

ACTIVE HIGH CONVICTION SMA

MODEL PORTFOLIO: MM0001

MONTHLY REVIEW – NOVEMBER 2018

TOP 5 HOLDINGS

CODE	SECURITY	SECTOR
NAB	National Australia Bank Ltd	Financials
CBA	Commonwealth Bank of Australia	Financials
SUN	Suncorp Group Ltd	Insurance
WBC	Westpac Banking Corp.	Financials
TLS	Telstra Corp Ltd	Telcos

Cash & Income

Cash	2.74%
Estimated Income	4.34%

Portfolio Returns

	1mth	3mth	6mth	1yr	FYTD
Model	-1.22%	-4.10%	+1.36%	n/a	-1.44%
Benchmark	-2.21%	-9.28%	-3.67%	n/a	-6.72%
Relative	+0.99%	+5.18%	+5.03%	n/a	+5.28%

Portfolio Attribution – 1 Month

Income Attribution	+1.01%
Capital Attribution	-2.23%

PORTFOLIO DETAILS

SMA Model code:	MM0001
Indicative # of securities:	10-20
Portfolio Return Objective:	S&P / ASX 200 Accumulation
Model Manager:	Market Matters
Market View:	Neutral / Bullish

INVESTMENT OBJECTIVES

The objective of the Market Matters Active High Conviction SMA is to provide an active exposure to Australian large cap shares, with reduced volatility through stock selection, targeted hedging & managing cash. Returns will be achieved through a combination of capital appreciation and income with an overall objective of outperformance of the S&P/ASX 200 Accumulation Index over the medium term (3 years), but with lower volatility.

MONTHLY UPDATE & POSITIONING

Another soft month for global equities with a smorgasbord of risk events hurting markets. These ranged from fears of an escalating Trade War between the US and China, a hawkish Fed that is going to slam the brakes on the US economy, a plummeting oil price as OPEC overproduces, a sharp slowdown in Chinese economic activity, rising corporate borrowing spreads and a falling Australian housing market, to name a few!

Navigating that backdrop has been challenging however the Active High Conviction SMA has continued its period of outperformance adding 99bps of 'alpha' versus the ASX 200 Accumulation Index. While relative performance is pleasing, losing less is not our

Monthly Holding Performance - Top/Bottom 3



SECTOR EXPOSURE

ASX GIC	PORTFOLIO	ASX 200
Consumer Disc.	4.30%	6.36%
Consumer Services	6.85%	3.64%
IT	9.34%	2.16%
Health Care	11.23%	8.37%
Materials	17.66%	17.61%
Financials	47.20%	33.27%

mantra. The portfolio is now set for a typical Christmas rally finding some comfort that over the past 30 years, on only 3 occasions has December been weak following a 'red' November. Time will tell.

MACRO VIEW

The US yield curve has flattened markedly in recent weeks and in one instance has inverted with the 2 – 5-year bond yield gap turning negative for the first time in over a decade. The direction of interest rates is generally indicative of the health or otherwise of an economy. Higher rates generally mean that the economy is doing well - lower interest rates imply economic weakness.

The yield curve typically slopes upward because investors want to be compensated with higher yields for assuming the added risk of investing in longer-term bonds. Keep in mind that rising bond yields reflect falling prices and vice versa. A flat yield curve indicates that little, if any, difference exists between short-term and long-term rates while there are rare occasions where the yield curve can become inverted, meaning that short term interest rates are higher than long term interest rates.

Inverted yield curves have occurred on only eight occasions since 1958 when considering the 2 – 10 year spread, and in each of those occasions, a recession has followed, generally 12-18 months later.

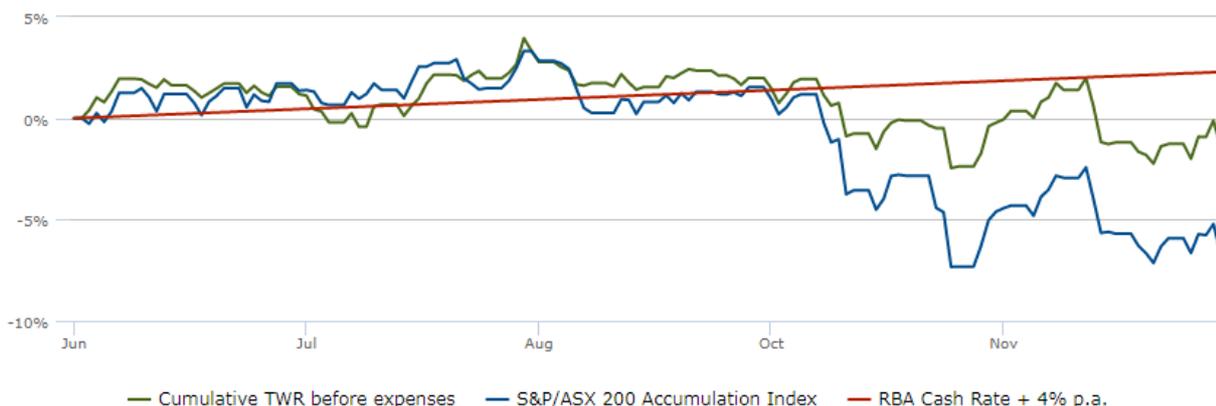
PORTFOLIO PERFORMANCE CHART

Percentage returns

Periods to 30 November 2018

	1 mth	3 mths	Since 01/07/2018
Portfolio return before expenses (TWR)	-1.22%	-4.1%	-1.44%
S&P/ASX 200 Accumulation Index	-2.21%	-9.28%	-6.72%
RBA Cash Rate + 4% p.a.	0.45%	1.35%	2.28%

Cumulative returns over time



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