

# Australian Equities Income Portfolio

Monthly Update | May 2022

“There is currently extreme volatility across commodity markets, driven by a combination of global energy supply and security concerns, exacerbated by the impact of the Russian invasion of Ukraine, with subsequent unprecedented increases in international energy prices.”

Frank Calabria, CEO of Origin Energy

Higher volatility characterised the month of May, with the ASX 200 down 2.6%. A concerted push by central banks to tighten financial conditions to counter the chilling effects of inflation continued to weigh on equities. The prospect of rising interest rates was particularly damaging to the Real Estate and Technology sectors which fell 8.9% and 8.7% respectively. Materials and Energy managed to have positive returns for the month.

Commodities were a welcome source of diversification in the portfolio as markets grappled with tightening financial conditions and persistent high inflation. BHP Group (BHP) and Santos (STO) provided an important ballast to the portfolio in a turbulent month. A prolonged period of under investment coupled with ongoing challenge of supply chain disruption as economies reopened has contributed to the sharp rise in commodity prices.

With a backdrop of rising raw material prices, the portfolio also benefited from exposure to Amcor (AMC) and Brambles (BXX) that had contractual pass-through price mechanisms to absorb higher costs.

Nevertheless, the portfolio was buffeted by Goodman (GMG), Macquarie (MQG) and Woolworths (WOW) that were impacted by concern of higher interest rates and weaker than expected earnings results from the US bell weather stocks of Amazon, Target, and Walmart.

The healthcare sector recovery in volumes lost during the pandemic continues to face headwinds in Australia, as the impact of Covid/flu has resulted in delays in medical testing and elective surgery. Whilst the delayed backlog for patient care is inevitably weighing on health companies' results in the short term, the recovery in earnings should be underpinned by the demand for the treatment for chronic disease, catch-up referrals, and an ageing population. Encouragingly, in the US CSL and key industry participants have highlighted that plasma collection volumes (depressed during Covid) are now returning to pre-Covid volumes.

We are seeing the first tangible signs that rising interest rates and high input costs are dampening both earnings momentum (with earnings revisions turning negative) and house prices declining for the first time in the cycle. Amid an economic environment characterised by slowing growth our clear preference is to be invested in companies that offer exposure to consumer staples and defensive industrial sectors. Moreover, in a period of high inflation we continue to hold commodity stocks that are benefiting from elevated prices and offer a hedge against inflation.

## 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	5.40%*
Net Dividend Yield	4.12%

\* 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	-2.4%	5.0%	4.2%	5.2%	6.7%	7.5%	7.6%	6.9%	8.0%	86.1%
ASX 200 Accum Index	-2.6%	3.2%	1.4%	2.5%	4.8%	7.8%	8.8%	7.5%	7.8%	83.7%
Relative performance	0.2%	1.8%	2.8%	2.6%	1.8%	-0.3%	-1.3%	-0.6%	0.2%	2.4%

