

Investment Update

April 2019

INVESTMENT RETURNS to 31 March 2019						
	3 Months %	1 Year %	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.	Since Inception % p.a.
ARA Investment Fund						
Defensive	1.1	2.3	3.6	4.2	4.8	4.8 (April 2003)
Growth	1.9	2.2	5.7	6.4	6.8	6.0 (April 2003)
Equities	2.9	4.1	6.1	5.7	7.7	6.8 (August 2003)
ARA Retirement Fund – Accumulation (taxed)						
Defensive	1.0	1.7	3.1	3.7	4.6	3.9 (April 2005)
Growth	1.7	1.9	5.1	5.9	6.7	5.3 (April 2005)
Equities	2.5	3.8	5.1	4.9	7.2	5.8 (April 2005)
ARA Retirement Fund – Pension (untaxed)						
Defensive	1.1	2.5	3.6	4.2	5.0	4.4 (April 2005)
Growth	1.9	2.7	5.8	6.6	7.3	6.0 (April 2005)
Equities	2.8	4.6	6.0	5.9	n/a	6.0 (October 2013)

Returns quoted are after all costs, and before the application of management fee rebates. Exclude commissions payable prior to 1/7/2006.

Return figures for the ARA Investment Fund are pre-tax and do not include the additional benefit of franking credits as the net result is dependent on individual investors' tax position. Assume the re-investment of distributions.

Return figures for the ARA Retirement Fund – Accumulation (Taxed) are net of all fees and tax on earnings at the statutory rate of 15%.

Return figures for the ARA Retirement Fund – Pension (Untaxed) are net of all fees and tax including the refund of franking credits.

ARA Retirement Fund returns are best estimates based on Investment Fund return—may be subject to minor change pending year end audit.

3 month return figures are for the three months to 31 March 2019 and are not annualised. Past performance does not ensure or imply a future result.

Markets bounced back in the March quarter, so it was a much better time for investors. The “downturn” in the December quarter, that looked like it could get ugly for a while there, ended up petering out to nothing more than a blip on the radar. We wouldn’t recommend that as an excuse for complacency though.

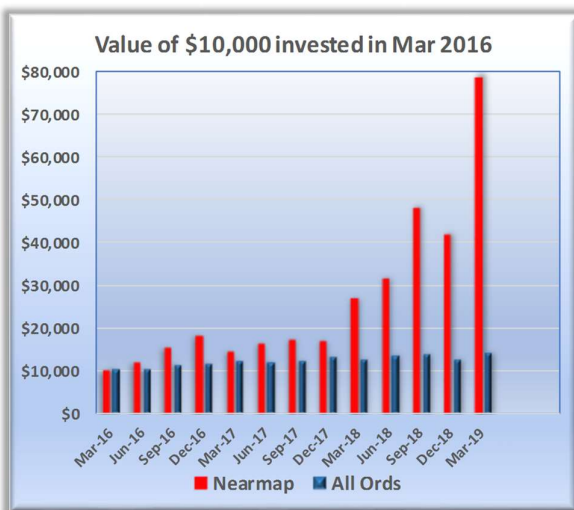
Among the major holdings (see p.4) there are as usual some interesting tales.

Our largest listed Australian shareholding is a firm called **Nearmap**, which fund manager Nick West described at the recent Investor Updates.



Nearmap is in the business of aerial mapping and imaging – a bit like Google Maps on steroids. High quality images and frequent updates, combined with state-of-the-art technology which is changing the way many businesses, councils, even governments do business. It’s worth a look at their website if only to see some amazing pictures.

Nearmap is growing rapidly both in Australia and the US, and its share price reflects that. The chart below shows its performance over the past three years, with the stockmarket average thrown in for comparison.



You’re probably aware we engage a number of managers to run share portfolios for the fund. For the most part there is very little duplication between them – not much point having several managers doing exactly the same thing. But it’s a happy coincidence that of the very few duplicates that do exist, Nearmap is one that happens to be a major holding of both Sterling’s Equity Fund and the Anacacia Wattle Fund.

Polaris Marine is shaping up as a quiet achiever.



As you might guess it’s in the maritime services business – construction, tug and barge work in particular. It is very prominent inside Sydney Harbour but also offshore. Strong corporate performance and a solid pipeline of work saw its value appreciate significantly this quarter.

