

# ALDERSLEY CAPITAL

## AC Income Plus Portfolio

### September 2016 Quarterly Review

#### Portfolio Performance

The AC Income Plus Portfolio returned 6.77% compared to the benchmark (Bloomberg Bank Bill Index (0+yr) Maturity (SBCBB)) return of 0.48% giving a relative performance of 6.29% for the period.

#### Performance to 30 September 2016

| Return %                    | One Month   | Three Month | Six Month   | One Year     | Three Year | Since Inception (29/10/2013) |
|-----------------------------|-------------|-------------|-------------|--------------|------------|------------------------------|
| Portfolio                   | 1.23        | 6.77        | 9.89        | 14.24        | N/A        | 6.25                         |
| Benchmark                   | 0.14        | 0.48        | 1.05        | 2.18         | 2.43       | 2.43                         |
| <b>Relative Performance</b> | <b>1.09</b> | <b>6.29</b> | <b>8.84</b> | <b>12.06</b> | <b>N/A</b> | <b>3.82</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

Considering how weak the bank prices have been this was another satisfactory quarter for this low risk portfolio. Trading positions as the markets wane and wax with sporadic volatility has been the key to incrementally adding to performance, in the knowledge that most, if not all the clients in this portfolio pay little or no tax anyway so maximising returns is better than minimising CGT. Hybrids have been underperforming for some time.

## Top 5 stocks by weight as at 30 September 2016

| Company Name                                | Sector       |
|---|--------------|
| NATIONAL AUST. BANK ORDINARY                | Financials   |
| NATIONAL AUST. BANK NAT.INC.SEC.<br>STAPLED | Financials   |
| MACQUARIE BANK LTD STAPLED PERP.<br>FRN.    | Unidentified |
| WESTPAC BANKING CORP ORDINARY               | Financials   |
| COMMONWEALTH BANK. ORDINARY                 | Financials   |

## Market Outlook

Global bond yields have started rising, and it is a matter of time before official interest rates start to rise too. It's a very long "bull" cycle ( a period of falling or stable interest rates usually associated with good equity gains). The risks are rising, and progressively the equity holdings will be reduced as we get closer to that point.

Normally the last equity holdings to go would be bank shares, but in this cycle bank shares are probably a greater price risk than some other sectors because of the possible fallout from a collapse in Deutsche Bank.

Its not my intention to hold conventional bonds, which, by definition must lose money as yields rise. The hybrids will demonstrate the value of a floating interest rate structure as official rates rise.

The portfolio has high liquidity at present, although this was reduced by the opportune purchase of two Crown hybrids following their price slump on news of Crown employees being arrested in China.

# IMPORTANT INFORMATION

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