

Core Value Portfolio

Monthly Update – November 2020

Performance overview

The Core Value Portfolio (CVP) generated a return of +3.8% in November, following the resolution of the US election and encouraging developments with the Covid-19 Vaccine.

The Australian equity market rose on the back of this promising news and finished the month up +10.2%. The best performers were the Allan Gray Australia Equity Fund (+18.1%) and the Firetrail Australian High Conviction Fund (+13.7%), with both generating significant value-add for the portfolio. These two holdings were also increased early in the month in an effort to tilt the Portfolio toward segments of the market which presented the most value, the timing of which played out well. The Macquarie True Index Fund (+10.2%) was in line with the market, while SGH ICE (+6.2%) and the Bennelong Concentrated Australian Equities Fund (+5.8%) lagged the index but still made solid contributions.

Global equities also rose in November, ending the month up (+7.5%). The biggest contributions came from the Lazard Global Equity Franchise Fund (+12.6%) and the Macquarie International Equity True Index Fund (+7.5%). The Talaria Global Equity Fund (+5.8%), the Loomis Sayles Global Equity Fund (+3.5%) and the Northcape Emerging Markets Fund (+2.9%) all delivered strong absolute performance but underperformed the index. A new position was initiated into the Fairlight Global Small Mid Cap Fund, which returned +4.1% for the month and should benefit from the broadening market rally and market optimism heading into 2021.

It was another mixed month for the alternative asset class, the best performers being the Partners Group Global Multi-Asset Fund (+2.1%) and the Janus Henderson Global Multi Strategy (+1.8%). The BetaShares Gold Bullion ETF (AUD Hedged) (-5.5%) and the Bennelong Long Short Equity Fund (-3.0%) both detracted from performance.

The portfolio's Property and Infrastructure allocations continued their positive contribution in November. The strongest return came from the Cromwell Phoenix Property Securities Fund (+12.0%) as AREITs benefitted from the return to favour of cyclical sectors followed closely by Lazard Global Listed Infrastructure (+9.5%). The AMP Capital Core Infrastructure Fund (+3.2%) and the Resolution Global Property (Unhedged) (+2.0%) also added to performance.

Within the Fixed Income sector, the Australian index rose by (+0.1%) and the global index declined (-0.1%) marginally. Once again, all fixed income managers in the portfolio outperformed their respective index. The largest contribution came from the Payden Global Income Opportunities Fund (+1.2%), followed by the Aquasia Enhanced Credit Fund (+0.5%), the Alexander Fixed Income Fund (+0.4%) and the Ardea Real Outcome Fund (+0.4%). All of these managers have continued to deliver steady returns as well as lowering the overall volatility of the Portfolio.

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Portfolio Summary

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Unit Price at 30 November 2020 \$1.1035

Asset Class Ranges & Current Allocations ¹		Current Exposure
Cash & Fixed Interest	15% - 60%	31.21%
Property	0% - 25%	10.68%
Equities	25% - 65%	41.75%
Alternatives	5% - 35%	16.36%

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)	
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1. Aquasia Enhanced Credit
2. Ardea Real Outcome
3. Alexander Fixed Income
4. Northcape Emerging Markets
5. Loomis Sayles Global Equity
6. Lazard Global Equity Franchise
7. BetaShares Gold Bullion ETF
8. Bennelong Long Short Equity
9. Partners Group Global Multi Asset
10. Bennelong Concentrated Australian Equities

Market Overview

November was a massive month for global financial markets. Two of the biggest uncertainties facing the markets were resolved which led global investors to become much more bullish about the outlook as we move out of 2020 and into 2021.

First, the US election is now out of the way and Joe Biden has beaten Donald Trump for the White House. The markets no longer need to fear a contested election. Second, the news of successful vaccines for Covid-19 marked a sea-change in investor sentiment, even though big waves of the virus are still rolling through Europe and the US. These factors, plus the prospect of further policy support, triggered a big risk-on move in financial markets.

Equity markets had one of their biggest months on record and there was a major rotation to value/small cap stocks away from growth/large cap stocks. REITs, infrastructure and bank stocks also did well and beat the headline equity indices. The common features of these outperforming sectors/countries is that they all have a greater exposure to cyclical upswings and they have been cheaper than the rest of the markets.

The A\$/US\$ rose with the iron ore price, as well as general US\$ softness. The price of gold fell nearly 6% in November as investors perceived less need for it as a safe haven asset after the news about the vaccines. We will maintain the current exposures while continuing to watch the markets very closely for both risks and opportunities.