

WealthSolutions

SMA Enhanced Index 30 Quarterly Report

As of 30/06/2017

Second quarter 2017

Market update

Political uncertainty was a major theme across global markets this quarter, with both good and bad outcomes. Emmanuel Macron's victory in the French elections and Angela Merkel's Christian Democratic Party's strong performance in local elections have helped ease concerns over a seemingly populist anti-globalisation movement in Europe.

British equities and the Sterling initially responded well to Theresa May's call for a snap election in May to strengthen the nation's position in Brexit negotiations. However, this momentum dissipated when the election produced a hung parliament and May's Brexit plan still lacked detail at quarter end.

North Korea's nuclear missile program is also stirring the pot but it is not expected to affect equity markets as long as the US and China continue to cooperate on the matter.

China is increasingly conscious of its financial fragility caused by high levels of corporate debt, the complex nature of its wealth management products, and links to the shadow banking system. To overcome this, the central bank and three regulators (banking, securities and insurance) have joined forces to address the complex and opaque shadow banking sector, and introduced aggressive restrictions on permissible financial activities. This is the right move in the long run to defuse overleveraging and systemic financial risk in China's economy, although we are watching closely for short term negative repercussions.

Model update

Although financial markets were a little weak in the month of June, performance has been strong for the past 12 months.

The Vanguard Emerging Markets Shares and Vanguard International Shares funds were the standout performers within your portfolio earning 5.6% and 3.7% respectively over the quarter.

Within Australian shares, the Vanguard Australian Shares Index fund earned 13.7% for your portfolio over the year, although due to changing economic conditions and a weaker iron ore price, it experienced a small loss over the recent quarter. As we do not expect these conditions to improve, your portfolio remains underweight in Australian shares.

Justin McLaughlin
Chief Investment Officer

SMA Enhanced Index 30

As of 30/06/2017

Portfolio objective

The SMA Enhanced Index 30 model is a portfolio of actively managed assets designed to achieve stable returns over the short to medium term.

Performance[^]

	Since inception (%p.a.)**	2 years (%p.a.)	1 year (%)	6 months (%)	3 months (%)	1 month (%)
Total Return	5.1		5.8	3.2	1.5	-0.8
Volatility	2.8		2.5	0.8		

**Inception Date: 30/09/2015

Growth of \$100 invested at inception [^]

Time Period: 1/10/2015 to 30/06/2017

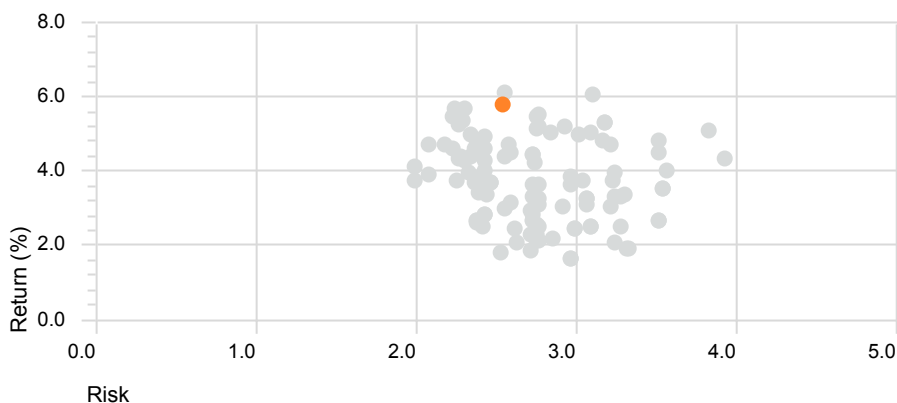


[^] Performance data is after fund manager fees, but before any other applicable fees or taxes and assumes the reinvestment of dividends. Past performance is not indicative of future performance. Due to the flexibility of rebalancing and variations between accounts, performance shown is indicative only and assumes rebalancing occurs at the end of each calendar month, and also assumes that there are no deposits, withdrawals nor exceptions to regular rebalancing in the model portfolio.

Return and risk vs. peer group

Time Period: 1/07/2016 to 30/06/2017

Peer Group (5-95%): Open End Funds - Australia - Multisector Moderate



What is a risk and return chart?

