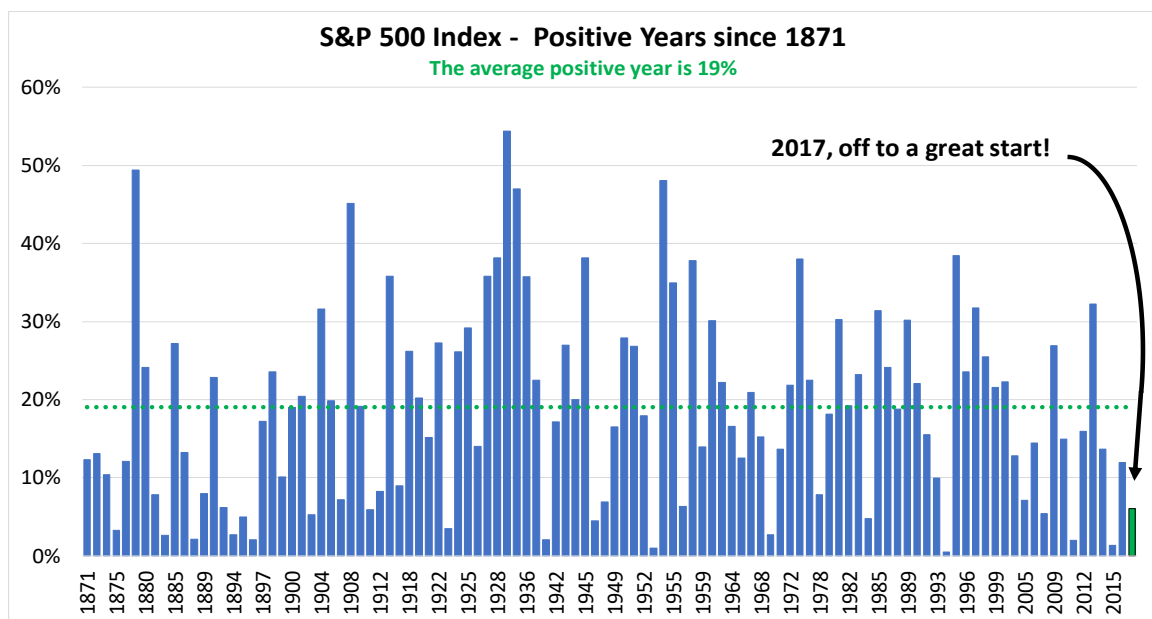


Market & Portfolio Update – February 2017

History favours the Optimist!

In 1937, Danish politician Karl Steincke quipped, “It is difficult to make predictions, especially about the future”. While this statement is undoubtedly true, in today’s regulated world all traditional investments carry the even heavier disclaimer; *past returns are not indicative of future performance*. However, when looking at global equity markets over the past 150 years, history favours the optimist. Since 1871, the S&P 500 Index, a barometer of the largest 500 companies in the United States, has risen 10% each year on average. The US index’s performance is indicative of all global companies and reflects two key underlying themes for companies: increasing productivity and continual innovation. These two aspects mean that over time businesses become more efficient at earning a return that is greater than just holding cash.

Today, the accelerating developments in technology mean the outlook for companies to continue to innovate and increase productivity is strong. Therefore, the outlook for markets to continue to rise over the long term is strong too. The chart below displays only the positive years for the S&P 500 since 1871 and it shows that in positive years the average is increased from 10% to 19% for all years. While it is extremely difficult to predict share markets rising 19% in 2017, it is off to a great start, with the S&P 500 rising almost 6% so far; although this is over half way towards the long term average.



Portfolio Update

- Portfolios shook off a quiet start to the year, with a solid 4% gain in global share markets supporting fund returns in February. Around the world, business and consumer confidence has continued to improve, building on the strength from late 2016.
- The Australian share market in particular rose 5% for the month, helping returns as portfolios currently have a higher than normal allocation to Australian shares. Pleasingly the outlook for Australian companies has improved over the past year, with their earnings now expected to rise for the first time since 2011, thanks to higher export prices and a positive general economic outlook.
- Part of the portfolios’ global share investments is allocated across three active global managers, who specialise in managing global shares. During February we added a new manager to this select group - California-based Fisher Investments, and removed Platinum’s International Fund. With a solid process and track record, Fisher brings a very complementary approach to portfolios, as outlined over the page.

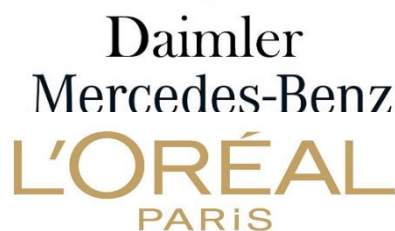
New Global Manager – Fisher Investments - replacing Platinum

During February, we removed the sector's allocation to Platinum's International Fund, offset by the introduction of California based Fisher Investments' Global Focused Strategy. The removal of Platinum's International Fund ends a relationship we have had with the manager since 2005.

Platinum's International Fund's investment philosophy has evolved to include a large, structural geographic tilt towards emerging markets. While this tilt may add value, our preference is to invest in managers who are focused on a concentrated basket of global companies, rather than high-level strategic tilts which we are able to separately manage within portfolios.

Fisher Investments Global Focused Strategy is based on a stock selection process that aims to invest in quality companies that have strategic attributes, competitive advantages and attractive relative valuations, while avoiding any unintended risks that push against the manager's high level strategy.

The current portfolio has around 30 holdings including companies like Amazon.com, Walt Disney, L'Oreal, Daimler, Visa, and Pfizer.



Background on Fisher Investments

Based in Woodside, California, Fisher was founded by Ken Fisher in 1979. Ken was born in 1950, and is the son of the late Phillip A. Fisher who authored 'Common Stocks and Uncommon Profits', which has been frequently mentioned by legendary investor Warren Buffett as one of the top three investment books all investors should own. Ken too has become an acclaimed author in his own right, authoring 11 books with his first book, Super Stocks, first published in 1984.

Fisher Investments are an experienced, independent and focused fund manager. They stand out against other managers in terms of philosophy and investment style. Their inclusion will complement the portfolio's allocations to shares managed by Magellan and Rothschild. Booster is currently the only Australasian based manager with access to their strategy.

In the words of Philip A. Fisher, "Investors have been so oversold on diversification that fear of having too many eggs in one basket has caused them to put far too little into companies that they thoroughly know and far too much into others about which they know nothing at all". The Global Focused Strategy was launched in 2010 and has added over 1.5% p.a. ahead of the MSCI World Index since its inception. This has followed Fisher Investments US equity strategy's long history of 2% p.a. outperformance since its inception in 1994.



Fisher Investments Committee (From Left)

William J Glaser, VP Portfolio Mgmt
Ken Fisher, CEO, co-CIO
Aaron Anderson, VP Research
Jeffery Silk, Vice Chairman, Co-CIO