



# SMA Portfolio Options

**rivkin**<sup>®</sup>

Rivkin runs four portfolios that are offered through Mainstream's Separately Managed Account (SMA) platform. Each portfolio is designed for a different investor type ranging from growth to defensive. The SMA product is one that allows investors to access Rivkin's proven investment strategies without having to do any work themselves; all of the investment management is performed by Perpetual/Rivkin. For more information on how SMAs work, please see our SMA fact sheet. Here we will look at the different portfolios available on this platform.

**Smart growth** aims to achieve capital growth with stocks that tend to reinvest earnings back into their businesses rather than paying them out as dividends. The strategy is likely to outperform the market during bull markets but may underperform in bear markets. A multi-year time horizon is recommended for this portfolio.

**Defensive Income** focusses on securities that pay dividends and generally produces an investing outcome that has lower volatility but with a lower return than the growth models. Much of the dividend income is franked which will be available to the investor to offset eligible tax liabilities.

**Global Growth** is a blend of both ASX and US growth strategies. The portfolio allows investors to gain exposure to international companies while still retaining an allocation to ASX stocks. There are good diversification reasons for investing in international stocks.

**Capital Stable** is a low volatility portfolio that aims to achieve a return of 4% above the Reserve Bank cash rate. It is perfect for investors who want modest return with lower risk than the broader stock market.

Each portfolio follows a different investment philosophy and has different return characteristics which provides investors with a choice of how to best structure their portfolio. Each portfolio contains allocations to two or more of Rivkin's investment strategies. These strategies have been offered under Rivkin's advice offering and have each proven their worth with several years of live performance. Each model offered under the SMA product represents a combination of these investment strategies in a way that we think offers the best risk/return characteristics and diversification benefits to the investor. SMA investors who do not wish to follow one of our models can choose one or more of our individual strategies to their liking.

## KEY BENEFITS

- Choose from four professionally constructed portfolios depending on your needs
- All portfolio management is taken care of by Rivkin
- Access Rivkin's systematic strategies that have proven themselves in live trading in our retail advice product
- Obtain institutional brokerage rates that are not typically available to individual investors
- Execution is performed using algorithms that spread trading out across the day to obtain a fair price
- No upfront cost - management fees are deducted from your account on a monthly basis

## PORTFOLIO CHARACTERISTICS

While any of our strategies can be selected in isolation, to achieve the best level of diversification we would recommend one of our pre-selected portfolios. These portfolios have been chosen to provide investors an easy choice for which strategies to follow as the strategies and their weights have been preselected by Rivkin.

The available portfolios are below:

BUNDLE	DESCRIPTION	# OF STOCKS	INVESTMENT UNIVERSE	MINIMUM RECOMMENDED TIMEFRAME
Smart Growth	Diversified portfolio holding ASX growth stocks	10-15	ASX 200	3 years
Defensive Income	Highly diversified portfolio holding mostly income stocks with some growth allocation	20-30	ASX 200	1 year
Global Growth	Highly diversified portfolio holding both Australian and US growth stocks	20-35	ASX 200, S&P 500 & Nasdaq 100	3 years
Capital Stable	Portfolio of four Exchange Traded Funds that provide a stable return with low volatility	4	ASX Listed ETF's	1 year

### SMART GROWTH

The Smart Growth strategy aims to produce a high return from capital gains with a relatively small dividend component. There is both a fundamental and technical process used in selecting stocks that tends to find companies with sustainable earnings and good growth potential. The portfolio holds relatively few stocks and is therefore quite concentrated. This aids in outperforming the broader market while a dynamic cash allocation can help cushion the performance during weak market conditions.

### DEFENSIVE INCOME

The Defensive Income portfolio selects high dividend paying securities that provide a constant stream of income. The aim is to produce a more stable return than the growth portfolios. The defensive component comes from a sizeable allocation to ASX listed hybrid securities which pay regular dividends and have a relatively stable capital value. Hybrid securities have some features that are similar to bonds and are therefore perfect for providing a stable capital base for the portfolio. Another significant component of the portfolio is access to event driven trades that are based on corporate actions. These trades have been a Rivkin staple for many years and provide the portfolio with a component of low risk returns that are independent from market volatility. The final component of the portfolio is a small allocation to growth stocks that help increase its capital value.

