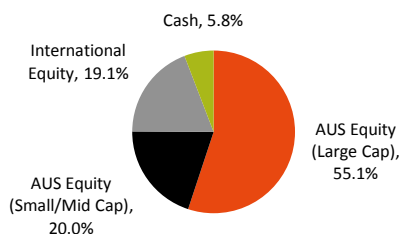
## Monthly Review – February 2018

### Portfolio TWR Performance

<b>Number of Securities:</b>	<b>48</b>				
<b>Return</b>	<b>1 Mth</b>	<b>3 Mth</b>	<b>6 Mth</b>	<b>1yr</b>	<b>Incep.</b>
<b>Total TWR Portfolio</b>	0.16%	3.81%			11.77%
<b>Portfolio Objective</b>	0.50%	1.61%			3.16%
<b>Excess vs. Objective</b>	-0.34%	2.20%			8.60%

### Asset Class Allocation

<b>Australian Equity (Large Cap)</b>	55.1%
<b>Australian Equity (Small/Mid Cap)</b>	20.0%
<b>International Equity</b>	19.1%
<b>Cash</b>	5.8%



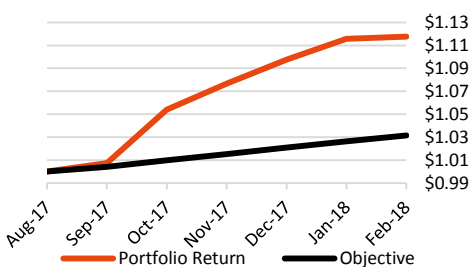
### Asset Type Allocation

<b>Listed Australian Equity</b>	69.1%
<b>ETF</b>	15.3%
<b>Managed Funds</b>	7.9%
<b>Cash</b>	5.8%
<b>Listed Investment Company/Trust</b>	1.9%

### Asset Class Total Return - 1 month

Asset Class	Portfolio	Objective
<b>Australian Equity (Large Cap)</b>	1.29%	0.37%
<b>Australian Equity (Small/Mid Cap)</b>	-2.22%	0.03%
<b>International Equity</b>	-0.42%	-0.41%

### Value of \$1 Invested at Inception



As at 6-Sept-17

Returns are gross of franking credits

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### Portfolio Details

<b>Portfolio Name:</b>	Shaw Growth Goal Portfolio
<b>Portfolio Inception Date:</b>	6-Sept-17
<b>SMA Model code:</b>	SP0010
<b>Portfolio Return Objective:</b>	RBA Cash + 5% (Total Return)
<b>Shaw Model Managers:</b>	Martin Crabb / Steve Anagnos

### Investment Objectives

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

The strategy is deemed to have a higher 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 capital growth over and above income.

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 portfolio is a blend of the Shaw and Partners SMA strategic portfolios based on their suitability to the growth objective. Each goals 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 and International Equities (ETF and or managed Funds).

### Portfolio Highlights

- **The Goals Based Growth Portfolio eked out small gains in February**, rising 0.16%, but failing to meet the performance objective of 0.50% for the month. Long term interest rates continued to rise around the world, putting pressure on fixed income markets and global equity markets. A 4% fall in the Australian dollar cushioned the blow somewhat. Our Large Cap Growth Equity allocation added value in the month, but other asset classes struggled to add value.
- **Our Large Cap Growth Equity Portfolio performed well again in February**, rising 1.3% versus a market return of 0.4%. Dividends added 0.75% to the overall market return for the month and prices actually fell 0.35% to give an accumulation return of 0.37%. Strong performance from CSL (up 11.4%) and Lend Lease Corp (LLC) up 14.8% drove portfolio returns. Portfolio returns are about double the market since inception.
- **February was a difficult month for the Small/Mid Cap portfolio, with returns reversing last month's sharp gains, falling 2.2% against a flat Small Ordinaries return.** A number of stocks suffered setbacks following weaker than expected interim profit results notably BWX, down 34% RXP down 28% and Xenith IP (XIP) down 13.4%. Others, such as Bionomics (BNO) up 14.7%, and Money3 (MNY) up 7.5% posted better results.
- **The International Equity Portfolio performed in line with the MSCI World Index in February, both falling 0.4%.** The Australian dollar fell 4% over the month, cushioning the fall in the underlying index and highlighting the benefit of maintaining an unhedged exposure to international shares.

