

Fund Performance Report

December Q 2018

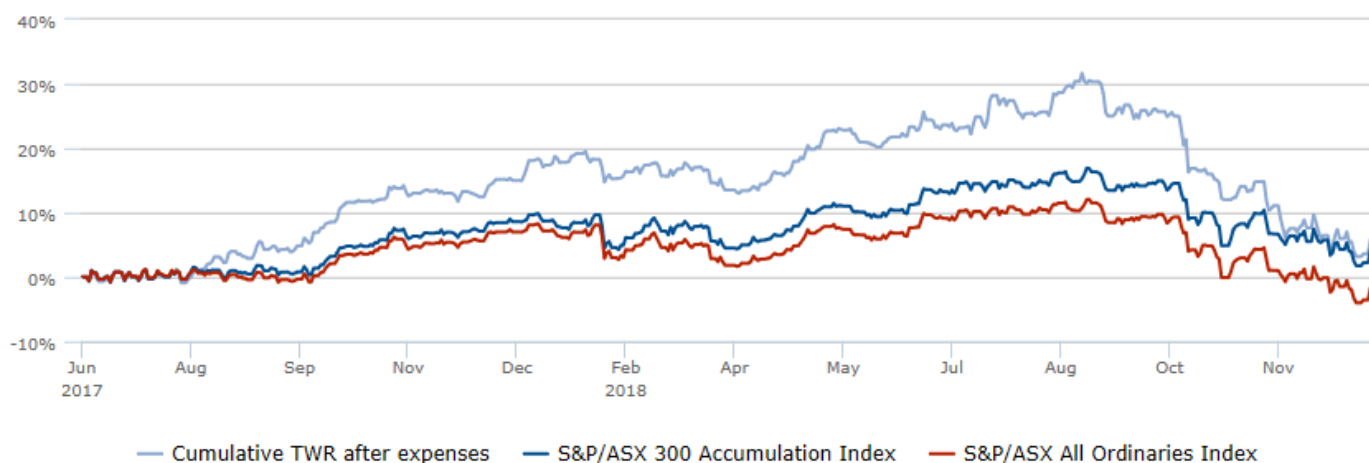
FUND DESCRIPTION

Investment Objective	To achieve superior "total return", combining capital growth with income, by investing in a portfolio of Australian equities	Number of Stocks	Up to 50
Portfolio Manager	Marcus Padley	Cash Limit	Up to 100%
Benchmark	S&P/ASX 300 Accumulation Index	Minimum Investment	\$50,000
Inception Date	1-Dec-16	Min Regular Investment	No minimum
Management Fees	0.75% pa		
Administration Fees	0.37% pa for first \$250,000 (See Fact Sheet for more information)		
Performance Fee	10% of performance in excess of benchmark		

PORTFOLIO PERFORMANCE

Periods to 31 December 2018	3 mths	6 mths	1 yr	2 yrs p.a.	Since inception p.a.
Portfolio return before expenses (TWR)	-14.8%	-13.37%	-6.87%	3.32%	2.59%
S&P/ASX 300 Accumulation Index	-8.41%	-7.03%	-3.06%	4.17%	6.14%
S&P/ASX All Ordinaries Index	-9.74%	-9.23%	-7.42%	-0.09%	1.79%

Cumulative returns over time



MARCUS TODAY SMA REPORT DEC Q 2018

After a dazzling performance over the 2017/18 financial year (SMA up 22.34% compared to the benchmark up 13.24%) the December Q has seen a 15.1% correction in the Australian market and a 14.8% fall in the value of the SMA in the last 3 months which has seen us come back to the pack again on relative performance as you can see in the chart above.

In December, before Christmas, I wrote an SMA update that was emailed to you in the teeth of the storm. Hopefully you got it. If not it is available on the Marcus Today website on the homepage. We have decided that these quarterly



reports, that are made available through your Praemium portal, are not enough communication for our investors, especially in volatile times, and we will be emailing you with fund updates more regularly than that from now on.

There are a few observations to make about the past quarter and a few to be made now in January as we write. Some of these points were made in the December email.

- We currently have around \$40 million in both our funds - the Marcus Today SMA and the Marcus Today Income SMA – and we have around 400 investors.
- The SMA fell 6.87% in calendar 2018 which compares to the All Ordinaries index down 7.42% and the benchmark, the ASX 300 Accumulation Index, down 3.06%. Not a great year for the markets or you our investors. Our job is to turn that around.
- In the last few months it has been all about “the market”. After a 15.1% correction from August 30th 2018 to December 24th 2018 the market has now bounced 9.1% and the SMA has begun to outperform again.
- It is clear from the outperformance of the Marcus Today SMA in a bull market and the underperformance in the recent correction that this is not an indexed fund, it is a growth focused fund with a higher beta than the market (it is more volatile than the market). As investors in the SMA you should understand that.
- We can hold 50 companies – we currently hold 26.
- We are now fully invested again. Early in October we went to 65% cash, on the first signs of the market correcting but it was too big a call to maintain in the face of the two notable rallies the market had during the correction. We reinvested the cash incrementally although rather prematurely as it turned out, during those bounces.
- The stocks we favour are growth stocks like Cochlear, CSL Limited, Aristocrat Leisure, Treasury Wine Estates, Computershare, the ASX and Macquarie. These growth stocks were more heavily sold off than the market in the correction, for instance Cochlear fell 29.9%, CSL fell 25.4%. This is an opportunity in large quality growth stocks that we are currently buying into.
- We also hold a handful of satellite mid-caps (smaller holdings) like Bidenergy, Afterpay, ResMed, Seek, REA Group, Praemium, HUB 24. Stocks like Afterpay fell 54.9% in three months. We had taken profits on these stocks in the first sell down and have been buying them again in the recent rally.
- We have also held the banks as well as BHP and RIO over the correction although we have recently been running down these rather defensive holdings to afford higher weightings in growth stocks as the market has recovered.

As I wrote in December – we are not about to restructure the SMA and change strategy to build a portfolio that would, in hindsight, have outperformed in the correction. We remain with a growth strategy and that is beginning to pay off again in outperformance as the market rallies. In this first half of this financial year the All Ordinaries index fell 9.23%. The SMA fell 13.37%. We have recovered 6.14% of that in January so far against the All Ordinaries up 3.94%. We have the wind behind us once again.

We look forward to continuing to invest on your behalf and be assured, we are wholly, actively focussed, on a daily basis, on your interests in the Marcus Today SMA and the performance of your funds.

CONTACT DETAILS

Website: www.marcustoday.com.au **Email:** sma@marcustoday.com.au **Phone:** 0428 062 327