

Performance Summary

Model Portfolio Performance Figures
As of 31 May 2017



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Equity markets lost some of their recent strength in May, as weakness across the bank sector drove the market lower.

The GROWTH portfolio outperformed the ASX200 Accumulation Index, falling only -1.32% compared to the index which fell -2.75%. The INCOME portfolio also outperformed falling only -2.02%.

Banks endured their worst month in nearly 2 years, falling -9.2%. Low interest rates and rising funding costs continue to impact banks' profitability. Additionally, current dividends suggest banks are paying out significantly more than their target ratios and infer dividend cuts are coming. Most of the outperformance came from our large underweight position in the banks and we continue to remain underweight for the time being.

The Federal Budget heaped further pressure on the banks with the announcement of a Major Bank Levy aimed at raising \$6.2b. It remains to be seen whether this tax will be "passed on" to shareholders and mortgage holders. Whilst the focus on infrastructure spend was timely, there was little detail on just how the government intends to stimulate employment and productivity for the wider economy.

Miners were flat on the month (-0.26%) despite the glut of iron ore at Chinese ports. Iron ore fell another 14% in May. What was last year's strength is rapidly becoming this year's weakness.

Following the budget, S&P reaffirmed Australia's AAA credit rating, however we expect a downgrade in the coming 12 months.

Bonds rallied for the third consecutive month given the continued weakness in Australian domestic economic data. Australian 10 year bond yields fell from 2.58% to 2.39% as May's consumer confidence numbers continued to slide.

| | Pre-franking credits | | | | | |
|--|----------------------|----------|----------|--------|------------------------------------|------------------------------------|
| | 1 Month | 3 Months | 6 Months | 1 Year | 2 Year (per annum) ^a | 3 Year (per annum) ^a |
| Prime Australian Equity Growth Portfolio | -1.32% | 3.17% | 6.19% | 9.23% | 1.90% | 7.11% |
| S&P/ASX200 Accumulation Index | -2.75% | 1.51% | 7.49% | 11.10% | 4.15% | 6.03% |
| Relative performance | 1.43% | 1.66% | -1.30% | -1.87% | -2.25% | 1.08% |
| | 1 Month | 3 Months | 6 Months | 1 Year | 2 Year (per annum) ^a | 3 Year (per annum) ^a |
| Prime Australian Equity Income Portfolio | -2.02% | 1.34% | 4.75% | 9.57% | 1.45% | 4.92% |
| S&P/ASX200 Accumulation Index | -2.75% | 1.51% | 7.49% | 11.10% | 4.15% | 6.03% |
| Relative performance | 0.73% | -0.17% | -2.74% | -1.53% | -2.70% | -1.11% |

^a Annualised return. Portfolio inception date 03/07/2012

