

# Sterling Clime Conservative Portfolio SR0010

**Investment Summary  
May 2018**



Praemium (SMA)

## Investment Approach

Sterling Clime's investment approach seeks to deliver strong risk-adjusted total returns to investors over a medium-term investment horizon. Sterling Clime focuses on delivering consistent results by identifying undervalued investment opportunities and, via the macroeconomic overlay, enhancing return and managing risk. We strive to ensure that risks taken within the portfolio are appropriately compensated and employ a decision framework of:

- Capital Deployed
- At what risk
- For what likely outcome
- Over an appropriate time horizon

## Investment Objectives

To provide investors with a solid foundation of regular income (with some franking) and some capital growth over the medium term from a purposeful portfolio of Australian shares, International Shares, Property, Interest Bearing Securities and Cash. The strategy seeks to deliver strong risk-adjusted total returns with a strong focus on capital preservation over the investment strategy minimum timeframe - provide a return beyond the Sterling Clime Benchmark with an equivalent level of risk as measured by monthly variability of returns.

## Portfolio Update (1 May 2018 to 31 May 2018)

Within the portfolio, capital allocation decisions are made across a number of asset classes. These are Australian Equities, International Equities, Property, Interest-Bearing Securities and Cash. Clime's purposeful approach seeks out high quality investments, that are reasonably priced, where we believe risk taken is appropriately compensated.

Within the Australian Equity asset class exposures encompass three sub-portfolios: Large Cap (ASX50 universe), Mid Cap (ASX200 ex ASX50 universe) and Small Cap (ex-ASX200 universe). Aligned managers are utilised within International Equity, Property and Interest-Bearing Securities sub-portfolios.

**The representative Sterling Clime Conservative Portfolio delivered a total return of +0.73%<sup>2</sup> for the month of May, below the comparison Sterling Clime Index return of +0.87% over the same period.**

The following changes were made to the portfolio over the period.

**There were no change in the Sterling Clime Conservative model portfolio during the May.**

## Portfolio Total Return (31/05/18)

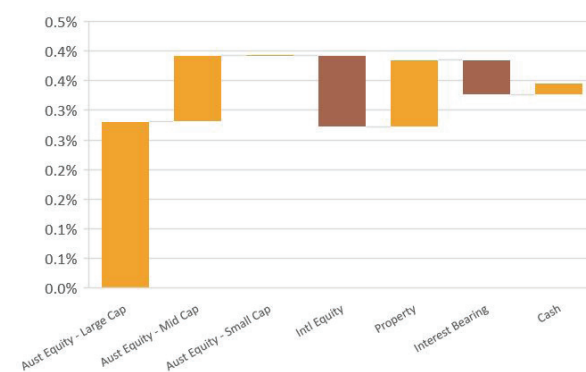
Portfolio Name	Sterling Clime Conservative Portfolio
Inception Date	1 <sup>st</sup> January 2018
SMA Model Code	SR0010
Portfolio Objective	Deliver strong risk-adjusted total returns
Benchmark	Blended Conservative Index <sup>1</sup>

## Portfolio Performance

Return	1 mth	3 mth	Incep
Total Portfolio	+0.73%	+0.45%	-0.30%
Sterling Clime Index	+0.87%	+1.44%	+1.15%
Return vs Index	-0.14%	-0.99%	-1.45%

Number of Individual Holdings (excluding cash): 23

## Asset Class Return Contribution



Source: Sterling Clime, Factset, S&P/ASX as at 31 May 2018

<sup>1</sup>Sterling Clime Blended Conservative Index is comprised of a 20% weighting to S&P/ASX 200 Accumulation Index, 5% to S&P/ASX 200 A-REIT Accumulation Index, 5% weighting to MSCI World ex Australia Index (AUD), 60% weighting to the Bloomberg AusBond Composite Index and 10% weighting to the Bloomberg AusBond Bank Bill Index

<sup>2</sup>Source: Sterling Clime, Factset and Praemium. The performance shown represents performance of model portfolios that are periodically restructured and rebalanced based on the Investment Manager's underlying investment process. Individual client accounts may not achieve the same returns as the underlying model portfolios. The model portfolios' returns are presented on a gross basis and do not take into consideration the platform provider's and/or investment management fees. Performance figures are not audited by an external body.

