

Shaw SMA - Balanced Portfolio

Shaw and Partners Portfolio Strategies

Monthly Review – November 2018

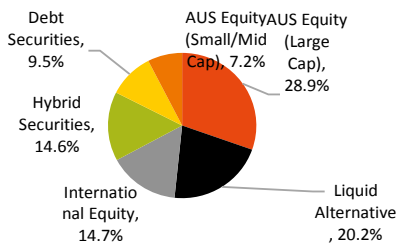
Portfolio TWR Performance

Number of Securities:	92				
Return	1 Mth	3 Mth	6 Mth	1yr	Incep.*
Total TWR Portfolio	-0.78%	-4.83%	-1.07%	1.89%	5.46%
Portfolio Objective	0.45%	1.38%	2.79%	5.64%	7.00%
Excess vs. Objective	-1.23%	-6.20%	-3.86%	-3.75%	-1.55%

*Annualised. Performance Period: 06-Sep-17 to 30-Nov-18

Asset Class Allocation

Australian Equity (Large Cap)	28.9%
Liquid Alternative	20.2%
International Equity	14.7%
Hybrid Securities	14.6%
Debt Securities	9.5%
Australian Equity (Small/Mid Cap)	7.2%
Cash	5.0%



Asset Type Allocation

Listed Australian Equity	32.3%
Managed Funds	24.9%
ETF	14.9%
Listed Hybrid Securities	14.6%
Cash	5.0%
Listed Investment Company/Trust	3.3%
Senior Debt - XTB	2.2%
Listed International Equity	2.0%
Listed Sub Debt	0.8%

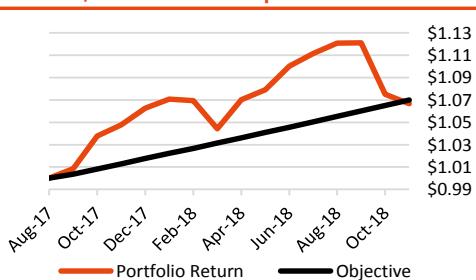
Portfolio Attribution - 1 month

Income Attribution	0.35%
Capital Attribution	-1.13%

Asset Class Total Return - 1 Month

Asset Class	Portfolio	Objective
Debt Securities	0.33%	0.25%
Hybrid Securities	-0.17%	0.37%
Australian Equity (Large Cap)	-1.89%	-2.40%
Australian Equity (Small/Mid Cap)	-0.86%	-0.37%
International Equity	-0.85%	-1.46%
Liquid Alternative	-0.23%	0.37%

Value of \$1 Invested at Inception*



As at 6-Sept-17

Return is gross of franking credits

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Portfolio Details

Portfolio Name:	Shaw Balanced Portfolio
Portfolio Inception Date:	6-Sept-17
SMA Model code:	SP0008
Portfolio Return Objective:	RBA Cash + 4% (Gross Income and Total Return)
Shaw Model Managers:	Martin Crabb / Steve Anagnos

Investment Objectives

The primary objective of the Shaw Balanced Portfolio is to provide a regular and sustainable income stream and capital growth over the medium term (4–6 years), together with some capital growth whilst minimising risk to capital. It achieves this by investing in a diversified portfolio of asset classes and strategies.

The strategy is designed to have a moderate level of risk.

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 sustainable income and capital growth.

The portfolio construction is based on macro-economic and thematic views of Shaw's Research 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 Balanced portfolio objective. Each goal based portfolio has effectively 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, international equities and alternative strategies (accessed via ASX listed ETFs and or managed funds).

Portfolio Highlights

- The Shaw and Partners Balanced Goal portfolio performed in line with the underlying market benchmarks, but underperformed its absolute return goal over the month, falling 0.78% against a goal of gaining 0.45%. The portfolio is now behind its return objective since inception for the first time. Strong relative performance from equity strategies made up for relatively poor performance from defensive strategies to produce an overall return in line with market indices.
- Australian share markets were weak again in November, with the S&P/ASX 100 index falling 2.40% including dividends. Our large cap portfolio fared better, but still fell, returning -1.89%, 0.51% above the index. Our position in gold, and particularly Evolution Mining (EVN) has fared well, but we see less need for Gold stocks given the recent Fed statements and think gold stocks are looking a bit stretched on valuation. We invested the proceeds across banks.
- The average median margin across financial hybrids widened 34bps over November to 3.59%, in keeping with the wider credit spreads and weaker equity indices experienced globally. Australian iTraxx 5-year CDS was 5 points wider over the period, closing at 86.7bps on the 30 November. The hybrid securities return within the overall portfolio was -0.15%. Since inception the hybrid portfolio return is 6.90%, which is 2.20% over its return objective.
- With the local share and global share markets falling, the Shaw and Partners Liquid Alternatives held up relatively well, giving up 0.23% during the month. The strength in the Australian dollar – which rose 3.42% during November – was a significant drag on the portfolio's international investments, which comprise 85% of the portfolio. Debt securities rose 0.25% for the month, in line with the benchmark, whereas the International equities portfolio posted a better than benchmark -0.83% return.

