RIVKIN MANAGED AUSTRALIAN EQUITY ACCOUNT

ACCOUNT FACTS AT 30 November, 2018

Model Objective
The Rivkin Managed Australian Equity Account aims to produce positive average annual returns while seeking to maintain a level of volatility lower than that of the S&P/ASX 200 Accumulation Index over the same investment period.

Launch Date
6 March, 2018

Model Size
A$43.33m

Equivalent Unit Price
A$0.9111 (30 November, 2018)

Number of Holdings
35

Minimum Investment
A$500,000

Management Fee
1.50%, ex GST

Performance Fee
7.50%, ex GST (subject to high watermark)

Available Platforms
CMC Markets Stockbroking Australia

Manager
Rivkin Securities Pty Ltd, trading as Rivkin Asset Management

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Monthly Update – November 2018

Welcome investors to the monthly update for the Rivkin Australian Equity Managed Account (RAEMA) for the month of November 2018. In this month's update, in addition to a discussion on recent performance and the current portfolio characteristics, we wish to delve deeper into one of the in-built defensive mechanism of the portfolio, specifically how the Momentum strategies dynamically move to cash at certain parts of the cycle. This is quite topical at present, as after a decline of approximately 10% for the ASX200 over the past 3 months, we are indeed seeing a very reduced pool of available momentum stocks, meaning the cash weighting in the portfolio is rising. We will discuss this in more detail down below, but first let's discuss the specifics of recent performance for both the broader market and RAEMA and the make-up of the current portfolio.

Regarding the ASX200, despite a brief move under the late October price low during the month of November, the strength of the recent decline is dissipating, with buyers emerging in the 5500 to 5600 price zone. So, while a sustained recovery rally is yet to emerge, it is encouraging that a period of consolidation is currently developing. The ASX200 closed the month of November at 5667.16, down 2.8% for the month, and 10.8% below recent highs from late August (6351.76).

The 30 November Equivalent Unit Price (EUP) for the RAEMA was 0.9111, which represents a net change of -2.73% for the month of November and translate to a -8.89% return since March. The NAV price is -15.55% below the high-water mark of 1.0789 from August 31, 2018.

The top 10 holdings of the model account for 31.1% of assets. Investors will note that 2 of these positions, being MXUPA and MQGPB comprise the Income strategy, with the remaining eight names all are held by individual stocks. At the end of November, the portfolio ended with 36 individual security names, a decrease from 49 positions at the end of October. This decrease is primarily the result of the reduced available pool of momentum stocks.

At the sector level, the RAEMA remains most heavily weighted to the Information Technology (26.5%) and Consumer Discretionary (19.6%) sectors, with minimal exposure to the Industrials (2.3%), Real Estate (1.7%) and Financials (1.7%). The largest change in sector weights was seen across the Energy sector which declined to 9.2%, from 21.1% a month earlier. Important to note, that the sector weights discussed exclude holdings in both the Income and Low Volatility strategies as well as cash.

As discussed earlier, we have started to see a significant shift in our Momentum strategies towards cash. As a reminder, when fully invested, momentum will comprise 40% of the portfolio. Within this 40% allocation, we run 2 separate momentum rankings. The first is sourced from ASX100 stocks, which are the largest 100 stocks by market capitalisation available on the ASX. The second ranking is then on the next available 100 stocks, or put another way, the lower half of the ASX200 in terms of market capitalisation. As of the end of November, The ASX100 strategy had reduced from a weighting of 19.2% to just 6.5%, while the ASX200 strategy had reduced from 20.0% to 13.5%. The way that this occurs is that for a stock to be available for inclusion in either momentum portfolio it must be not only trending higher but doing so at a fast-enough rate. If less than 10 stocks from each of our rankings (whereby there are 100 available names) fail to meet these momentum criteria, then the strategies will be underinvested and holding cash. It is important to note that this process is dynamic and happens gradually from week to week. More so, being systematic, it is an inherent feature of the model, as opposed to the investment team making a discretionary call on where we see equities heading in the months ahead.