As is usually the case in this game though it’s not all gravy. Regrettably we’ve had to take another haircut on perennial problem child **Condor Energy**. Alert readers will see it’s no longer in the list of major holdings. So, if there’s a silver lining it’s that it can’t cause any more pain.

With perfect hindsight we’d all do some things differently. In this game that you simply can’t get everything right all the time. This page contains a few insights into the age-old principle of **diversification**, including:

- The importance of limiting the damage any one investment can do by having limits on exposure to individual assets;
- If the wins like NearMap and Polaris can outweigh the losses, you end up with a satisfactory result.

So, who's got what?

The table below shows the ARAIF's investments as at the time of writing. Please note, the percentages refer to the proportion of each portfolio allocated to that investment, not its rate of return.

	Asset Class	Defensive Portfolio	Growth Portfolio	Equities Portfolio
National Australia Bank		7.7%	12.3%	29.3%
National Australia Bank Term Deposits	Cash & Tier 1 Fixed Interest	22.0%	16.3%	5.6%
Challenger Life Guaranteed Annuities		27.3%	11.0%	
Smarter Money Cash Fund		8.4%	8.7%	
Betashares Cash ETF		3.0%		
Smarter Money Income Fund		Other Fixed Interest	6.0%	1.7%
Bank Hybrid Securities	1.6%		0.0%	0.0%
Infradebt			0.6%	2.3%
Betashares Sustainable ETF	Listed Securities		3.0%	10.6%
River Capital Growth Fund		2.2%	10.4%	6.2%
Sterling Equity		4.5%	8.1%	11.0%
Anacacia Wattle Fund		2.9%	7.8%	6.0%
Pentalpha Income For Life		3.8%		
Future Generation Global				4.5%
Vitalharvest Trust				2.2%
Anacacia Capital		Private (unlisted) Equity	2.0%	5.3%
Cobram Estate	1.9%		2.2%	1.1%
Hastings Utilities Trust			4.4%	2.3%
Proserpine Capital Partners	6.7%		8.2%	6.0%
		100.0%	100.0%	100.0%



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Major Holdings

Apart from bank deposits and other interest-bearing accounts, the Fund invests in a range of assets through the fund managers listed in the table above. If we drill through to the assets selected and overseen by those managers, there are in fact over a hundred individual securities providing diversification of risk and exposure to a wide range of opportunities.

The table below shows the 20 largest individual holdings and what proportion of each portfolio they represent. These are the investments that will have the biggest impact on the return of your portfolio.

Investment	Type	Principal Activity	Defensive Portfolio Exposure	Growth Portfolio Exposure	Equities Portfolio Exposure
Polaris Marine	Private company	Marine services	1.6%	3.0%	2.0%
Nearmap	ASX listed company	Aerial mapping & imaging	1.4%	2.9%	3.1%
Cobram Estate	Private company	Olive Oil producer	1.9%	2.2%	1.1%
Duncan Technologies	Private company	Parking & payments tech	1.9%	2.2%	1.1%
Force Fire	Private company	Fire safety services	0.8%	1.9%	1.1%
Lotus Filters	Private company	Commercial cleaning	0.8%	1.7%	1.2%
Perth Airport	Infrastructure	Air transport hub	0.0%	1.4%	0.7%
Commercial Alliance	Private company	Commercial fishing	0.6%	1.3%	1.0%
Schaffer	ASX listed company	Diversified industrial	0.7%	1.2%	1.7%
Big River	ASX listed company	Building supplies	0.5%	1.2%	1.1%
Quota Trust	Private trust	Statutory fishing rights	3.4%	1.2%	1.3%
Australian Stock Exchange	ASX listed company	Financial services	0.4%	0.8%	1.4%
Acculec	Private company	Electrical components	0.3%	0.7%	0.7%
Navitas	ASX listed company	Tertiary training	0.4%	0.7%	1.0%
SmartPay	ASX listed company	Financial services	0.3%	0.7%	0.5%
Transgrid	Infrastructure	Electricity transmission	0.0%	0.7%	0.4%
Melbourne Airport	Infrastructure	Expensive parking	0.0%	0.7%	0.3%
Catalyst	Private company	Tertiary training	0.3%	0.6%	0.6%
REX	ASX listed company	Air transport	0.2%	0.6%	0.5%
Infradebt	Private trust	Infrastructure debt	0.0%	0.6%	2.3%