



PRIDE ADVICE



Pride Advice - AZ Sestante Assertive Managed Portfolio

Quarterly Report, September 2019

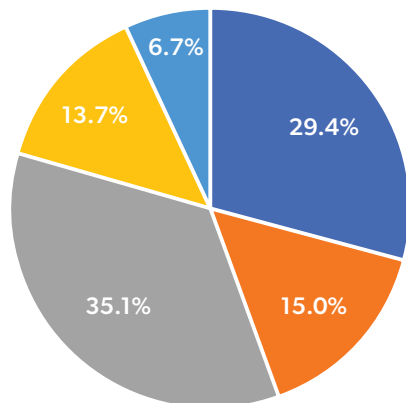
Summary:

The September quarter produced a positive return on the backdrop of lower interest rates globally. Positive performance results masked volatile market conditions, which were punctuated by a volatile political environment, coupled with concerns over the extent of an economic slowdown and its impact on company earnings. The coming months will see confirmation (or otherwise) as to whether the lower rates environment has provided sufficient support to re-ignite earnings, and justify current valuations in all asset classes.

Portfolio objective:

To exceed the RBA Cash Rate plus 3% after fees. The portfolio is suited to investors seeking a diversified portfolio with exposure to growth and defensive assets with a moderate level of volatility. It targets 85% in growth assets and 15% in defensive assets.

Current Asset Allocation:



- Total Australian Equities
- Total Real Assets
- Total International Equities
- Total Fixed Income/Debt Securities
- Total Cash

Portfolio Performance:

	1 Month	3 Months	6 Months	12 Months
Portfolio	1.52%	3.97%	8.74%	9.2%

These figures are a GUIDE ONLY. Portfolio performance figures are taken from Hub 24. These performance guides are provided prior to administration and advice charges, and after investment management and product costs. Every client portfolio varies in performance and is impacted by tax treatment, portfolio size, and timing of investing in the portfolio. Therefore, the indicated figures are an estimate.

Key Facts:

- Investment Committee: Pride Advice
- Portfolio Manager: AZ Sestante
- Portfolio availability: Hub 24, Xplore Wealth
- Structures: Super, Pension, Individual & SMSF accounts
- Benchmark: RBA Cash Rate plus 3%
- Portfolio cost: 0.473% (as at September 2019)

Top Holdings:

Australian Equities (29.4% of portfolio):

Stock	% of Portfolio
SPDR S&P/ASX 200 Fund	9.9%
SPDR S&P/ASX 200 Resources Fund ETF	3.1%
BHP Billiton Limited	3.1%
Aristocrat Leisure	2.2%
CSL Limited	2.1%

Largest Sector Holding (other sectors):

Sector	Asset	% of Portfolio
Real Assets	Vanguard Global Property Security Index Fund	7.9%
Int. Equities	Vanguard MCSI Index International ETF	15.2%
Fixed Income	Ishares Core Bank Bill ETF	6.7%

Portfolio Transactions September Quarter

During the quarter, the holdings in James Hardie (JHX) were sold, CSL and Reliance (RWC) were reduced, and APA bought. There was a general reduction in equity weight across the board during the quarter.

Market Review

During the quarter, portfolio activity was most vigorous during the volatility that set in during August. The onset of volatility was a reflection of the 'noise' brought about from general political uncertainty around trade negotiations, a bellicose White House, the unraveling Brexit situation and heightening of political unrest in Hong Kong. As ever, markets concentrated on what this meant for earnings, and in a low interest rate world with the promise of a never ending supply of cheap money, the volatility was seen as an opportunity to bid assets which lead to a further rally in equities, and bond proxy assets such as infrastructure and bonds themselves. The investment committee took the opportunity variously to reduce portfolio risk and volatility as opportunities emerged.

Market Outlook

The coming months will see confirmation (or otherwise) as to whether the lower rates environment has provided sufficient support to reignite earnings, and justify valuations in all asset classes. There is now clear evidence of an economic slowdown in various parts of the world. As the slowdown does not yet appear to present as significant, ie a recession, markets have responded to monetary conditions (lower rates) and some fiscal action (reduced taxes) as an opportunity to buy. The coming weeks will see US company earnings and outlook statements scrutinised heavily to establish whether weak economic conditions are likely to lead to an earnings slump in late 2019 or early 2020. This earnings 'litmus test' will be pivotal for market action near term, as will any further rhetoric from central banks about rates expectations looking ahead. The emergence of news on US - China trade, Brexit will continue to play out and there is little doubt that the strong US Dollar will continue to be a focus for the US Fed (and the White House) leading to expectations of low interest rates for some time yet.

The portfolios are positioned cautiously in light of the uncertainty, but continue to take advantage of the low rate environment which has favoured infrastructure, property and US Dollar denominated assets. With US and global GDP still positive, unemployment rates in most developed economies at multi year lows, and generationally low interest rates in place, the investment committee is cautiously optimistic, but equally, ready to move should conditions deteriorate.