Cash
Managed Account Portfolio

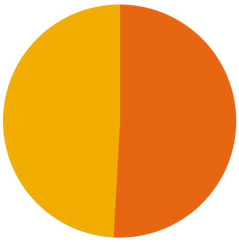
Quarterly Performance Update

Q42016

All data and information as at Portfolio Date: 31/12/2016

Asset Allocation

Portfolio Date: 31/12/2016



	%
Cash Account	50.9
BetaShares High Int Cash	49.1
Total	**100.0**

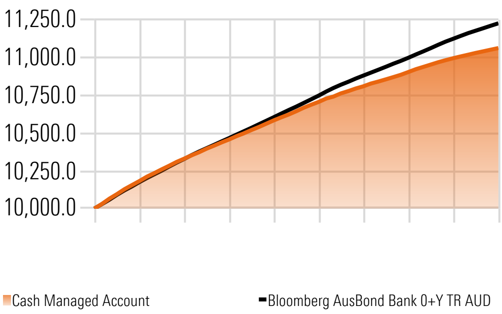
Core Portfolio - Complete List of Holdings

Portfolio Date: 31/12/2016

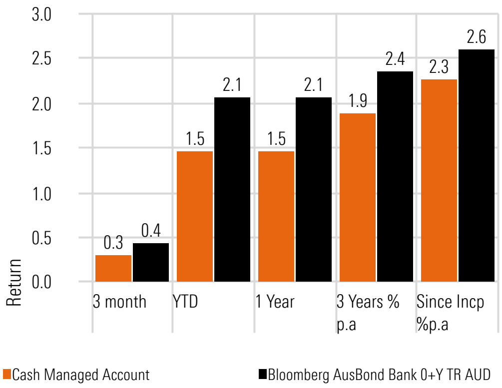
	Portfolio Weight %
Cash Account	50.9
BetaShares High Int Cash	49.1

Investment Growth of $10,000

Time Period: 01/07/2012 to 31/12/2016



Returns



*Cash returns will vary between platforms. The rate used for the Cash holding is the RBA Target Cash Rate less 0.55% p.a

An eventful fourth quarter of 2016 capped a truly remarkable year for financial markets. Donald Trump's surprise election as U.S. President dominated headlines as investors tried to digest what his protectionist views and polarising opinions mean for the U.S. (and global) economy. However, one of the more important events of the last quarter, and one that has significant potential implications for cash rates globally appeared to have been overlooked by many. This is in relation to an apparent change in tactics by the world's Central Banks, having realised that they have reached, or are reaching, their limits in terms of their ability to provide monetary stimulus. This was highlighted by the Japanese Central Bank adopting a more targeted approach, reduced, albeit prolonged, support from the European Central Bank and the U.S. Federal Reserve raising interest rates, whilst signalling that inflation and interest rates will probably rise faster than current expectations. Whilst cash rates remained unchanged in Australia, this global thematic fed into bond rates locally with Australian inflation expectations, the nemesis of allocations to cash, duly rising.

The Cash portfolio delivered a return of 0.29% for the quarter. This result was below most growth asset class returns in the quarter, as Financials globally responded positively to the more targeted approach to monetary stimulus undertaken by the respective Central Banks and Energy stocks soared as the oil price pushed toward 2016 highs, following confirmation of an agreement between OPEC members to cut oil production. By contrast, Cash performed better than most interest rate sensitive asset classes like Australian and global bonds, listed property and infrastructure, which saw material losses and sharp volatility as markets absorbed the changes to inflation and interest rate expectations.

The portfolio remains invested across highly liquid cash securities, with these investments supplemented by the BetaShares Australian High Interest ETF, which maintains a number of cash deposits across a selection of Australian banks. Like previous quarters, the contribution to the portfolio's performance was spread across these cash investments, although the higher interest rates received from the BetaShares ETF boosted returns. With asset classes in general remaining expensive, we continue to expect cash to remain an attractive option for investors, both in terms of it being the only asset class that can protect capital with near 100% certainty, but also because it provides investors with a liquid option to park their capital, in wait for more compelling investment opportunities in other asset classes, as they arise. With this, even with cash rates at record lows, we believe the Cash portfolio remains appropriately positioned towards those investments that offer the best reward for risk, in order for it to achieve its objectives over the longer term.

Transactions in the Quarter

There were no transactions in the Quarter

MORNINGSTAR

Morningstar's Investment Principles

We put investors first. We believe the firms that put investors first win in the long term because their investors win.

Since 1984, Morningstar, Inc. has been helping investors reach their financial goals. Our fiduciary duty to our principals is paramount.

We're independent-minded. To deliver results, we think it's necessary to invest with conviction, even when it means standing apart from the crowd.

Our research shows that making decisions based on fundamental analysis, rather than short-term factors and sentiment, delivers better long-term investment results.

We invest for the long term. Taking a patient, long-term view helps people ride out the market's ups and downs and take advantage of opportunities when they arise.

Investing with a multi decade horizon aligns with investors focus on increasing their purchasing power over their lifetimes.

The long term is the only period where fundamental, valuation driven investing works.

We're valuation-driven investors. Anchoring decisions to an investment's fair value—or what it's really worth—can lead to greater potential for returns.

Valuation-driven investing through a long-term focus on the difference between price and intrinsic value enables investors to get more than they're paying for.

We take a fundamental approach. Powerful research is behind each decision we hold, and we understand what drives each investment we analyse.

Fundamental investing incorporates a focus on the future earnings of an investment and not its prospective price change.

We strive to minimise costs. Controlling costs helps investors build wealth by keeping more of what they earn.

Investment returns are uncertain, but costs are not.

Lower costs allow investors to keep more of their returns.

We build portfolios holistically. To help manage risk and deliver better returns, truly diversified portfolios combine investments with different underlying drivers.

Portfolios should be more than the sum of their parts.

True diversification can have a powerful impact on a portfolio's risk-adjusted returns – but simply holding more investments isn't the same as true diversification.