The chart to the left shows the returns and associated risk of the model portfolio (darker shape) against its peers (light grey circles), over the past year.

The past years return (as a percentage) is shown on the vertical axis.

The risk (as measured by the standard deviation) of the investment over the past year is shown on the horizontal axis.

Underlying funds

	APIR Code	Global Broad Category Group	Portfolio Weighting %
CFML Fixed Interest	NRM0030AU	Fixed Income	50.00
CFML Cash	NRM0026AU	Money Market	20.00
Vanguard Australian Shares Index	VAN0002AU	Equity	8.00
Vanguard International Shares Index	VAN0003AU	Equity	8.00
Vanguard Global Infrastructure Index	VAN0023AU	Equity	7.50
Vanguard Emerging Markets Shares Index	VAN0005AU	Equity	6.50

SMA Enhanced Index 30

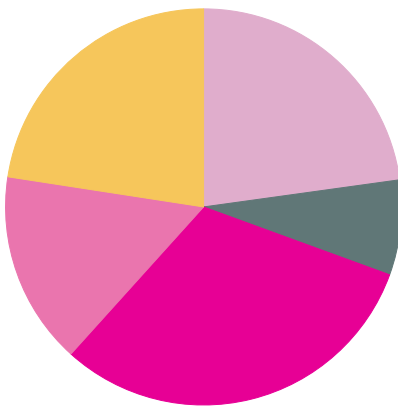
Performance of current underlying funds

Portfolio Date: 30/06/2017

	5 Yr (%pa)	3 Yr (%pa)	2 Yr (%pa)	1 Yr (%)	6 Mth (%)	3 Mth (%)	1 Mth (%)
CFML Fixed Interest	4.19	4.47	4.30	3.16	2.64	1.35	-0.24
CFML Cash	2.28	1.93	1.74	1.53	0.74	0.37	0.11
Vanguard International Shares Index	18.35	13.08	7.48	14.74	4.60	3.68	-2.69
Vanguard Australian Shares Index	11.43	6.44	6.95	13.67	3.10	-1.53	0.20
Vanguard Global Infrastructure Index	14.86	11.14	8.58	5.59	4.44	3.49	-4.02
Vanguard Emerging Markets Shares Index	9.84	7.90	3.98	19.54	11.53	5.55	-2.02

Asset class breakdown

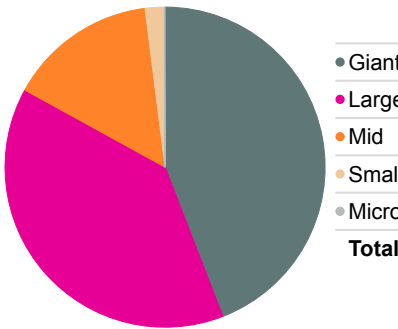
Portfolio Date: 30/06/2017



	%
Cash	22.8
Australian Equities	7.8
Australian Fixed Interest	31.1
International Fixed Interest	15.8
International Equities	22.6
Total	100.0

Equities: Market capitalisation

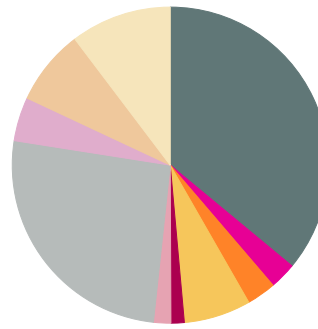
Portfolio Date: 30/06/2017



	%
Giant	44.1
Large	38.9
Mid	15.0
Small	1.9
Micro	0.1
Total	100.0

Equities: Geographical exposure

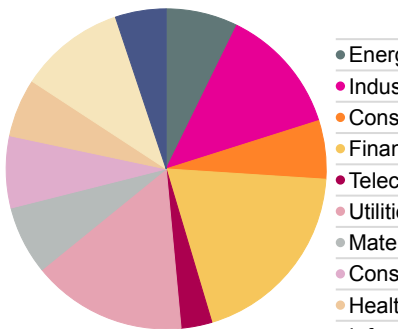
Portfolio Date: 30/06/2017



	%
North America	36.0
Latin America	2.7
United Kingdom	3.0
Europe developed	6.9
Europe emerging	1.4
Africa/Middle East	1.8
Australasia	25.8
Japan	4.5
Asia developed	7.7
Asia emerging	10.3
Total	100.0

