

Fund Objective

The objective of the Market Matters Active Income SMA is to provide a high level of regular tax-effective income with lower volatility than the underlying share market. This is achieved by actively managing a portfolio of high yielding equities combined with ASX listed income securities that offer diversification benefits to both Australian equities and cash or term deposits.

Portfolio Returns

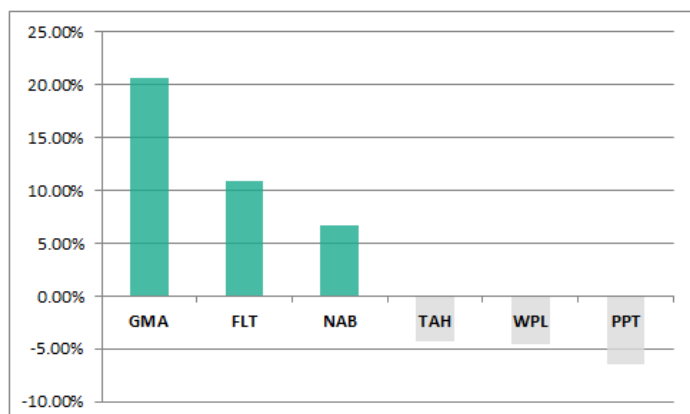
	1mth	3mth	6mth	1yr	FYTD
Fund	1.54%	6.30%	11.53%	10.28%	1.54%
Benchmark	0.42%	1.31%	2.65%	5.44%	0.42%
Relative	+1.12%	+4.99%	+8.88%	+4.84%	+1.12%

Top 5 Holdings

Code	Security	Sector
CBA	Commonwealth Bank of Australia	Financials
CBAPF	CBA 1.72803 PERP	Financials
GMA	Genworth Mortgage Insurance Aust.	Financials
MXT	MCP Master Income Trust	Financials
NAB	National Australia Bank Ltd	Financials

Monthly Holding Performance

Top/Bottom 3



Portfolio Details

Current number of securities:	17
Portfolio Return Objective:	RBA Cash +4%
Portfolio Manager:	James Gerrish
FYTD Return:	+1.54%
Cash Position:	17.50%

Markets & Positioning

Another solid month of returns for our income orientated portfolio as strength in stock markets along with a continued support of 'yield' assets helped to drive another strong outcome.

More broadly, the Australian share market relished in the backdrop of lower interest rates, with the S&P/ASX 200 index up 2.93% for July, the 8th month in a row it has posted gains, starting the new financial year on the front foot.

The portfolio remains skewed towards equities with a ~50% allocation while holding ~30% in income securities along with a relatively high cash balance - cash has risen into recent market strength. Our expectation is to deploy this cash through reporting season as more opportunities arise.

A strong result from mortgage Insurer Genworth (GMA) during the month and announcement of a special dividend was pleasing.

PORTFOLIO COMMENTARY

The Market Matters Active Income Portfolio added +1.54% for the month of July strongly outperforming its absolute return benchmark of RBA cash plus 4%.

GENWORTH (GMA): The mortgage insurer delivered 1H19 results during the month and while overall written premiums were down substantially this was no surprise and the lower written premiums mean more excess capital available for share buy-backs along with special dividends. To that end, GMA announced a substantial 21.9cps special dividend (unfranked) in addition to their 9cps fully franked ordinary dividend. This takes total yield for the 12 months to over 15% inclusive of franking credits. With 6% / 25m shares short sold in GMA, we could see short covering play out from here. The share price rallied strongly. We hold GMA

NATIONAL BANK (NAB): NAB's share price has risen by ~20% since the Federal election in May and it has outperformed the other major banks by an average of ~6%. A combination of stronger commercial lending data over and above residential lending and the appointment of a new, well regarded CEO has supported the share price.

Ross McEwan comes to NAB from the CEO's chair at Royal Bank of Scotland (RBS), where he served from 2013 to April 2019. McEwan was also a former exec for CBA and is set to take the reins by April. The market applauded the appointment. We hold NAB.

FLIGHT CENTRE (FLT): The travel business was added to the income portfolio in recent times and the position is showing some strength. During the month I sat down with Shaw and Partners Senior Analyst, Darren Vincent for his take on the stock.



