

Shaw SMA - Growth Portfolio

Shaw and Partners Portfolio Strategies

Monthly Review – November 2018

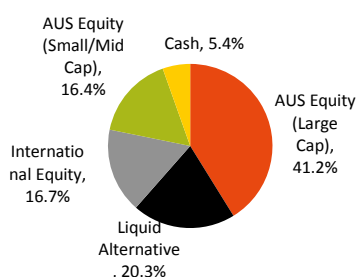
Portfolio TWR Performance

Number of Securities:	53				
Return	1 Mth	3 Mth	6 Mth	1yr	Incep.*
Total TWR Portfolio	-2.50%	-9.63%	-4.02%	2.29%	8.15%
Portfolio Objective	0.53%	1.63%	3.30%	6.70%	8.33%
Excess vs. Objective	-3.03%	-11.26%	-7.33%	-4.40%	-0.18%

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

Asset Class Allocation

Australian Equity (Large Cap)	41.2%
Liquid Alternative	20.3%
International Equity	16.7%
Australian Equity (Small/Mid Cap)	16.4%
Cash	5.4%



Asset Type Allocation

Listed Australian Equity	49.0%
Managed Funds	26.7%
ETF	14.1%
Cash	5.4%
Listed Investment Company/Trust	2.5%
Listed International Equity	2.3%

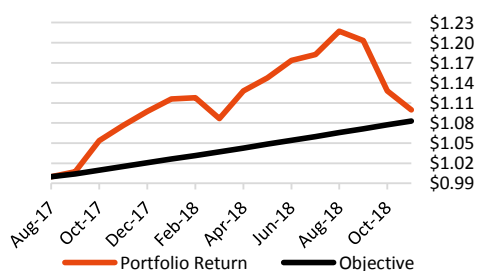
Portfolio Attribution - 1 month

Income Attribution	0.08%
Capital Attribution	-2.58%

Asset Class Total Return - 1 month

Asset Class	Portfolio	Objective
Australian Equity (Large Cap)	-5.00%	-2.40%
Australian Equity (Small/Mid Cap)	-1.36%	-0.37%
International Equity	-0.84%	-1.46%
Liquid Alternative	-0.22%	0.37%

Value of \$1 Invested at Inception



As at 6-Sept-17

*Returns are gross of franking credits

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Portfolio Details

Portfolio Name:	Shaw Growth Goal Portfolio
Portfolio Inception Date:	6-Sept-17
SMA Model code:	SP0010
Portfolio Return Objective:	RBA Cash + 5%
Shaw Model Managers:	Martin Crabb / Steve Anagnos

Investment Objectives

The primary objective of the Shaw Growth Goal Portfolio is to provide regular and sustainable capital growth over the longer term (5–7 years). It achieves this by investing in a diversified portfolio of asset classes and strategies. The strategy is designed to have a high 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 capital growth over and above income.

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 growth 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 (ETF and or managed funds).

Portfolio Highlights

- The Shaw and Partners Goals-Based Growth portfolio underperformed the return objective in November, falling 2.50% against +0.53% almost totally due to poor relative performance in the Australian equities large cap and small cap portfolios.
- November was another challenging month for equity markets, and growth stocks continued to be sold off as investors sought the safety of the sidelines. Our Large Cap Growth portfolio fell 5.00% for the month, underperforming the S&P/ASX 100 index by 2.51% and taking the underperformance over the past quarter and six months to 5.31% and 4.27% respectively. Over the year and since inception, the portfolio remains above the index. Stocks exposed to housing and construction industry were particularly under pressure during the month.
- With the local share market returning -2.40% and global share market falling -1.51%, the Shaw and Partners Liquid Alternatives held up relatively well, giving up 0.22% 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. The two global macro exposures in the portfolio collectively added value, with GMO Global Tactical Trust's modest 9bps loss offset by 133 bps gain by the Blackrock Global Allocation Fund. In trend following, Winton Global Alpha did well, rising 2.04% for the month. Auscap Long/Short fund struggled again during the month, falling 2.33% and Gold fell 2.49%, mostly due to the rising \$A.
- Strong performance for Emerging Markets offset a 3.42% rise in the Australian dollar against the US dollar in November to see the international equity portfolio outperform the MSCI All Country World Index over the month by 0.63%. Performance over the quarter remains above index, but the strategy lags over a year and since inception. All international equity portfolios have been transitioned to Alliance Bernstein Concentrated Global Growth.