## Portfolio Prominent Holdings and Return Contributors

Asset Class	Prominent Holdings and Security Level Returns	1 Month Asset Class Return	Average Asset Class Weight
<b>Australian Shares</b>	<b>Australian Equity Large Cap Sub-Portfolio</b> CSL (+9.1%), Rio Tinto (+3.9), ANZ Bank (+4.3%) Ramsay Health (-5.2%), NAB (-4.1%)	+2.1%	13.8%
	<b>Australian Equity Mid Cap Sub-Portfolio</b> Seek (+4.0%), Credit Corp (+5.6%), Orora (+3.0%) Boral (-8.9%)	+1.0%	11.4%
	<b>Australian Equity Small Cap Sub-Portfolio</b> N/A	-	-
	<b>Total Australian Equity</b>	<b>+1.6%</b>	<b>25.2%</b>
<b>International Shares</b>	SPDR S&P Global Dividend ETF (-2.4%)	-2.4%	5.1%
<b>Property</b>	Folkestone Maxim A-REIT (+1.1%)	+1.1%	9.9%
<b>Interest Bearing Securities</b>	National Aust Bank NABHA (+1.0%) Ramsay Health Care RHCPA (-1.5%), AGL Energy AGLHA (-1.3%)	-0.1%	48.3%
<b>Cash</b>		+0.2%	11.5%

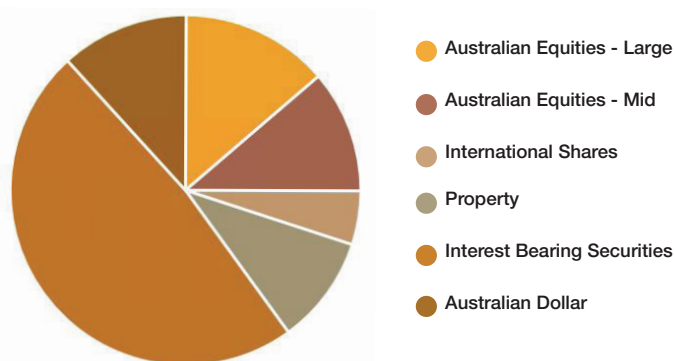
Geopolitical concerns remain an influential driver of global investment markets. Despite these concerns, underlying data releases across major economic regions remain supportive of what we see as steady, if not spectacular, growth. As we've previously described, the leadership position of the US Federal Reserve in gradually raising interest rates is something we believe over time will ultimately be beneficial to all investors by providing greater stability in global financial markets, and thus supporting more efficient capital allocation decisions.

At the time of writing the European Central Bank's Chief Economist, Peter Praet, made a small but significant step in signalling the 'imminent' commencement of formal talks on the cessation of their bond buying program. While we view this as encouraging, we await more concrete ECB actions in this area in shaping our opinion.

Consistent with the above viewpoints, we see longer-term bonds continuing to gradually move higher, albeit with some oscillation based on the more volatile market conditions we've seen since the start of the new calendar year.

Locally, the key tenet of Clime's Australian equity sub-portfolio approach - finding meaningful growth outside of tradition large caps (ASX50 universe) - was clearly illuminated over the month of May. This is one of the major themes we've seen emerge over financial year 2018 and is consistent with our Australian Equity growth-focused portfolio positioning.

## Asset Allocation by Market Capitalisation



Source: Sterling Clime, Factset, S&P/ASX as at 31 May 2018

The Clime Sterling portfolio positioning aligns with our view of an investing landscape where reasonably priced, genuine growth is difficult to find amongst the traditional ASX large caps and index-tracking ETFs. We remain constructive on seeking out growth opportunities in selective mid and small cap Australian equities and actively managed International equities, and seeking out income opportunities in actively managed Property and Interest-Bearing Securities.

## ***General Advice Warning***

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