

# Australian Equities Income Portfolio

Monthly Update | April 2022

“The economy has proven to be resilient and inflation has picked up more quickly, and to a higher level, than was expected.”

**Philip Lowe, Governor of the Reserve Bank of Australia**

The ASX 200 declined 0.9% in April, outperforming the steep falls that beset US equities where the S&P 500 fell 8.7% and the Nasdaq fell 13.2%. The realisation that financial conditions will need to be aggressively tightened to combat the fastest pace of inflation in several decades prompted a sharp derating in equity prices. The declines were led by falls in Materials, Technology and Discretionary Retail. BHP was the largest single stock detractor. Higher bond yields continued to weigh on technology valuations. Whereas Healthcare, Industrials and Consumer Staples were the strongest sector contributors benefiting from a rotation into defensive companies.

Health Care was supported by a strong contribution from Ramsay (RHC) that received a \$88 per share cash bid by a consortium led by the private equity company KKR. We view the bid for Ramsay as opportunistic given earnings have been depressed throughout the pandemic and are now well placed to recover with an unprecedented post COVID backlog of patients. Ramsay was largest positive contributor to the portfolios in April.

Clearly the prospect of tighter central bank policy at time of weaker global growth has presented a meaningful headwind for equity valuations. The ASX 200 now trades on a 12-month forward PE of ~15 times, its lowest multiple since the beginning of the pandemic in March 2020, and well below its recent peak of ~18 times.

The 12-month forward ASX 200 dividend yield is ~4.1%, the equal highest in the developed world. Australia’s dividend yield has been supported by the resources sector (namely BHP) benefiting from high commodity prices and strict capital discipline. Overall, dividends have been well supported by continued solid earnings growth by ASX 200 companies.

Nevertheless, earnings momentum is expected to moderate as financial conditions tighten and companies continue to endure supply chain disruptions and cost pressures. Indeed, the higher- than- expected March quarter inflation outcome prompted the RBA at its May Board meeting to lift the cash rate target (by+25bps) for the first time in a decade.

The portfolios remain overweight in consumer staple, defensive industrials, and healthcare, sectors that should deliver more resilient earnings against a backdrop of more challenging economic conditions.

## Portfolio details

Inception date:	May 2014
Investment minimum:	\$25,000
Investment time horizon:	5+ years
Management fee:	0.6%
Maximum holding limit:	10%
Number of stocks:	20 - 40
Gross Dividend Yield	5.26%*
Net Dividend Yield	3.98%

\* Forecast gross yield inc franking for the next 12 months

## Portfolio objective

The portfolio seeks to deliver long term growth in both capital and income by investing in Australian listed equities. The portfolio aims to do so with lower volatility and greater downside protection relative to the S&P/ASX 200 Accumulation index benchmark.

## Portfolio returns

	1 month	3 months	6 months	FYTD	1 year	3 years	5 years	7 years	Inception p.a	Since inception
Portfolio performance	1.9%	9.6%	5.7%	7.7%	12.8%	8.4%	7.9%	7.3%	8.4%	90.6%
ASX 200 Accum Index	-0.9%	8.2%	3.6%	5.3%	10.2%	9.4%	8.8%	7.9%	8.3%	88.7%
Relative performance	2.7%	1.4%	2.1%	2.5%	2.6%	-1.1%	-0.9%	-0.7%	0.1%	2.0%

\* Returns are net of management fees. Performance includes reinvestment of all dividends and excludes franking credits.