### GLOBAL GROWTH

The Global Growth portfolio selects growth stocks that are listed in both Australia and the US. As well as providing stock diversification this strategy also provides country and currency diversification. Many investors have what is called a home country bias which means they tend to overweight assets in their home country. This leads to lower diversification than what they could otherwise achieve. Furthermore, most Australian investors hold all of their assets in Australian dollars which concentrates their risk in that currency. Holding foreign stocks can provide currency diversification which

## CAPITAL STABLE

The Capital Stable portfolio holds four Exchange Traded Funds that have been selected due to their low correlation with each other. What this means is that the overall portfolio produces return with a very low level of day to day fluctuation in the portfolio value. This is perfect for investors who don't have a high tolerance for risk.

## FEES AND CHARGES

A management fee will be charged on the entire account balance and a performance fee will be charged quarterly on the amount of profit generated by the portfolio, subject to a high-water mark. A high water mark (HWM) protects the investor against paying fees twice on the same performance. In other words, the performance fee will only be charged when your account reaches new all-time highs. The amount of the fees for each portfolio is listed in the table below.

PORTFOLIOS	MANAGEMENT FEE	PERFORMANCE FEE
Smart Growth	1.55%	10.5%
Defensive Income	1.55%	10.5%
Global Growth	1.55%	10.5%
Capital Stable	1.0%	5%

The SMA structure allows us to pool investor trades into one block. This means that the minimum brokerage amount is unlikely to be hit and has allowed us to negotiate highly competitive brokerage rates with the broker. The brokerage per trade is 0.05% + GST, much lower than can be obtained with a typical retail brokerage account.

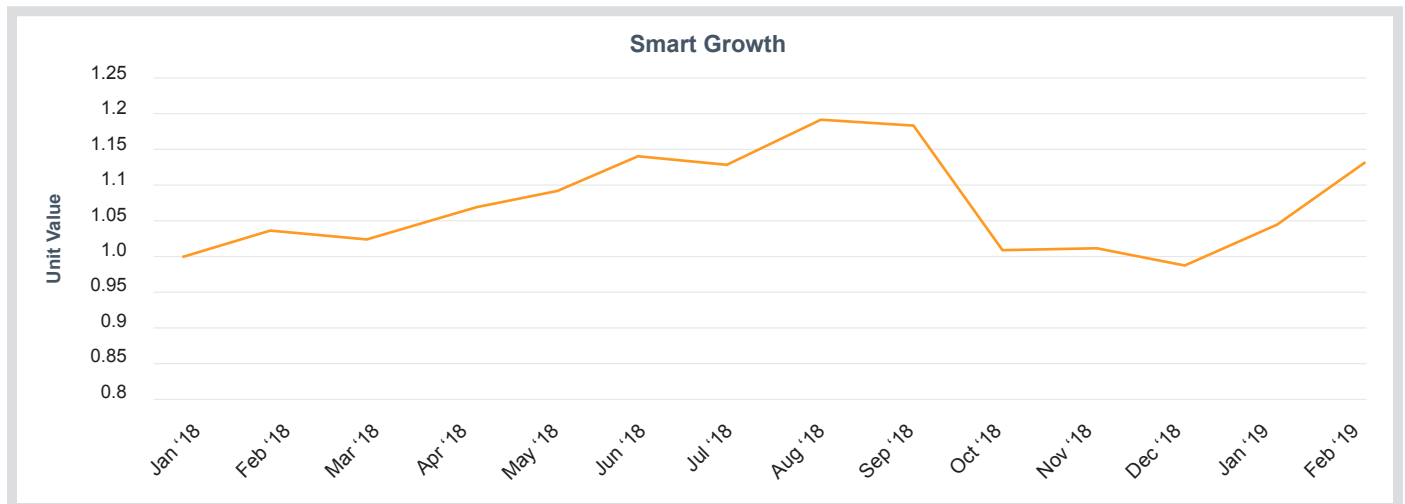
Rivkin recommends a time horizon of at least three years for our portfolios due to the possibility of a negative return in any given year. The Capital Stable portfolio has the lowest chance of a negative return in any given year and can therefore potentially be followed with a shorter planned time horizon.

## PORTFOLIO PERFORMANCE

### SMART GROWTH

Historical performance of the Smart Growth portfolio is made up of a combination of live and back-tested results. Live performance data has been calculated from the underlying components of the portfolio which have been running for several years in Rivkin's advice product. The newest component has been running since February 2018 so the live performance of the Smart Growth portfolio only goes back to this date. The composite returns since then are shown in the below table.

SMART GROWTH	JAN (%)	FEB (%)	MAR (%)	APR (%)	MAY (%)	JUN (%)	JUL (%)	AUG (%)	SEP (%)	OCT (%)	NOV (%)	DEC (%)	TOTAL (%)
2018		4.05	-1.55	3.45	2.90	4.85	-1.05	5.50	-0.75	-14.6	0.00	-2.05	-0.90
2019	6.35	8.52	3.80	4.45									25.12



\*Performance data constructed from Live performance data of the underlying strategies

Furthermore, extensive back-testing has been used to determine the portfolio performance over a longer time period. Back-testing is the process whereby an investment strategy is simulated over historical stock market data to determine how a strategy would have performed if it had been run over that time. A summary of the Smart Growth portfolio characteristics and back-tested data is presented in the table below.