Top 3 Holdings - Portfolio Positioning and Underlying Performance

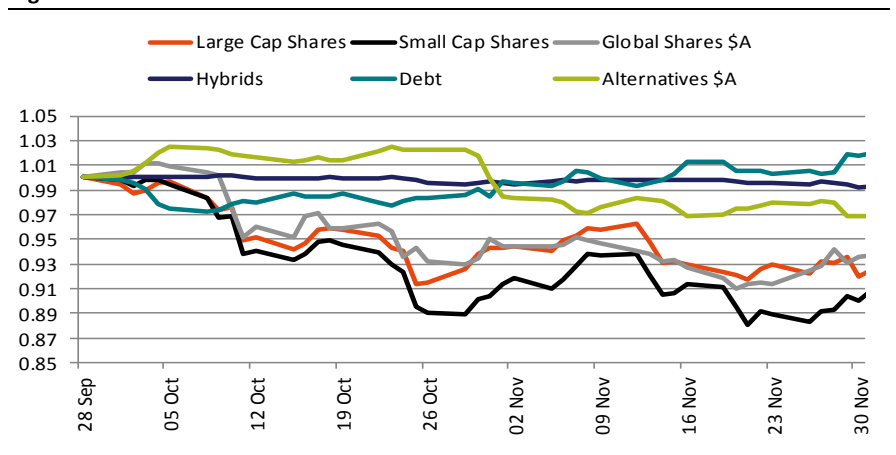
Asset Class	Class Weight	Top 3 Holdings per Asset Class	1 Month Asset Class Performance		
			Actual	Objective	Diff
Debt Securities <i>Objective: RBA Cash rate +1.5%</i>	9.5%	CC JCB Active Bond Legg Mason Aust. Bond Trust Metrics Credit	0.33%	0.25%	0.09%
Hybrid Securities <i>Objective: RBA Cash rate +3.0%</i>	14.6%	Nat Aust Bank Capital Note Macquarie Group Capital Notes 3 CBA - Perls VII	-0.17%	0.37%	-0.54%
Australian Equity (Large Cap) <i>Objective: ASX 100 Accumulation</i>	28.9%	BHP Billiton Commonwealth Bank Westpac Banking Corp	-1.89%	-2.40%	0.50%
Australian Equity (Small/Mid Cap) <i>Objective: ASX Small Ords Accumulation</i>	7.2%	OC Premium Small Companies Aberdeen Aus Comp Fund Fidelity Future Leaders	-0.86%	-0.37%	-0.49%
International Equity <i>Objective: MSCI International ACWI Ex Australia</i>	14.7%	Ishares Core S&P 500 Antipodes Global Invest Comp Euro Stoxx 50 ETF	-0.85%	-1.46%	0.61%
Liquid Alternative <i>Objective: RBA Cash rate + 3.0%</i>	20.2%	Gmo Systematic Global Macro Trust Blackrock Global Allocation Aus Winton Global Alpha	-0.23%	0.37%	-0.60%
Cash <i>Objective: RBA Cash Rate</i>	5.0%		0.00%	0.12%	-0.12%

Portfolio Performance

For the first time since inception, the goals-based Balanced portfolio dipped below the accumulated return objective. This is primarily due to weakness in equity markets, which comprise 52% of the portfolio, or 72% if you class Liquid Alternatives as equity. Over the past year, Australian shares have provided a negative return, making it difficult for the rest of the portfolio to make up the ground to reach an RBA cash plus 3% return objective.

The inclusion of Liquid Alternative strategies to replace some of the equity beta of the portfolio has been a sound decision, with local market returns down 9.18% and global equity market returns down 6.48% in the last three months.

Figure 1: Asset Class Accumulation Returns: November 2018



Source: Shaw and Partners, FactSet

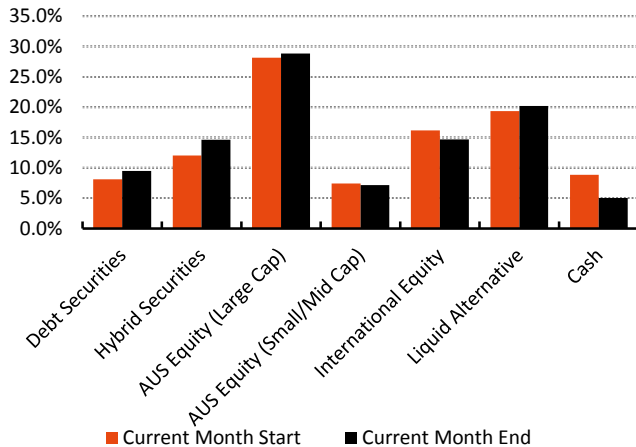
Portfolio Outlook and Strategy

Risk assets have been sold off on a cocktail of fears ranging from a Trade War between 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. Whilst the market is right to discount some of these scenarios, it has assumed all will end poorly and the emerging evidence is to the contrary. This creates an opportunity to add to risk positions into the New Year. Currently the portfolio is positioned close to the neutral allocation

