

# Sterling Clime Balanced Portfolio SR0011

**Investment Summary  
April 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 blend of regular income (with some franking) and consistent capital growth over the long 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 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 (31 March to 30 April 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 Balanced Portfolio delivered a total return of +2.18%<sup>2</sup> for the month of April, beyond the comparison Sterling Clime Index return of +2.07% over the same period.**

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

**There were no changes in the Sterling Clime Balanced model portfolio during April.**

## Portfolio Total Return (30/04/18)

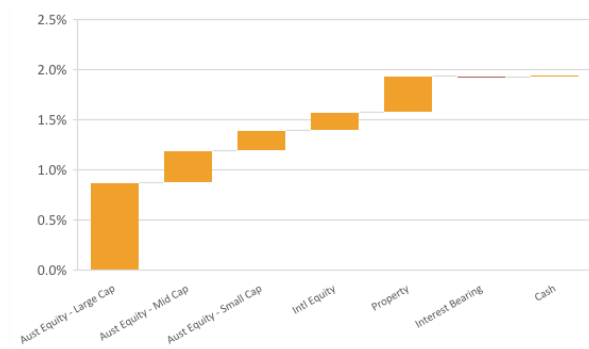
Portfolio Name	Sterling Clime Balanced Portfolio
Inception Date	1 <sup>st</sup> January 2018
SMA Model Code	SR0011
Portfolio Objective	Deliver strong risk-adjusted total returns
Benchmark	Blended Balanced Index <sup>1</sup>

## Portfolio Performance

Return	1 mth	3 mth	Incep
Total Portfolio	+2.18%	+0.66%	+0.08%
Sterling Clime Index	+2.07%	+0.16%	+0.10%
Return vs Index	+0.11%	+0.50%	-0.02%

Number of Individual Holdings (excluding cash): 31

## Asset Class Return Contribution



Source: Sterling Clime, Factset, S&P/ASX as at 30 April 2018

<sup>1</sup>Sterling Clime Blended Balanced Index is comprised of a 45% weighting to S&P/ASX 200 Accumulation Index, 5% to S&P/ASX 200 A-REIT Accumulation Index, 10% weighting to MSCI World ex Australia Index (AUD), 35% weighting to the Bloomberg AusBond Composite Index and 5% 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

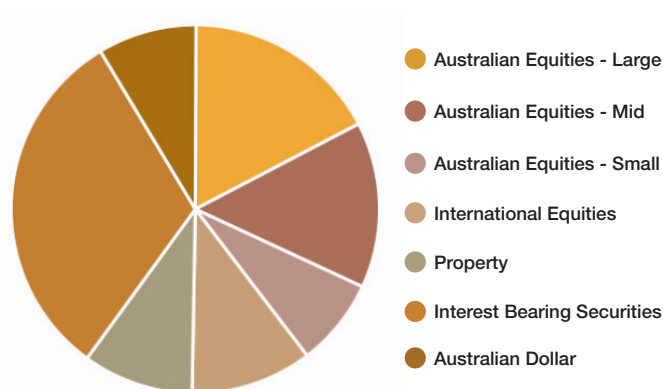
Asset Class	Prominent Holdings and Security Level Returns	3 Month Asset Class Return	Average Asset Class Weight
<b>Australian Shares</b>	<b>Australian Equity Large Cap Sub-Portfolio</b> CSL (+9.6%), Rio Tinto (+9.8), Ramsay Health (+3.8%)	+5.0%	17.5%
	<b>Australian Equity Mid Cap Sub-Portfolio</b> SpeedCast (+15.2%), Qube Holdings (+5.5%), Seek (+4.5%) Boral (-7.5%), Credit Corp (-6.9%)	+2.2%	14.5%
	<b>Australian Equity Small Cap Sub-Portfolio</b> Bravura (+8.1%), Hansen Technologies (+3.9%), Navigator Global Investments (+3.5%) Rural Funds Group (-5.3%)	+2.7%	7.7%
	<b>Total Australian Equity</b>	<b>+3.5%</b>	<b>39.7%</b>
<b>International Shares</b>	AB Global Equity (+2.5%), SPW Global High Quality Fund +0.9%)	+1.7%	10.6%
<b>Property</b>	Reitway Global Property (+6.5%), Folkestone Maxim A-REIT Fund (+1.2%)	+3.8%	9.7%
<b>Interest Bearing Securities</b>	Ramsay Health Care RHCPA (+4.5%), AGL Energy AGLHA (+1.2%) Westpac Banking Corp WBCPG (-1.5%), Realm High Income Fund (-0.9%)	-0.0%	31.1%
<b>Cash</b>		+0.2%	8.9%

Global investment markets steadied in April, following an important shift in investor sentiment and the accompanying ‘return of volatility’ during the first quarter of the new calendar year. The level of global uncertainty and concerns of an escalation of trade tensions also eased during the month, which coupled with a constructive US quarterly earnings season, saw broader equity markets move higher. The increase in the US 10-year Treasury yield (resulting in an associated price decline) saw the US 10-year yield eclipse the 3% threshold in late April. Unlike the first part of the calendar year, global investment markets more willingly accepted this subsequent increase in the US long bond yield.

### Asset Allocation by Market Capitalisation

The USD strengthened markedly during the month, where superior interest rate differentials right across the yield curve, seem to have finally caught up with the currency. The AUDUSD fell from 0.7670 to 0.7549 representing a fall of 1.6% over April and a move of -6.8% over the past three months (source: Factset).

Locally, the Financial Services Royal Commission continued to shine the spotlight on questionable business practices of major Australian financial services companies. AMP (position not held) bore the brunt of the commission’s questioning, resulting in considerable fall-out at the Board and Executive level and, at the time of writing, strong shareholder backlash and a ‘first strike’ against the company’s remuneration report.



Source: Sterling Clime, Factset, S&P/ASX as at 30 April 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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