SMART GROWTH	
Investment Universe	ASX 200
Number of Holdings	10-15
Expected Annual Average Return <sup>1,2</sup>	15%
Volatility relative to ASX 200 Index <sup>3</sup>	0.94
Probability of negative return in any 12-month period <sup>1</sup>	11%

1 Based on back-testing

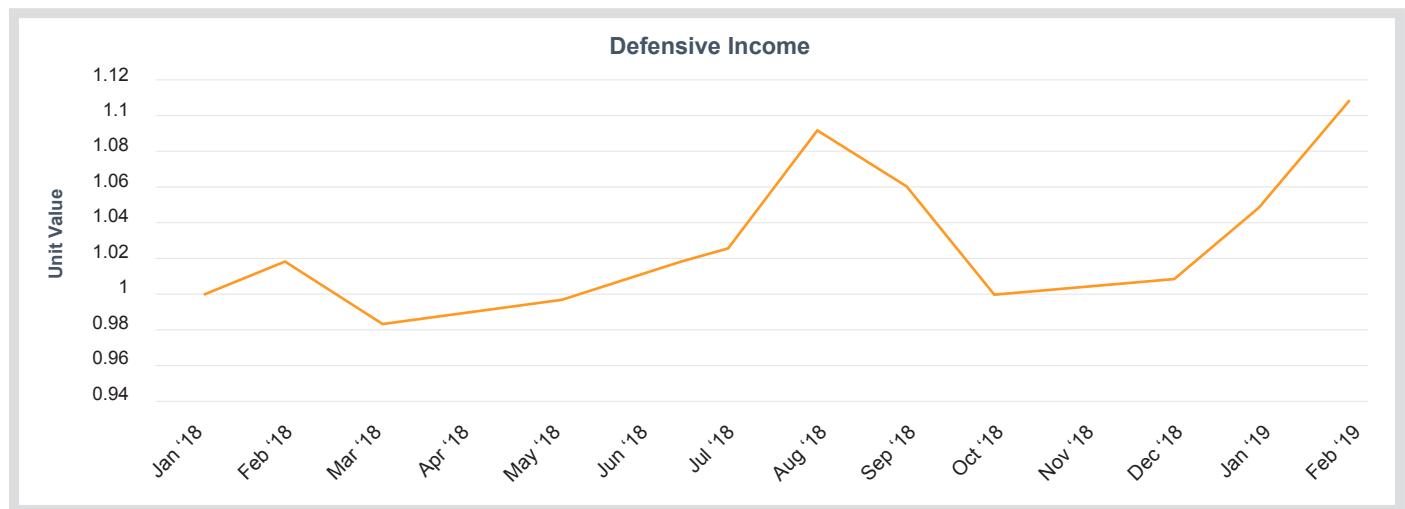
2 Net of management and performance fees

3 This is the Beta ( $\beta$ ) of the portfolio and measures how volatile the portfolio is relative to the broader market

## DEFENSIVE INCOME

The Live results of the portfolio have been calculated from the two main underlying components of the portfolio, the newest of which has been running live in Rivkin's retail advice product since November 2017. This portfolio also contains a component of Event driven trades which are typically takeovers and other corporate actions. Rivkin has been participating in this type of trade for 20 years and typically targets a very conservative return profile. The data for this component isn't included in the Live returns below but the individual trade data for Rivkin's Event trades can be provided on request. The composite returns (excluding Event trades) are shown in the below table:

DEFENSIVE INCOME	JAN (%)	FEB (%)	MAR (%)	APR (%)	MAY (%)	JUN (%)	JUL (%)	AUG (%)	SEP (%)	OCT (%)	NOV (%)	DEC (%)	TOTAL (%)
2018		0.81	-3.34	0.82	1.08	1.31	1.12	6.96	-3.24	-6.44	0.71	0.32	-0.50
2019	5.56	6.91	0.31	0.75									14.05



\* Performance data constructed from Live performance data of the underlying strategies (excluding event driven trade component)

A summary of the Defensive Income portfolio characteristics and back-tested data is presented in the table below.