Asset Allocation

Asset Class	Current Month Start	Current Month End
Debt Securities	8.1%	9.5%
Hybrid Securities	12.0%	14.6%
Australian Equity (Large Cap)	28.1%	28.9%
Australian Equity (Small/Mid Cap)	7.4%	7.2%
International Equity	16.2%	14.7%
Liquid Alternative	19.4%	20.2%
Cash	8.9%	5.0%
Totals	100%	100%

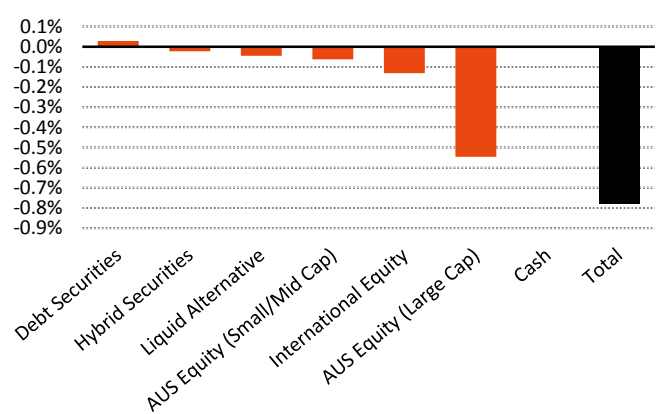
Asset Allocation



Asset Class Attribution

Asset Class	1 Month
Debt Securities	0.03%
Hybrid Securities	-0.02%
Australian Equity (Large Cap)	-0.55%
Australian Equity (Small/Mid Cap)	-0.06%
International Equity	-0.13%
Liquid Alternative	-0.05%
Cash	0.00%
Total Return	-0.78%

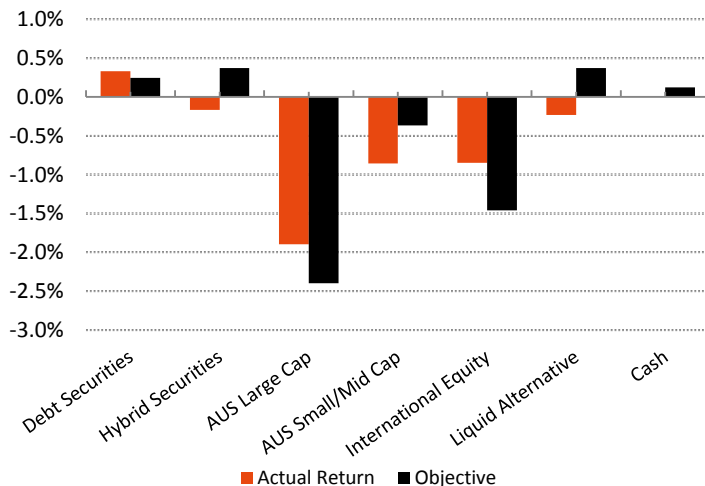
Asset Class Attribution- 1 Month



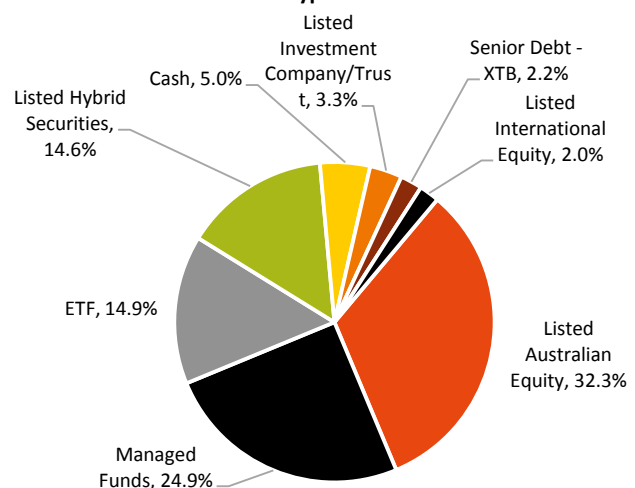
Asset Class Returns

Asset Class	1 Month		
	Actual	Objective	Diff
Debt Securities Objective: RBA Cash rate +1.5%	0.33%	0.25%	0.09%
Hybrid Securities Objective: RBA Cash rate +3.0%	-0.17%	0.37%	-0.54%
AUS Large Cap Objective: ASX 100 Accumulation Index	-1.89%	-2.40%	0.50%
AUS Small/Mid Cap Objective: ASX Small Ords Accumulation Index	-0.86%	-0.37%	-0.49%
International Equity Objective: MSCI International ACWI Ex Australia	-0.85%	-1.46%	0.61%
Liquid Alternative Objective: RBA Cash rate + 3.0%	-0.23%	0.37%	-0.60%
Cash Objective: RBA Cash rate	0.00%	0.12%	-0.12%

Asset Class Returns - 1 Month



Asset Type Allocation



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