Top 3 Holdings - Portfolio Positioning and Underlying Performance

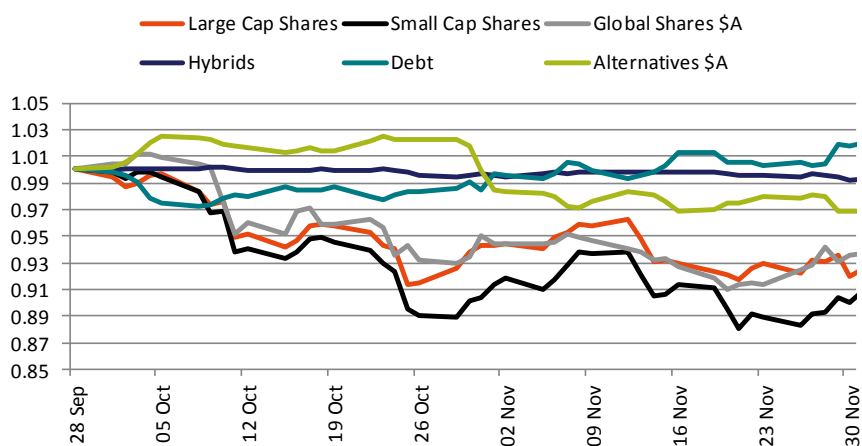
Asset Class	Class Weight	Top 3 Holdings per Asset Class	1 Month Asset Class Performance		
			Actual	Objective	Diff
Australian Equity (Large Cap) Objective: ASX 100 Accumulation	41.2%	Resmed Inc Fortescue Metals CSL Limited	-5.00%	-2.40%	-2.61%
Australian Equity (Small/Mid Cap) Objective: ASX Small Ords Accumulation	16.4%	OC Premium Small Companies Aberdeen Aus Comp Fund Fidelity Future Leaders	-1.36%	-0.37%	-0.99%
International Equity Objective: MSCI International ACWI Ex Australia	16.7%	Ishares Core S&P 500 Antipodes Global Invest Comp Euro Stoxx 50 ETF	-0.84%	-1.46%	0.62%
Liquid Alternative Objective: RBA Cash rate + 3.0%	20.3%	Gmo Systematic Global Macro Trust Blackrock Global Allocation Aus Winton Global Alpha	-0.22%	0.37%	-0.59%
Cash Objective: RBA Cash Rate	5.4%		0.00%	0.12%	-0.12%

Portfolio Performance

For the first time since inception, the goals-based growth portfolio has approached the accumulated return objective. This is primarily due to weakness in equity markets, which comprise 77% of the portfolio, or 97% 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 5% 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

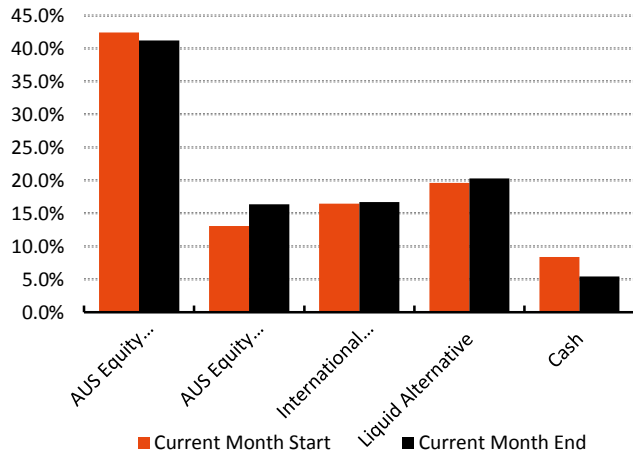
Portfolio Outlook and Strategy

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	Current Month
	Start	End
Australian Equity (Large Cap)	42.4%	41.2%
Australian Equity (Small/Mid Cap)	13.1%	16.4%
International Equity	16.5%	16.7%
Liquid Alternative	19.6%	20.3%
Cash	8.4%	5.4%
Totals	100%	100%