DEFENSIVE INCOME	
Investment Universe	ASX 200
Number of Holdings	27-35
Expected Annual Average Return <sup>1,2</sup>	7.5%
Volatility relative to ASX 200 Index <sup>3</sup>	0.63
Probability of negative return in any 12-month period <sup>1</sup>	7%

1 Based on back-testing

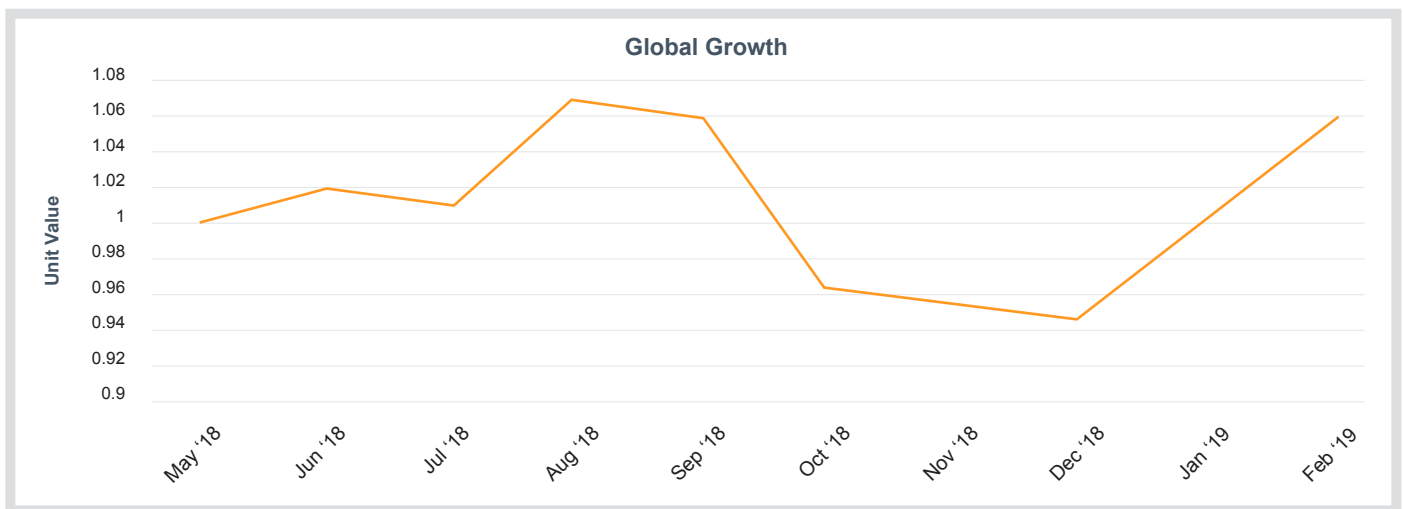
2 Net of management and performance fees

3 This is the Beta ( $\beta$ ) of the portfolio and measures how volatile the portfolio is relative to the broader market

## GLOBAL GROWTH

The Live results of the Global Growth portfolio have been calculated from the underlying components of the portfolio, the newest of which has been running live in Rivkin's retail advice product since June 2018. The effect of currency changes in the US component of the strategy is included in this return data. The composite returns are shown in the below table:

GLOBAL GROWTH	JAN (%)	FEB (%)	MAR (%)	APR (%)	MAY (%)	JUN (%)	JUL (%)	AUG (%)	SEP (%)	OCT (%)	NOV (%)	DEC (%)	TOTAL (%)
2018						1.78	-0.42	5.59	-1.23	-8.72	-0.91	-0.92	-5.26
2019	5.62	5.76	2.12	2.11									16.48



\* Performance data constructed from Live performance data of the underlying strategies

A summary of the Global Growth portfolio characteristics and back-tested data is presented in the table below.

GLOBAL GROWTH	
Investment Universe	ASX 200, S&P 500 & Nasdaq 100
Number of Holdings	20-35
Expected Annual Average Return <sup>1,2</sup>	15%
Volatility relative to ASX 200 Index <sup>3</sup>	0.74
Probability of negative return in any 12-month period <sup>1</sup>	10%
Currency Exposure	AUD, USD

