

Prime SMA Performance Summary - July 2018

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Portfolio Objective

To achieve capital growth with moderate tax-effective income via franked dividends through investment in listed Australian securities.

The Model Portfolio is managed by selecting primarily those securities with **moderate growth potential but robust cash-generating capacity**. These securities are expected to deliver an **above-market average income yield, together with a relatively moderate level of capital growth**. The portfolio benchmark is the **S&P/ASX200 Accumulation Index**.

Portfolio Commentary & Positioning

Equity markets were strong in July with the MSCI World Index rising 3.1% as US, European and Asian share markets all posted solid gains.

US equity markets bounced 3-4% following a positive start to US reporting season.

China added 1% having sold off 8% the month prior, as the first round of US tariffs on Chinese exports took effect. Slowing consumption and softer Purchasing Managers Index (PMI) numbers continue to see weakness in the Chinese economy with the Shanghai Composite down 13% year to date.

The Australian share market rose steadily throughout the month with the ASX200 Accumulation Index climbing 1.39%.

On the commodities front, iron ore added 2.5% to trade \$68/tonne but it was the oil price that fell materially. OPECs oil production climbed to new highs as Saudi

Arabia's decision to boost production saw the oil price fall 7% to trade \$74/barrel.

Reporting season kicked off at the end of July with many of Prime's core stocks due to report in the next four weeks.

The telco sector was the standout performer (+8%) driven by Telstra which rallied 8.4%. TLS released to the market its plans to monetize up to \$2bn in assets over the next two years to strengthen its balance sheet whilst also announcing an organisational restructure. Utilities were weaker falling -1.4% following the ACCCs intention to lower barriers to entry for new generation effectively increasing supply.

Major contributors to portfolios in July were Afterpay (APT) which bounced an astonishing 51%. APT's Q4 business update showed underlying sales growth for the FY up a massive 289% and a very promising start to its expansion into the US market with over 400 retailer contracts signed. APT remains a core stock in the portfolio and we are extremely excited at its rate of growth. Telstra (TLS) recouped some of its recent poor performance adding 8.4% as it announced its intention to create a new wholly owned infrastructure business unit to drive performance. TLS declared its intention to simplify its product offering and also announced an 8,000 net reduction in employee numbers.

Detractors in July were Pandal Group (PDL) which fell -6.2% and Seek Limited (SEK) which was down -2%. PDL was weaker following an underwhelming update which showed a 4th straight quarter of net outflows. We continue to retain conviction in the fund manager and highlight the turnaround in its JO Hambro unit which showed retail flows improving from a \$500m outflow in April to a \$100m inflow in May. SEK was weaker on little news, however its strength in the prior 3 months suggests this was nothing more than just some mean reversion.

Prime's Growth SMA reduced 1.5% of its weight in APT in July. The Diversified Income SMA sold its small weight in CBA and initiated a new position in the AMP Core Infrastructure fund which targets income distributions of 5-6% through investment in unlisted infrastructure assets. The Defensive SMA remained unchanged in July and the International SMA reduced MFS and added to Orbis. All SMAs excluding the International outperformed in July with Prime's Growth SMA an impressive standout. On a risk profile performance basis our 5-year numbers continue to run ahead of their respective benchmarks.

**RISK PROFILE PERFORMANCE FIGURES
AS AT 31 JULY 2018
PRE-FRANKING CREDITS**

	1 Mth	3 Mths	6 Mths	1 Yr	2 Year (PA)*	3 Year (PA)*
High Growth	2.25%	3.94%	4.78%	14.72%	10.69%	6.60%
Growth	1.76%	3.19%	3.89%	12.03%	9.06%	6.05%
Balanced	1.45%	2.70%	3.26%	10.22%	7.96%	5.63%
Moderate	0.90%	1.83%	2.14%	7.14%	6.03%	4.87%
Conservative	0.43%	1.07%	1.24%	3.51%	3.80%	4.03%

*Annualised return. Portfolio inception date 03/07/2012

**SMA—MODEL PORTFOLIO PERFORMANCE FIGURES
AS AT 31 JULY 2018
PRE-FRANKING CREDITS**

	1 Mth	3 Mths	6 Mths	1 Y	2 Year (PA)*	3 Year (PA)*	5 Year (PA)*
Prime Australian Equity Growth SMA	4.16%	6.64%	7.81%	16.66 %	10.68 %	6.42%	10.65 %
Prime Australian Defensive Income SMA * Annualised return. Portfolio inception date 03/07/2012	0.45%	1.11%	1.26%	3.61%	3.92%	4.14%	4.67%
Prime Diversified Income SMA	1.87%	3.34%	0.59%	7.48%	-	-	-
Prime International Growth SMA	1.67%	3.07%	3.57%	16.67 %	13.89 %	-	-

*Annualised return. Portfolio inception date 18/02/2016

What is a Separately Managed Account (SMA)?

What's the benefit of a Separately Managed Account (SMA) to a Managed Fund?

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