

CORE VALUE PORTFOLIO

Monthly Update – January 2021



Performance overview

The Core Value Portfolio (CVP) generated a return of -0.2% in January, with volatility in equity markets impacting returns late in the month.

The volatility in the last week of January saw the Australian equity market give up most of its gains from earlier in the month however, it still managed to finish slightly up (+0.4%). The best performing manager within the Portfolio was the Bennelong Concentrated Australian Equities Fund (+2.9%). Allan Gray Australia Equity (+0.6%), Macquarie True Index (+0.4%) and the Firetrail Australian High Conviction Fund (+0.3%) generated returns slightly above or in line with the index. The only detractor was the SGH ICE (-0.9%).

Global equities ended the month down (-0.4%), as a combination of market volatility and a weaker US dollar adversely impacted returns. The strongest performers were the Northcape Emerging Markets Fund (+2.1%) and the Lazard Global Equity Franchise Fund (+0.2%), both generating solid alpha for the Portfolio. Macquarie International Equity True Index (-0.4%) performed in line with the index as expected, while Talaria Global Equity (-0.6%), Loomis Sayles Global Equity (-0.9%) and the Fairlight Global Small Mid Cap Fund (-3.1%) detracted from performance.

The Portfolio's Alternative managers generated mixed results in January. The Janus Henderson Global Multi Strategy Fund (+1.0%) delivered another solid result and Partners Group Global Multi-Asset Fund (+0.1%) generated a small return. The Bennelong Long Short Fund (-0.2%) and the BetaShares Gold Bullion ETF (AUD Hedged) (-1.2%) finished the month down.

It was a tough month for the Property and Infrastructure markets, with both sectors finishing January down. The Resolution Global Property Fund (Unhedged) (-0.3%) and the AMP Capital Core Infrastructure Fund (-0.6%) were the better performers, whilst the Cromwell Phoenix Property Securities Fund (-4.2%) and the Lazard Global Listed Infrastructure Fund (-3.7%) suffering heavier losses.

Bond yields rose in January as a more positive economic sentiment began to flow into the market and the Australian fixed income index (-0.4%) and the global index (-0.7%) both declined. Despite this, it was a strong month for the fixed income managers in the portfolio, with all making a positive contribution. This highlights the benefit of investing in 'best of breed' active managers within this Asset Class, as they have made solid relative returns on both a short- and longer-term basis; and provide a ballast within the Portfolio. The Alexander Fixed Income Fund (+0.6%) delivered the largest alpha for the month, closely followed by Payden Global Income Opportunities (+0.7%), Aquasia Enhanced Credit (+0.3%) and Ardea Real Outcome (+0.1%).

Portfolio Summary

Core Value Portfolio	
Unit Price at 31 January 2021	\$1.1101

	Asset Class Ranges & Current Allocations ¹	Current Exposure
Cash & Fixed Interest	15% - 60%	29.70%
Property	0% - 25%	10.91%
Equities	25% - 65%	44.46%
Alternatives	5% - 35%	14.93%

¹ The total exposure may not sum to 100% due to any direct derivative investments (such as options and futures).

Top 10 Investment Holdings (ex cash)	
1.	Aquasia Enhanced Credit Fund
2.	Ardea Real Outcome Fund
3.	Alexander Fixed Income Fund
4.	Northcape Emerging Markets Fund
5.	Loomis Sayles Global Equity Fund
6.	Lazard Global Equity Franchise Fund
7.	Bennelong Concentrated Aust. Equities
8.	BetaShares Gold Bullion ETF
9.	Partners Group Global Multi Asset Fund
10.	Talaria Global Equity

Market Overview

After an unprecedented year with heightened uncertainty and risk, the outlook for 2021 is much more positive. Current economic data indicates we will experience a year of solid global GDP growth. This data is further buoyed by the major risks of 2020 being predominantly resolved. President Biden is in office and markets have taken the news that Democrats will control both houses positively, seeing the much-anticipated stimulus package as larger and more supportive of a broad-based recovery than first anticipated. Despite Covid-19 cases continuing to rise in some countries and vaccine rollouts not being as smooth as initially hoped, investors are looking through these as short-term issues.

While the prospects and outlook for 2021 are positive, we continue to monitor several risks including geopolitical tensions, Covid-19 cases/vaccine roll out and success rates, and the implementation of the US Democrat's policies. While these risks might cause bouts of volatility, at this stage we do not currently see them being a catalyst for a major retracement.

Please note that during the month of January the Investment Manager for the CVP was renamed to Core Value Asset Management, the branding of which is now reflected in this report. The composition of the investment committee remains unchanged.