Platform availability



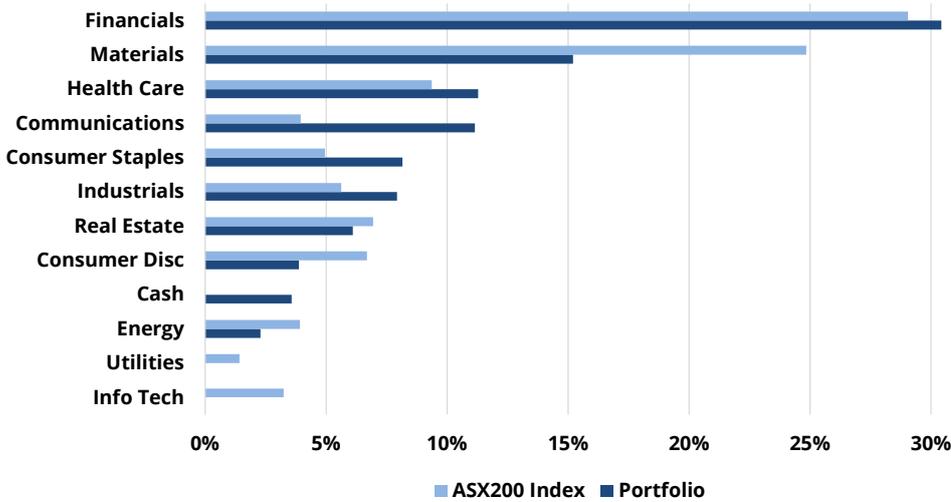
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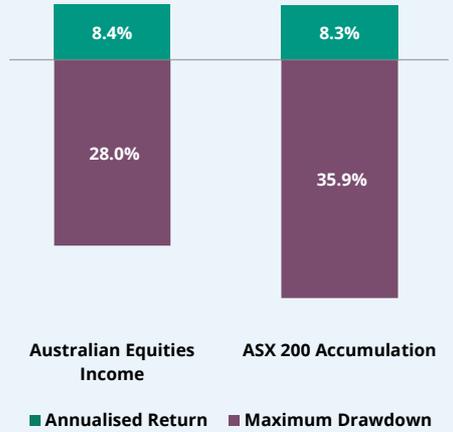
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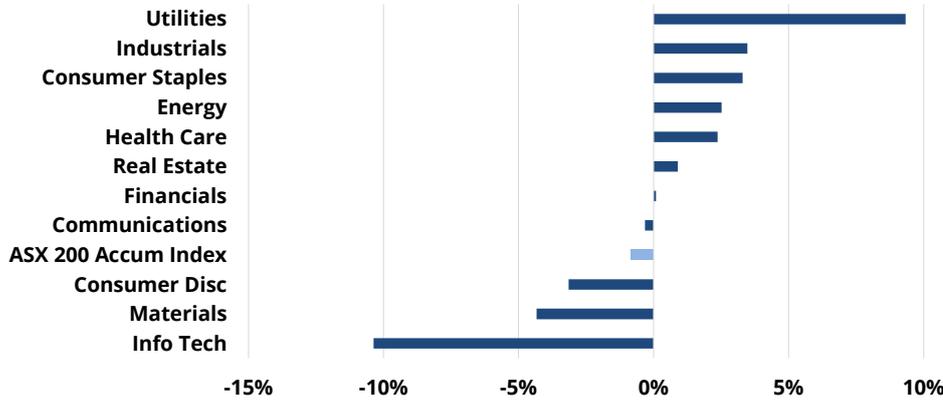
### Relative sector weights - April 2022



### Annualised Return & Maximum Drawdown since inception



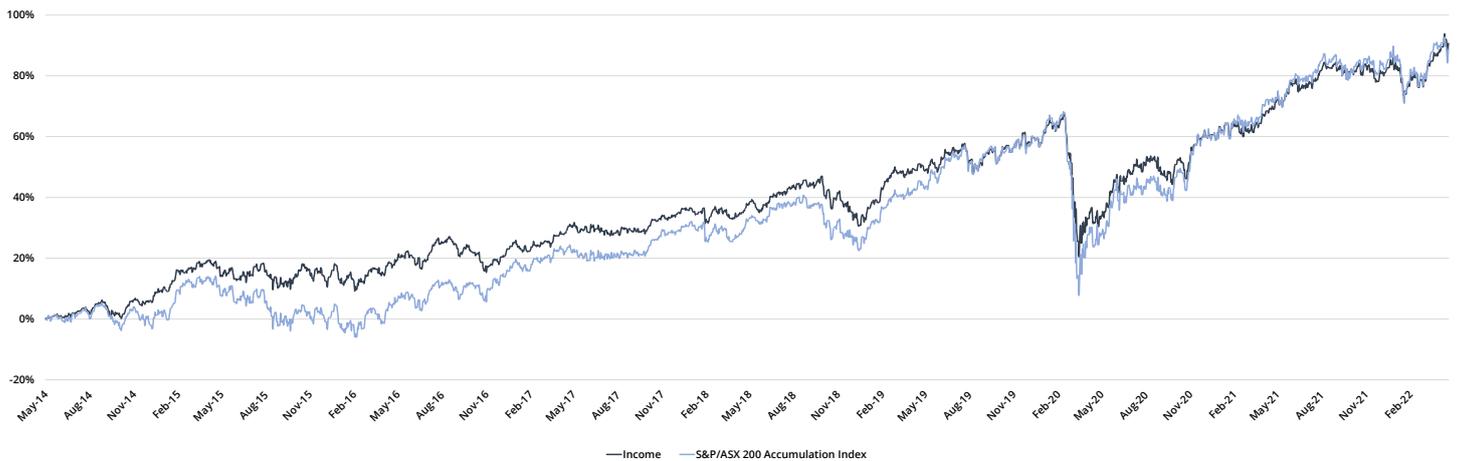
### Sector returns - April 2022



### Top 5 holdings

Stock	Weight
BHP	8.5%
CBA	7.0%
SPK	5.9%
WBC	5.4%
TLS	5.3%

### Cumulative return from inception



Ratings & Awards



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