<sup>1</sup> Based on back-testing

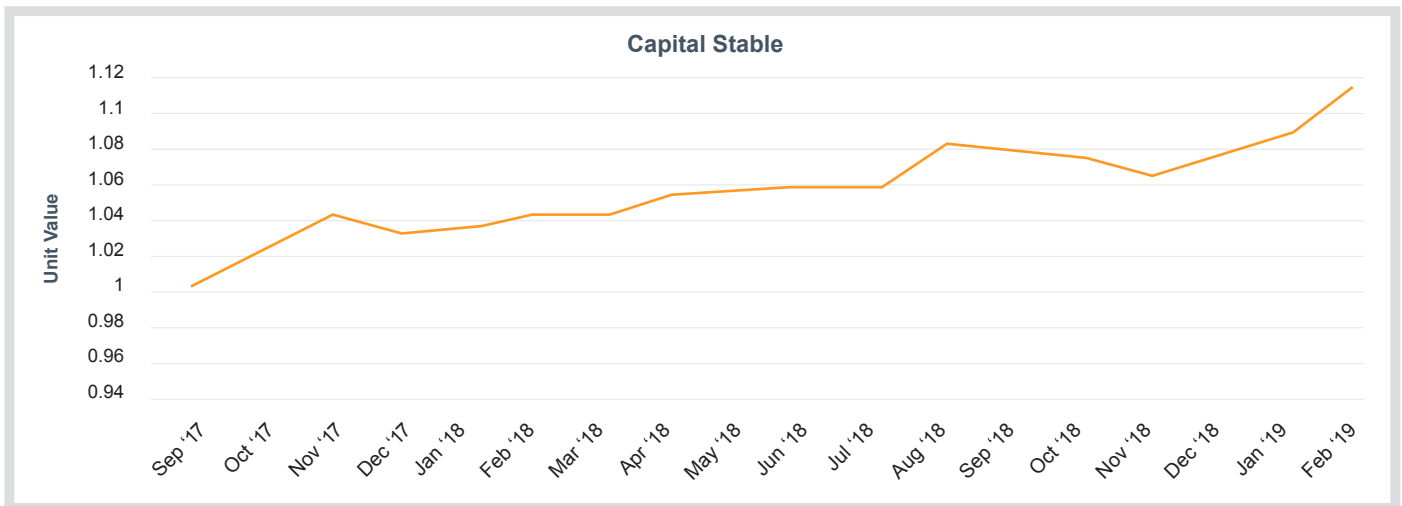
<sup>2</sup> Net of management and performance fees

<sup>3</sup> This is the Beta ( $\beta$ ) of the portfolio and measures how volatile the portfolio is relative to the broader market

## CAPITAL STABLE

The Capital Stable portfolio has been run as a Live strategy by Rivkin Asset Management for its wholesale clients. This means we have live performance data for an actual account going back to September 2017. The table and graph below show the monthly returns of an account following the Capital Stable portfolio.

CAPITAL STABLE	JAN (%)	FEB (%)	MAR (%)	APR (%)	MAY (%)	JUN (%)	JUL (%)	AUG (%)	SEP (%)	OCT (%)	NOV (%)	DEC (%)	TOTAL (%)
2017									0.21	1.82	1.55	-0.81	2.78
2018	0.29	0.63	-0.06	1.05	0.25	0.25	-0.09	1.93	-0.18	-0.33	-0.91	0.96	3.82
2019	1.24	2.05	0.49	1.33									5.20



\* Performance data constructed from Live performance data of the underlying strategies

Back-testing of this portfolio has been performed going back as far as 2001. A summary of the Smart Growth portfolio characteristics and back-tested data is presented in the table below.

CAPITAL STABLE	
Investment Universe	ASX Listed Exchange Traded Funds (ETFs)
Number of Holdings	4
Expected Annual Average Return <sup>1,2</sup>	5%
Volatility relative to ASX 200 Index <sup>3</sup>	0.07
Probability of negative return in any 12-month period <sup>1</sup>	3%

1 Based on back-testing

2 Net of management and performance fees

3 This is the Beta ( $\beta$ ) of the portfolio and measures how volatile the portfolio is relative to the broader market



## UNDERLYING STRATEGIES

There are six individual investment strategies that underlie our portfolios. The table below shows the composition of each portfolio. Rivkin retail members may be familiar with these strategies but for new investors it is not necessary to know the specifics of these strategies.

PORTFOLIO	STRATEGIES
Smart Growth	ASX Momentum (50%), ASX Value (50%)
Defensive Income	ASX Value (20%), ASX Income (80%)
Global Growth	ASX Momentum (20%), ASX Value (20%), US Momentum (30%), US Value (30%)
Capital Stable	Low Volatility (100%)

The table below lists the six different strategies available to SMA investors although we typically recommend investors follow one of our portfolios rather than picking individual strategies. Each strategy has different risk/reward characteristics and more information can be found about each in a separate strategy document.

STRATEGY	STOCK UNIVERSE	# OF SECURITIES
ASX Momentum	ASX 100	10
ASX Value	ASX 200	10
ASX Income	All Ordinaries	17-20
US Momentum	S&P 500 & Nasdaq 100	10
US Value	S&P 500 & Nasdaq 100	10
Low Volatility	Four ASX Listed ETFs	4

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