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

Platform availability



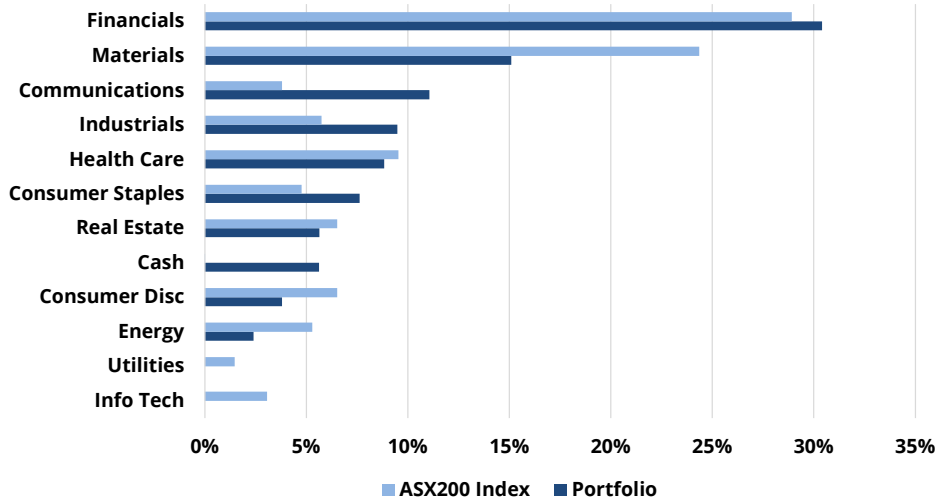
Powerwrap™



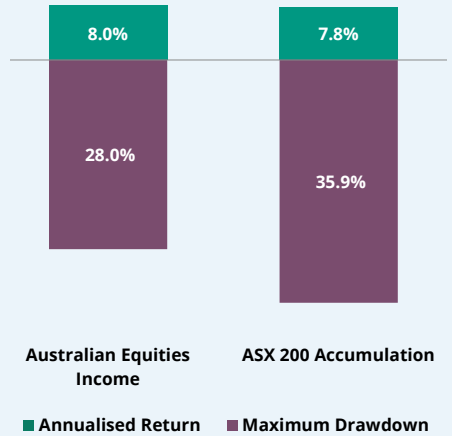
BT Panorama

North

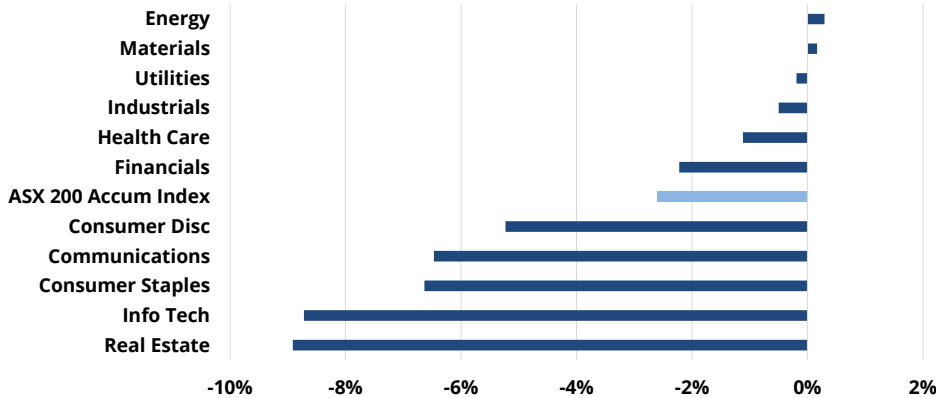
### Relative sector weights - May 2022



### Annualised Return & Maximum Drawdown since inception



### Sector returns - May 2022



### Top 5 holdings

Stock	Weight
BHP	8.1%
CBA	7.2%
SPK	5.9%
WBC	5.5%
TLS	5.2%

### Cumulative return from inception



**Ratings & Awards**

- Zenith APPROVED
- Superior SQM research
- RESEARCH IP
- Foresight Analytics
- MONEY MANAGEMENT FUND MANAGER OF THE YEAR 2021 FINALIST Separately Managed Accounts - Australian Equities
- Australian Equities Winner 2020 MIFP MANAGED ACCOUNT AWARDS
- MONEY MANAGEMENT FUND MANAGER OF THE YEAR 2020 FINALIST Separately Managed Accounts - Australian Equities

This document is for general information only and does not consider the specific investment objectives, financial situation or particular needs of any particular reader. Before acting on any information contained in this document, readers should consider whether the information is suitable to their needs. This may involve seeking advice from a qualified financial adviser. Blackmore Capital Pty Ltd (ABN 72 622 402 895) is the manager of this portfolio (fund). Blackmore Capital is a Corporate Authorised Representative (CAR) of Artesian Venture Partners Pty Ltd (AFSL 284492). Performance of the portfolio is based on a shadow model portfolio (managed account or SMA) and is gross of platform administration fees and net of investment management fees. The total return performance figures quoted are historical and do not allow for the effects of tax or inflation. Total returns assume the reinvestment of all dividends & income and does not include franking credits. The performance comparison since inception is for illustrative purposes only. Actual performance will vary depending on the fees charged by the relevant wrap platform that an investor uses to implement the portfolio. The comparison with the S&P/ASX 200 Accumulation Index is for illustrative purposes only. **Past performance is not a reliable indicator of future performance.**