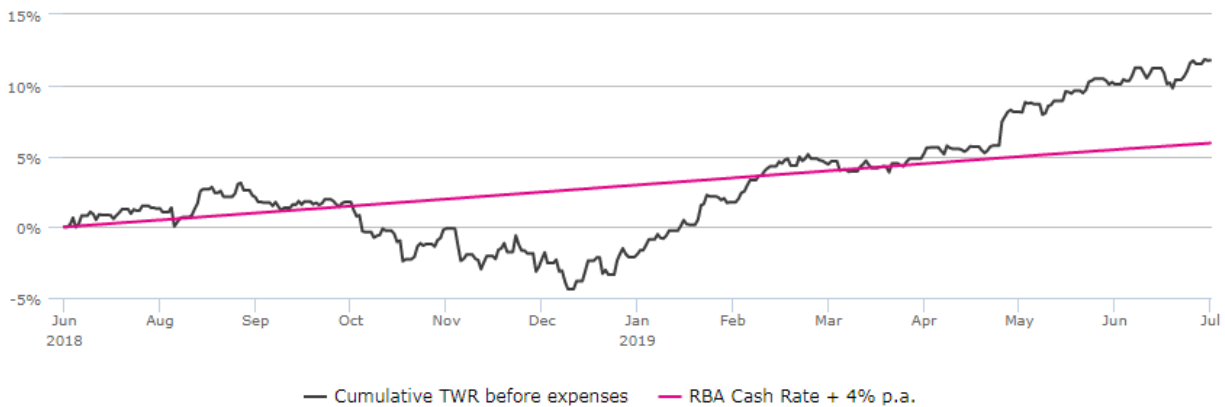
PORTFOLIO PERFORMANCE CHART

Percentage returns

Periods to 31 July 2019

	1 mth	3 mths	1 yr	Since 01/07/2018 p.a.
Portfolio return before expenses (TWR)	1.54%	6.3%	10.28%	10.82%
RBA Cash Rate + 4% p.a.	0.42%	1.31%	5.44%	5.45%

Cumulative returns over time



What is an SMA? A Separately Managed Account (SMA) combines the best parts of a managed fund with a direct investment. It provides you with control and direct ownership, while we take the day-to-day hassle out of your portfolio, by managing it on your behalf. The Market Matters SMAs offer an unprecedented level of communication and transparency - so you won't just see our insights, you'll understand our actions.

About your Manager: James Gerrish is the Portfolio Manager for the Market Matters SMA's. James is a Senior Portfolio Manager within Shaw and Partners, one of Australia's leading wealth management firms with approximately \$18 billion of assets under advice. James is also the Primary Contributor to Market Matters, providing content, insights and strategy to more than 2,000 subscribers.

Investment Committee: The Market Matters Investment Committee consists of Peter White and Peter Whyntie, both of whom have considerable financial markets experience. Peter White's career spans 23 years, including 17 years providing professional advice. Peter Whyntie is a recognised leader in the governance, risk management compliance community, as a Fellow of both the Governance Institute of Australia and Fellow and Life Member the GRC Institute

Market Matters - Invest With Confidence

If you have any questions please don't hesitate to contact your Portfolio Manager directly on (02) 9238 1561

DISCLOSURE

Market Matters, its employees, associates and / or contributors may hold stocks mentioned in this report.

DISCLAIMER

All figures contained from sources believed to be accurate. Market Matters does not make any representation of warranty as to the accuracy of the figures and disclaims any liability resulting from any inaccuracy. Prices as at 30/07/2019

Reports and other documents published on this website and email ('Reports') are authored by Market Matters and the reports represent the views of Market Matters. The MarketMatters Report is based on technical analysis of companies, commodities and the market in general. Technical analysis focuses on interpreting charts and other data to determine what the market sentiment about a particular financial product is, or will be. Unlike fundamental analysis, it does not involve a detailed review of the company's financial position.

The Reports contain general, as opposed to personal, advice. That means they are prepared for multiple distributions without consideration of your investment objectives, financial situation and needs ('Personal Circumstances'). Accordingly, any advice given is not a recommendation that a particular course of action is suitable for you and the advice is therefore not to be acted on as investment advice. You must assess whether or not any advice is appropriate for your Personal Circumstances before making any investment decisions. You can either make this assessment yourself, or if you require a personal recommendation, you can seek the assistance of a financial advisor. Market Matters or its author(s) accepts no responsibility for any losses or damages resulting from decisions made from or because of information within this publication. Investing and trading in financial products are always risky, so you should do your own research before buying or selling a financial product.

The Reports are published by Market Matters in good faith based on the facts known to it at the time of their preparation and do not purport to contain all relevant information with respect to the financial products to which they relate. Although the Reports are based on information obtained from sources believed to be reliable, Market Matters does not make any representation or warranty that they are accurate, complete or up to date and Market Matters accepts no obligation to correct or update the information or opinions in the Reports. Market Matters may publish content sourced from external content providers.

If you rely on a Report, you do so at your own risk. Past performance is not an indication of future performance. Any projections are estimates only and may not be realised in the future. Except to the extent that liability under any law cannot be excluded, Market Matters disclaims liability for all loss or damage arising as a result of any opinion, advice, recommendation, representation or information expressly or impliedly published in or in relation to this report notwithstanding any error or omission including negligence.