## 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>Australian Equity (Large Cap)</b> Objective: ASX 100 Accumulation	55.08%	<b>Security Name</b> ResMed Inc. (RMD) CSL Limited (CSL) Seek Limited (SEK)	1.29%	0.37%	0.91%
<b>Australian Equity (Small/Mid Cap)</b> Objective: ASX Small Ords Accumulation	20.01%	Fidelity Future Leaders (Smallcaps) Aberdeen AUS Small Company Fund NGI	-2.22%	0.03%	-2.25%
<b>International Equity</b> Objective: MSCI World ExAUS (Unhedged)	19.08%	iShares Core S&P 500 (IVV) iShares Europe ETF (IEU) iShares MSCI Emerging Market ETF (IEM)	-0.42%	-0.41%	-0.01%
<b>Cash</b> Objective: RBA Cash Rate	5.83%		0.00%	0.12%	-0.12%

### Portfolio Performance

Despite a setback in February, where portfolio returns fell below the objective, since inception the portfolio has performed well in excess of its performance objective, building a buffer against the inevitable rainy day. 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. There is some “risk” that growth assets get overbought as investors chase inflation hedges and we would use this scenario to adopt a more defensive stance, favouring floating rate debt, emerging market equities and resource stocks. International stocks are beginning to look more attractively valued than domestic stocks.

### Portfolio Outlook and Strategy

The Shaw and Partners Growth Portfolio is designed to help investors achieve a goals based return of RBA Cash + 5.0% over a medium term (3-5 year) time horizon. We expect mid-to-high single digit returns from Australian and international equities, and mid-single digit returns from hybrid and debt securities investments. ***This will make the achievement of this goal significantly more challenging***, particularly if the RBA starts hiking rates, as some suggest they will in 2018.

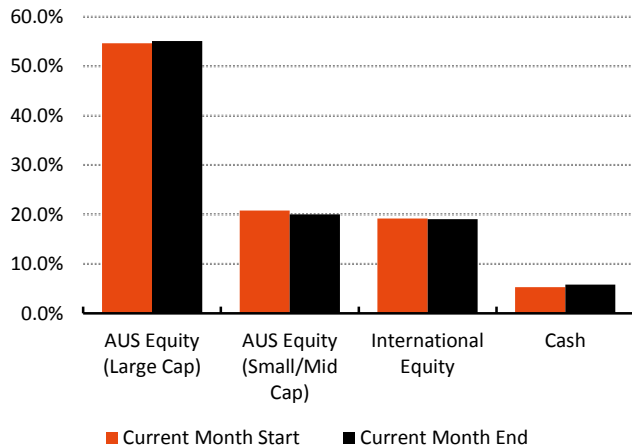
As we pointed out in January and repeated again last month, “*we remain cautious about long duration assets as we see risk to the upside to both inflation and wages growth in the United States and think that asset prices remain vulnerable to a rise in long term interest rates*”. In fact long term (10 year) US interest rates began to rise in September 2017 from a low of 2.04% to 2.41% at the end of December, 2.71% at the end of January and ended February at 2.86%. The market reaction to the larger than expected growth in US wages in January is an example of how vulnerable markets can be to surprises.

We maintain a neutral stance to relative valuations and have positioned portfolios in line with their long term policy objectives, but note that international equities are beginning to look more attractively priced than local counterparts.

