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Sterling Clime Balanced Portfolio
SR0011

Investment Summary
September Quarter 2018

Praemium (SMA)

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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 *(1 July 2018 to 30 September 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.

Portfolio Total Return (30/09/18)

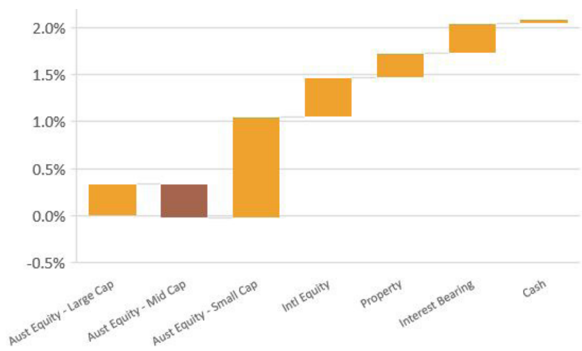
Portfolio Name	Sterling Clime Balanced Portfolio
Inception Date	1st January 2018
SMA Model Code	SR0011
Portfolio Objective	Deliver strong risk-adjusted total returns
Benchmark	Blended Balanced Index[1]

Portfolio Performance

Return	**1 mth**	**3 mth**	**6 mth**	**Incep.**
Total Portfolio	-1.03%	+2.46%	+7.02%	+4.83%
Sterling Clime Index	-0.71%	+1.55%	+6.58%	+4.53%
Return vs Index	-0.32%	+0.91%	+0.43%	+0.30%

Number of Individual Holdings (excluding cash): 31

Asset Class Return Contribution



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

The representative Sterling Clime Balanced Portfolio delivered a total return of +2.46%[2] for the September quarter, beyond the comparison Sterling Clime Index return of +1.55% over the same period.

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

There was one change in the Sterling Clime Balanced model portfolio during the September quarter.

ASX Mid-Cap Sub-Portfolio: Sold out of Qube Holding (ASX: QUB) and switched these proceeds into Webjet (ASX: WEB) with an effective date of 17th August 2018.

[1]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.
[2] 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.

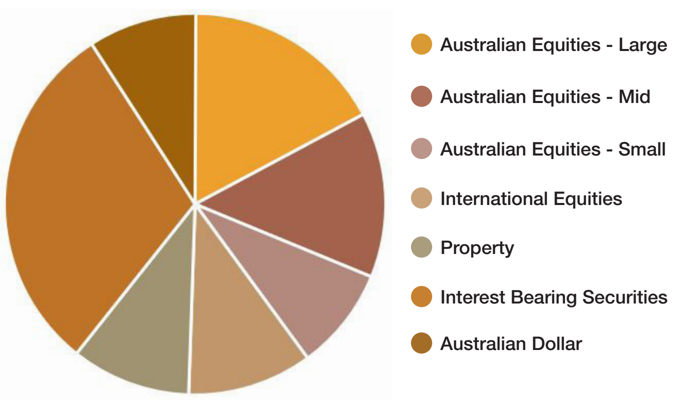
Portfolio Prominent Holdings and Return Contributors

Asset Class	Prominent Holdings and Security Level Returns	3 Month Asset Class Return	Average Asset Class Weight
Australian Shares	***Australian Equity Large Cap Sub-Portfolio*** CSL Limited (+5.0%) No Significant Detractors	+1.8%	17.4%
	Australian Equity Mid Cap Sub-Portfolio Credit Corp Group Limited (+23.2%), Webjet Limited (+10.6%) SpeedCast International Ltd (-34.7%)	-2.5%	14.7%
	Australian Equity Small Cap Sub-Portfolio Bravura Solutions Limited (+38.8%), Hansen Technologies Limited (+19.8%) No Significant Detractors	+13.7%	8.0%
	Total Australian Equity	***+2.6%***	***40.1%***
International Shares	AB Global Equity (+7.3%) No Significant Detractors	+4.1%	10.5%
Property	Folkestone Maxim A-REIT Securities Fund (+3.3%), Reitway Global Property Portfolio (+2.1%)	+2.7%	10.0%
Interest Bearing Securities	Westpac WBCPG (+2.5%), Australia And New Zealand Banking Group ANZPG (+2.4%) No Significant Detractors	+1.1%	30.0%
Cash		+0.5%	9.4%

Geopolitical concerns, particularly relating to trade tensions, remain a central cause for investor uncertainty. Despite this uncertainty, the investing landscape continues to be one of broader optimism across developed markets, pushing these markets higher. Company earnings across major market regions remain constructive and economic data releases solid. While we don't see valuations at extreme levels, generally they continue to be elevated.

The unconventional policy actions of the Trump Administration and President Trump himself continue unabated. At the time of writing, President Trump announced the successful re-negotiation of the US-Mexico-Canada-Agreement (USMCA) replacing the much criticised North American Free Trade Agreement (NAFTA). However, concluding an agreement with China is likely to prove far more difficult. Mexico, with 28% of its GDP represented by exports to the US, and Canada with 19%, are highly dependent upon American trade. China is qualitatively different: its exports to the US represent just 4.1% of its GDP. China is less likely to bow down to strong-arm tactics. Rhetoric on tariffs and trade restrictions in 2018 to date continue to be a key driver of global investment markets, amplifying global market uncertainty and hence volatility.

Asset Allocation by Market Capitalisation



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

The leadership of the US Federal Reserve and its Chair Jerome Powell in maintaining their resolve to gradually increase interest rates sets a tone for greater stability in global financial markets. Ultimately, this will support more efficient capital allocation decisions. The European Central Bank has embarked on a gradual ending of its bond buying stimulus program, and ECB President Draghi seems intent on achieving a nominal rate rise before his eight-year term ends in October 2019.

We believe longer-term bond yields will gradually move higher (and bond prices lower), notwithstanding some oscillation driven by increased volatility and investor uncertainty, amplified by reduced central bank bond buying activity.

The USD's superior interest rate differentials right across the yield curve, and the resolve of the US Federal Reserve to continue its rate rising program, remain a key driver across global currency markets. The AUDUSD was steady over the month, and over the calendar year to date has fallen by 7.5% (source: Factset).

Domestically, investors digested the wave of new information released during the August reporting season. The Clime Australian equity growth-focused strategies navigated this reporting season period well, and managed to hold on to the vast majority of these returns in a broader Australian equity market which drifted lower over the month of September.

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