

ACTIVE INCOME SMA

MODEL PORTFOLIO: MM0002

MONTHLY REVIEW – NOVEMBER 2018

TOP 5 HOLDINGS

ASX CODE	SECURITY	SECTOR
NAB	National Australia Bank Ltd	Financials
CBAPF	CBA Capital Note	Financials
WBCPD	Westpac Bank Capital Note	Financials
CBA	Commonwealth Bank of Australia	Financials
NCK	Nick Scali Ltd	Consumer Disc.

PORTFOLIO DETAILS

SMA Model code:	MM0002
Indicative # of securities:	10-20
Portfolio Return Objective:	RBA Cash +4%
Model Manager:	Market Matters
Market View:	Neutral / Bullish

Cash & Income

Current Cash Weighting	11.16%
Estimated Income	7.37%

Portfolio Returns

	1mth	3mth	6mth	FYTD.
Model	-0.61%	-4.24%	-0.32%	-1.76%
Benchmark	+0.45%	+1.35%	+2.74%	+2.28%
Relative	-1.06%	-5.59%	-3.06%	-4.04%

Portfolio Attribution – 1 Month

Income Attribution	0.48%
Capital Attribution	-1.09%

INVESTMENT OBJECTIVES

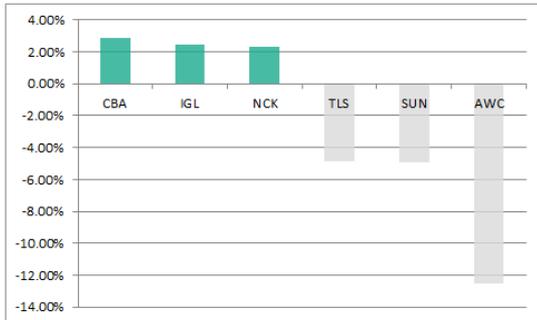
The objective of the Market Matters Active Income SMA is to provide a high level of regular tax-effective income with lower volatility than the underlying share market. This is achieved by actively managing a portfolio of high yielding equities combined with ASX listed income securities that offer diversification benefits to both Australian equities and cash or term deposits.

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 particularly against a cash plus 4% portfolio benchmark. Unlike our Active High Conviction SMA, the Active Income SMA has underperformed its benchmark which is unsurprising given its weighting towards high yielding equities in addition to listed income securities.

Holding Performance - Top/Bottom 3



SECTOR EXPOSURE

ASX GIC	PORTFOLIO	ASX 200
Consumer Services	4.64%	3.64%
Consumer Disc.	6.28%	6.36%
Materials	6.58%	17.61%
Financials	59.29%	33.27%
Fixed Interest	29.94%	

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

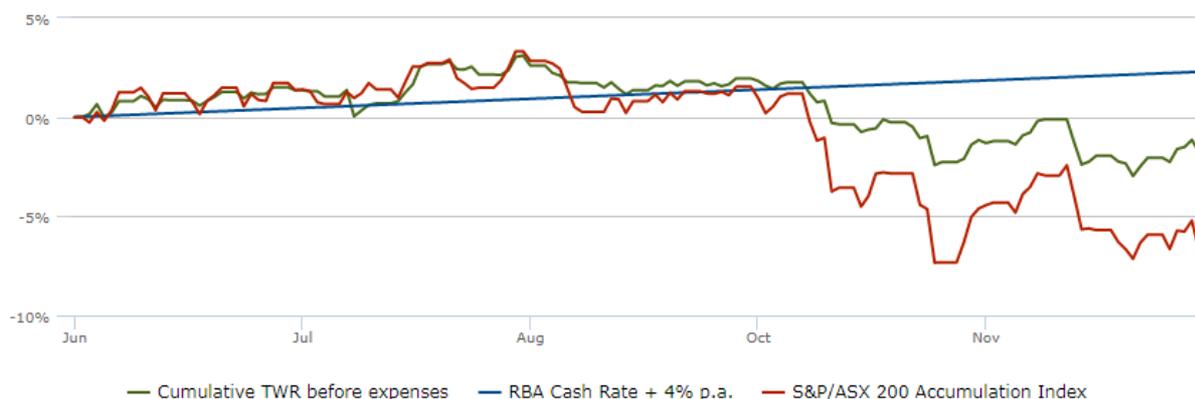
The US yield curve has flattened markedly in recent weeks and in one instance has inverted with the 2 – 5-year bond yield gap turning negative for the first time in over a decade. The direction of interest rates is generally indicative of the health or otherwise of an economy. Higher rates generally 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)	-0.61%	-4.24%	-1.76%
RBA Cash Rate + 4% p.a.	0.45%	1.35%	2.28%
S&P/ASX 200 Accumulation Index	-2.21%	-9.28%	-6.72%

Cumulative returns over time



DISCLOSURE

Market Matters may hold stocks mentioned in this report.

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