## Asset Allocation

Asset Class	Current Month	
	Start	End
Australian Equity (Large Cap)	54.7%	55.1%
Australian Equity (Small/Mid Cap)	20.8%	20.0%
International Equity	19.2%	19.1%
Cash	5.3%	5.8%
<b>Totals</b>	<b>100.0%</b>	<b>100.0%</b>

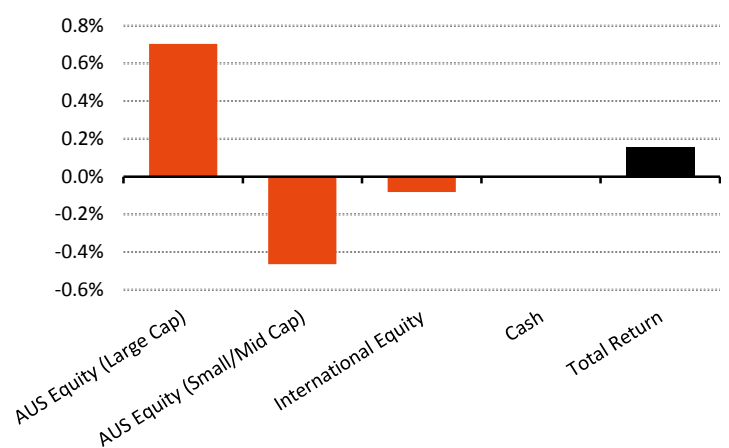
### Asset Allocation



## Asset Class Attribution

Asset Class	1 Month
Australian Equity (Large Cap)	0.70%
Australian Equity (Small/Mid Cap)	-0.46%
International Equity	-0.08%
Cash	0.00%
<b>Total Return</b>	<b>0.16%</b>

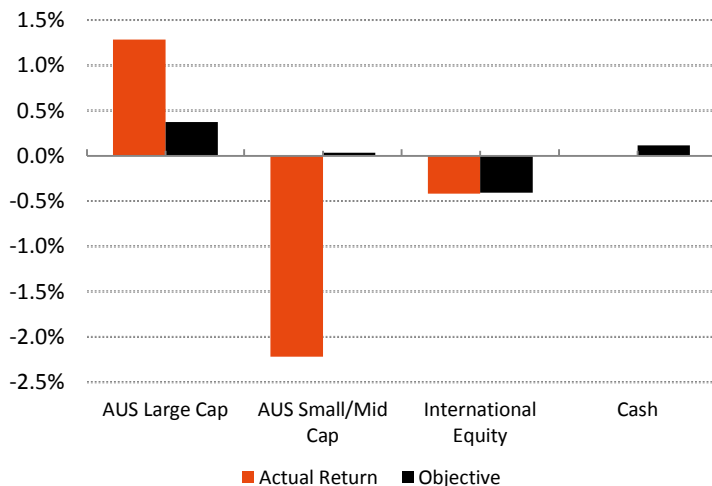
### Asset Class Attribution - 1 Month



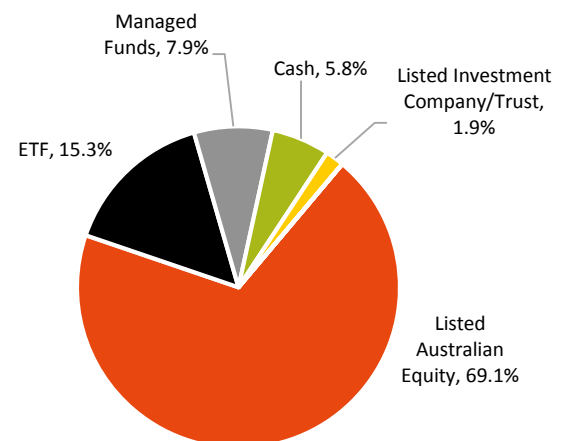
## Asset Class Returns

Asset Class	1 Month		
	Actual	Objective	Diff
<b>AUS Large Cap</b> Objective: ASX 100 Accumulation Index	1.29%	0.37%	0.91%
<b>AUS Small/Mid Cap</b> Objective: ASX Small Ords Accumulation Index	-2.22%	0.03%	-2.25%
<b>International Equity</b> Objective: MSCI World ExAUS (Unhedged)	-0.42%	-0.41%	-0.01%
<b>Cash</b> Objective: RBA Cash rate	0.00%	0.12%	-0.12%

### Asset Class Returns - 1 Month



## Asset Type Allocation



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