

# Blended Australian Equities Portfolio

Monthly Update | June 2022

“Transitioning back from a high-inflation regime can be very costly once it becomes entrenched. All this puts a premium on a timely and firm response.”

## The Bank for International Settlements

Over the course of the pandemic central bankers spent considerable time reassuring investors what might lie ahead in terms of both interest rates and inflation being prudently anchored. Alas, the glide path back to a ‘goldilocks’ economy assumed that inflation would be transitory in nature. In the end, inflation has prevailed. Now the dolorous combination of errant inflation and an unwelcome slowing of economic growth is the central challenge.

Investors are now focused not on what the shape of the recovery will be (V,L,W), rather whether the forthcoming downturn will be soft, hard or finely balanced. What is evident is that foretelling the outcome is unknowable. Our working assumption is that heightened vigilance is warranted, with a portfolio layered with a combination of industry leaders that have exhibited greater resilience through economic cycles. The hallmarks of durable earnings and conservatively financed balance sheets remains the course of the day. In times of heightened uncertainty industry leaders in vital industries provides a safer harbour, and ideally the true industry leaders can enhance their competitive advantage in times of economic duress.

While there may be a cascade of adverse factors to navigate, there has been the silver lining of the reopening of international borders that has allowed us to return to visiting companies with face-to-face meetings in the jurisdictions in which they operate. Many of the ASX200 companies we invest in have significant operations abroad. Indeed, first-hand experience of meeting industry participants in their local markets has provided invaluable insights into our understanding of companies and industries. We recently returned from the UK and Europe conducting meetings across banking, healthcare, logistics, and mining sectors, our key observations were:

**Brambles** – Pricing & surcharge mechanisms in contracts has been an effective tool in passing through cost inflation. Demand & pallet scarcity providing pricing power for Brambles. Longer inventory cycles remain an ongoing risk as companies are holding onto pallets longer which has led to ongoing pallet shortages.

**CSL & Healthcare** – After two years of supply disruptions we are now witnessing an industry wide recovery in plasma supply volumes with structural demand drivers for the plasma therapies in place. Higher collections are improving unit economics with meaningful margin uplift expected in FY23. The private healthcare market is coming back strongly in the UK as the backlog for GP and NHS services are at near record levels.

**Mining** – Across the mining industry do not underestimate how difficult it is to bring on new supply in either brownfield or greenfield development. Scarcity of supply and underinvestment will be a key challenge for decarbonisation. The mining industry remains disciplined on capex, debt and focused on shareholder returns.

## Portfolio details

Inception date:	February 2014
Investment minimum:	\$25,000
Investment time horizon:	5+ years
Management fee:	0.6%
Maximum holding limit:	12%
Number of stocks:	20 - 40
Gross Dividend Yield	6.34%*
Net Dividend Yield	4.67%

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

## Portfolio objective

The portfolio seeks to generate long-term capital appreciation 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	-8.0%	-10.7%	-10.2%	-7.8%	-7.8%	3.3%	7.1%	7.1%	7.8%	87.4%
ASX 200 Accum Index	-8.8%	-11.9%	-9.9%	-6.5%	-6.5%	3.3%	6.8%	6.9%	6.7%	71.3%
Relative performance	0.7%	1.2%	-0.3%	-1.4%	-1.4%	0.0%	0.3%	0.2%	1.2%	16.1%

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

Platform  
availability



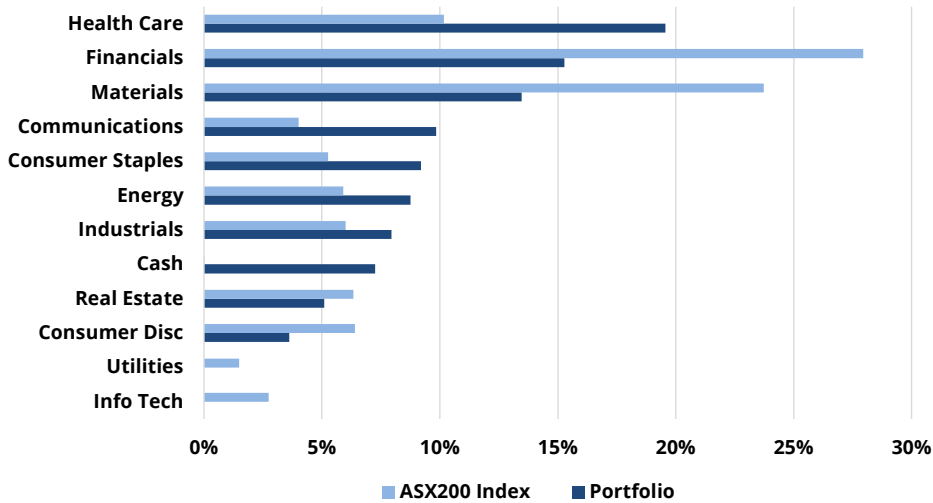
Powerwrap



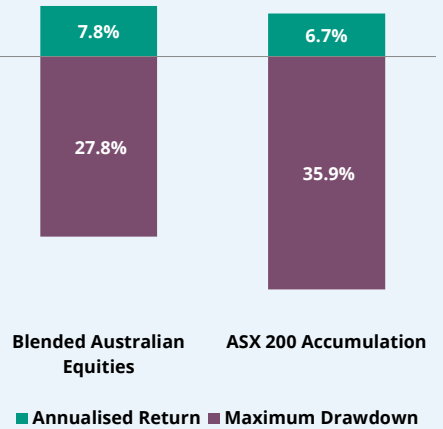
BT Panorama

North

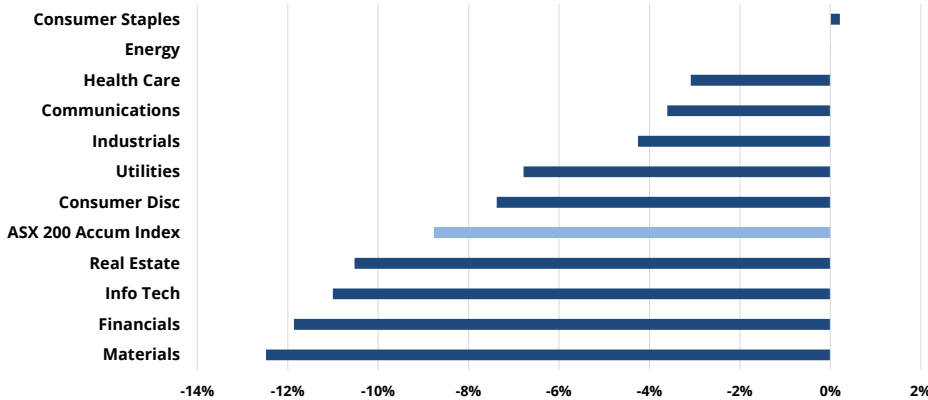
## Relative sector weights - June 2022



## Annualised Return & Maximum Drawdown since inception



## Sector returns - June 2022



## Top 5 holdings

Stock	Weight
CSL	10.4%
BHP	8.7%
MQG	5.9%
RHC	5.9%
WOW	5.6%

## Cumulative return from inception



Ratings  
& Awards



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