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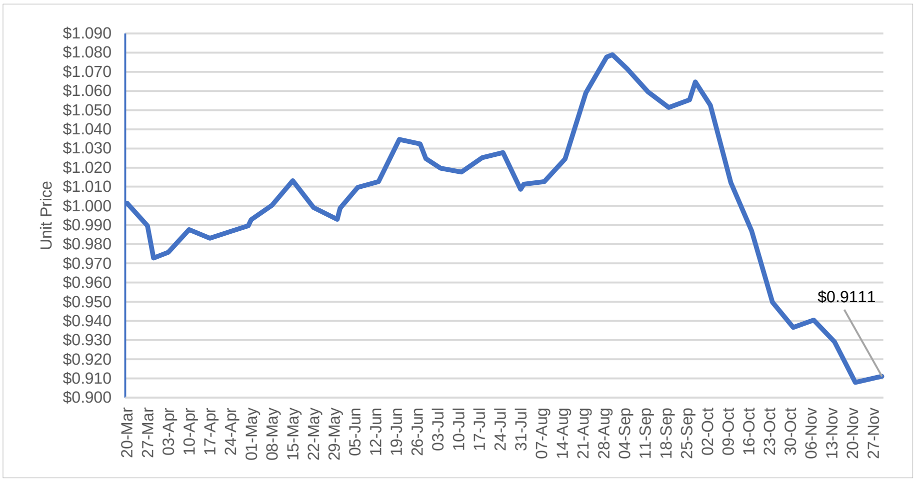
Performance



The benefit of such an approach is that during sustained bear markets, which by their very nature are characterised by a large percentage of stocks all declining in price together, our momentum strategies will reduce market exposure, thus limited the extent of the potential drawdown at the portfolio level.

With the ASX200 currently around 10% off recent highs, it is too early to say whether we are in the beginnings of a sustained bear market, and luckily, we do not need to make a call one way or the other. If the current decline does continue, out momentum strategies can go completely to cash, meaning the make-up of the portfolio at that time would be 40% cash, 40% allocated to equities via our quality system, and the remaining 20% allocated to lower volatility strategies, specifically 10% each to the Income and Low Volatility strategies. Such as mix will have substantially less market risk than a fully invested equity portfolio. If on the other hand, the ASX indeed bottoms at current levels and begins to rally, we would expect out momentum strategies to eventually return to fully invested in due course.

To summarise, the AEF portfolio has de-risked throughout November, with a decline in weighting to Momentum from 39.2% to 20.0% and a significant increase in cash from 2.6% to 20.6% over the course of the month.

While ASX equities generally and the AEF more specifically have witnessed a sharp decline over the past 3 months, we sit comfortable with the knowledge that key defensive mechanism built into our strategies are indeed kicking in and de-risking the portfolio at this point in time.

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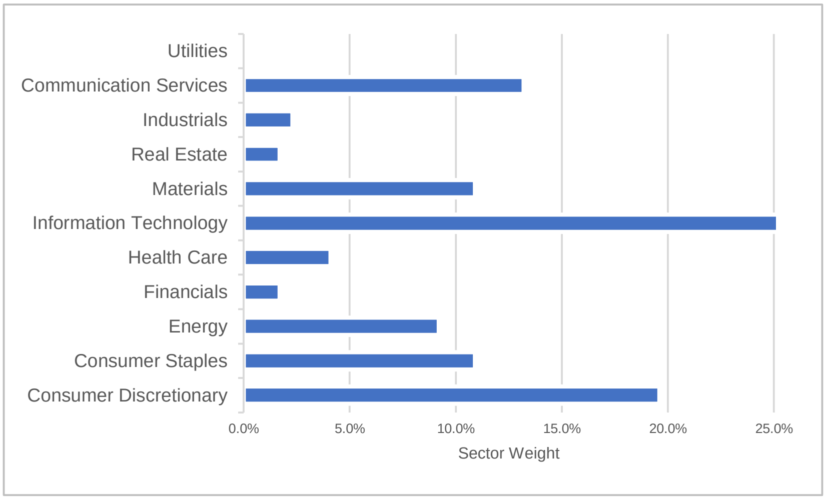
Model Description

The Model invests predominantly in listed Australian companies whose characteristics satisfy one or more of the strategies that occupy the portfolio. These strategies include: **Momentum 100 & 200**, being two discreet segments (ASX 100 & ASX 200 ex the ASX 100) of securities that are enjoying positive price trends; **Quality**, being companies with robust earnings profiles that are priced favourably versus their peers; **Income**, being securities that provide a high yield relative to the broader market; and occasionally **cash**, which cushions market shocks.

Sector Breakdown



Top 10 Holdings

Multiplex Hybrids ↑	(MXUPA)
Computershare ☆	(CPU)
Bravura Solutions ☆	(BVS)
Wisetech Global ↓	(WTC)
Dominos Pizza ↓	(DMP)
Altium ↓	(ALU)
iShares S&P500 ETF ↑	(IVV)
Macquarie Group Hybrids ☆	(MQGPB)
IDP Education ↑	(IEL)
Orica ☆	(ORI)

☆ New to top 10 → No change

↑ Increase ↓ Decrease

Strategy Weighting