



## PacReef Income Today Portfolio

### June 2019 Quarterly Review

#### Portfolio Performance

The PacReef Income Today Portfolio returned 5.28% compared to the benchmark ALL ORDINARIES (TR) return of 7.83% giving a relative performance of -2.55% for the period.

#### Performance to 30 June 2019

Return %	One Month	Three Month	Six Month	One Year	Three Year	Since Inception (9/04/2015)
Portfolio	0.74	5.28	12.27	11.21	4.15	3.40
Benchmark	3.43	7.83	19.76	11.04	12.65	7.38
<b>Relative Performance</b>	<b>-2.69</b>	<b>-2.55</b>	<b>-7.49</b>	<b>0.17</b>	<b>-8.50</b>	<b>-3.98</b>

The table above sets out the investment performance returns (AFTER investment management fees, but BEFORE administration fees, performance based fees and taxes) for the Portfolio. The performance returns have been calculated on a daily basis taking into account brokerage costs, and are accumulated for the period shown. Returns are shown as annualised if the period is over 1 year, or as total returns otherwise.

#### Quarterly Review

The Australian market has experienced a dramatic period of growth over the past six (6) months, including returning an annualised return of over 40% pa in June alone. As we would expect, the portfolio has lagged this return due to its focus on income-producing, rather than growth focussed securities.

However, the portfolio outperformed the benchmark in the first half of the Financial Year, when the market fell by over 7% in six months. This outperformance during the down months has seen the portfolio beat the benchmark over the full Financial Year.

During the 2019 Financial Year, major positive contributors to the portfolio included:

Telstra Corporation Limited – 10% income and 45% increase in value

Greencross Limited – 7.7% income and 19% increase in value when taken over

Coca-Cola Amatil Limited – 6.3% income and 11% increase in value

Additionally, three of our newer holdings have proven to be instant positives for the portfolio: Invocare Limited (total return of 30%); National Australia Bank (15%) and JB Hi-Fi Limited (11%).

Of course, not every investment was a good news story with the three significant disappointments being Thorn Group (down 12%); Link Administration Holdings Limited (down 17%) and Pacific Smiles Group (down 19%).

The above returns reflect to the period for which those securities were held in the portfolio as not all were held for the full 12 months.

An initial review of the portfolio for FY 19 indicates:

Capital Growth of 6.33%

Gross Income Yield of 7.12%

Cash income up 5.42%

Gross Income up 7.28%

Franking Rate of 80%

Each of these metrics was an improvement on FY 18.

### Top 5 stocks by weight as at 30 June 2019

Company Name	Sector
TELSTRA CORPORATION. ORDINARY	Communication Services
WESTPAC BANKING CORP ORDINARY	Financials
COCA-COLA AMATIL ORDINARY	Consumer Staples
JB HI-FI LIMITED ORDINARY	Consumer Discretionary
ANZ BANKING GRP LTD CN 3M PER Q RD T-24	Financials

### Market Outlook

Just like the June quarter, we see the coming 3-6 months being dominated by the US-China trade negotiations. These negotiations have the potential to affect sharemarkets all around the world, including Australia. The USA looks set to continue imposing tariffs on Chinese goods, and the Chinese will potentially use the power to devalue their currency as a counter to these. While the “war” is between the US and China, it has the potential to affect all nations.

The second International issue that will face markets over the next six months will be Brexit – now in the hands of Boris Johnson. Will he push ahead with a no-deal Brexit? Only time will tell.

Meanwhile, the Australian market is approaching record highs, the RBA has cut rates to attempt to stimulate the economy, unemployment is steady at 5.2%, Business confidence is up, housing prices are down, and retail sales are coming in below expectations. It is difficult to imagine a more mixed bag of economic indicators.

All of this points to continued volatility for the foreseeable future, but we will continue to focus on income-producing securities for our clients.

# IMPORTANT INFORMATION

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