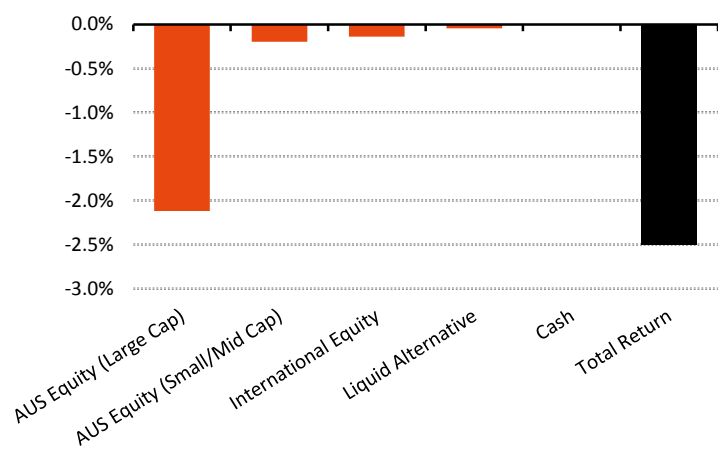
Asset Allocation



Asset Class Attribution

Asset Class	1 Month
Australian Equity (Large Cap)	-2.12%
Australian Equity (Small/Mid Cap)	-0.20%
International Equity	-0.14%
Liquid Alternative	-0.04%
Cash	0.00%
Total Return	-2.50%

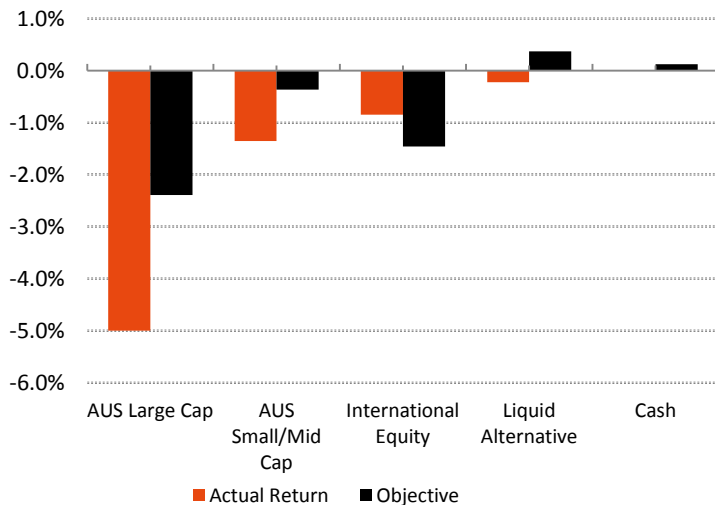
Asset Class Attribution - 1 Month



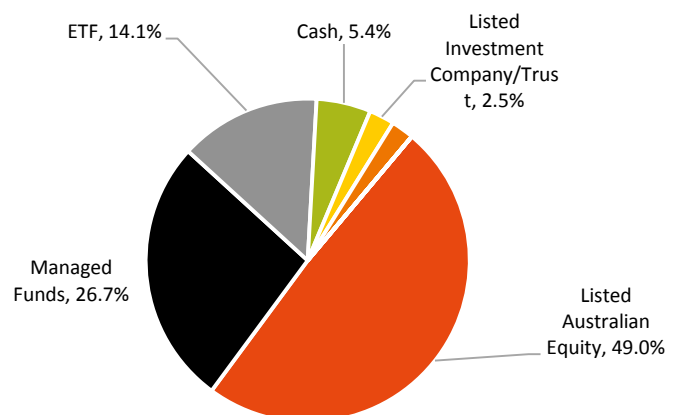
Asset Class Returns

Asset Class	1 Month		
	Actual	Objective	Diff
AUS Large Cap Objective: ASX 100 Accumulation Index	-5.00%	-2.40%	-2.61%
AUS Small/Mid Cap Objective: ASX Small Ords Accumulation Index	-1.36%	-0.37%	-0.99%
International Equity Objective: MSCI International ACWI Ex Australia	-0.84%	-1.46%	0.62%
Liquid Alternative Objective: RBA Casg rate + 3.0%	-0.22%	0.37%	-0.59%
Cash Objective: RBA Cash rate	0.00%	0.12%	-0.12%

Asset Class Returns - 1 Month



Asset Type Allocation



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