Equities: Industry exposure

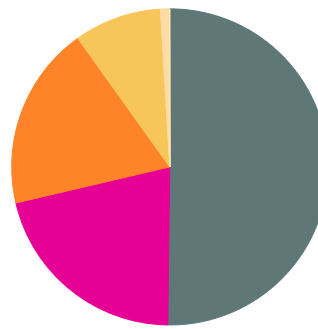
Portfolio Date: 30/06/2017



	%
Energy	7.3
Industrials	12.8
Consumer Staples	5.9
Financials	19.4
Telecom Services	3.1
Utilities	15.6
Materials	6.9
Consumer Discretionary	7.3
Healthcare	5.9
Information Technology	10.6
Real Estate	5.1
Total	100.0

Fixed Interest: Credit quality

Portfolio Date: 30/06/2017



	%
AAA	50.2
AA	21.1
A	18.8
BBB	8.9
BB	0.9
B	0.0
Below B	0.0
Not Rated	0.0
Total	100.0

Top holdings of the underlying infrastructure, property and equity funds

Vanguard Global Infrastructure Index - Top Holdings

Portfolio Date: 30/06/2017

	Sector	Portfolio Weighting %
Union Pacific Corp	Industrials	4.90
NextEra Energy Inc	Utilities	3.65
Enbridge Inc	Energy	3.61
Canadian National Railway Co	Industrials	3.42
Duke Energy Corp	Utilities	3.26
American Tower Corp	Communication Services	3.10
Dominion Energy Inc	Utilities	2.68
CSX Corp	Industrials	2.67
Southern Co	Utilities	2.65
National Grid PLC	Utilities	2.37

Vanguard Australian Shares Index - Top Holdings

Portfolio Date: 30/06/2017

	Sector	Portfolio Weighting %
Commonwealth Bank of Australia	Financial Services	9.26
Westpac Banking Corp	Financial Services	6.62
Australia and New Zealand Banking Group Ltd	Financial Services	5.45
National Australia Bank Ltd	Financial Services	5.12
BHP Billiton Ltd	Basic Materials	4.83
CSL Ltd	Healthcare	4.05
Telstra Corp Ltd	Communication Services	3.31
Wesfarmers Ltd	Consumer Defensive	2.94
Woolworths Ltd	Consumer Defensive	2.14
Macquarie Group Ltd	Financial Services	1.95

Vanguard International Shares Index - Top Holdings

Portfolio Date: 30/06/2017

	Sector	Portfolio Weighting %
Apple Inc	Technology	2.11
Microsoft Corp	Technology	1.41
Amazon.com Inc	Consumer Cyclical	1.09
Johnson & Johnson	Healthcare	1.00
Facebook Inc A	Technology	0.99
Exxon Mobil Corp	Energy	0.93
JPMorgan Chase & Co	Financial Services	0.91
Alphabet Inc C	Technology	0.79
Alphabet Inc A	Technology	0.77
Nestle SA	Consumer Defensive	0.76

Top holdings of the underlying infrastructure, property and equity funds

Vanguard Emerging Markets Shares Index - Top Holdings

Portfolio Date: 30/06/2017

	Sector	Portfolio Weighting %
Samsung Electronics Co Ltd	Technology	4.38
Tencent Holdings Ltd	Technology	4.35
Taiwan Semiconductor Manufacturing Co Ltd	Technology	3.61
Alibaba Group Holding Ltd ADR	Consumer Cyclical	3.41
Naspers Ltd Class N	Technology	1.82
China Mobile Ltd	Communication Services	1.40
China Construction Bank Corp H	Financial Services	1.40
Hon Hai Precision Industry Co Ltd	Technology	1.27
Industrial And Commercial Bank Of China Ltd H	Financial Services	1.07
Baidu Inc ADR	Technology	1.04

Important Information

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