

# Core Value Portfolio

## Monthly Update – September 2020

### Performance overview

The Core Value Portfolio (CVP) returned -0.4% in September, as uncertainty amongst global markets rose and all equity markets saw negative returns as a result.

The Australian market retracted in September closing down (-3.7%), with all Australian equity investments in the portfolio detracting from performance. SGH ICE (-1.8%), Bennelong Concentrated Australian Equities (-1.9%) and Firetrail Australian High Conviction (-2.4%) were the better performers in the sector and outperformed the benchmark. The Macquarie beta exposure (-3.6%) and the Allan Gray Australia Equity (-6.5%) performed in-line with or below the benchmark.

Global equities also ended the month down (-0.4%). Pleasingly all active managers in the portfolio achieved positive returns for the Portfolio. The best performing manager was the Northcape Emerging Markets Fund (+3.5%), closely followed by Lazard Global Equity Franchise (+1.3%), Talaria Global Equity (+0.7%) and Loomis Sayles Global Equity (+0.2%). The Macquarie International Equity True Index Fund (-0.3%) was a slight drag on performance, consistent with the benchmark.

Performance for the alternative managers in the portfolio was mixed. The Partners Group Global Multi-Asset Fund (+1.3%) was the stand-out performer, Bennelong Long Short Fund (-2.9%) and the BetaShares Gold Bullion ETF (AUD Hedged) (-4.3%) all detracted from the portfolio's performance. The Janus Henderson Global Multi Strategy Fund is a new position within Alternatives and provides access to a diversified set of strategies and low correlation to both traditional and alternative asset classes.

Property and infrastructure managers also detracted from performance. The best performer from this asset class was the Cromwell Phoenix Property Securities Fund (-0.2%) which despite posting a negative month, outperformed its index. This was closely followed by the AMP Capital Core Infrastructure Fund (-0.3%), the Lazard Global Listed Infrastructure Fund (-0.4%) and the Resolution Capital Global Property Fund (-0.5%).

The global and Australian fixed income markets both rose in September with the local index rising (+1.1%), and the global benchmark increasing by (+0.4%). Once again, all exposures in the portfolio made positive contributions to performance. The biggest contribution came from Ardea Real Outcome Fund (+0.6%). This was followed by the Aquasia Enhanced Credit Fund (+0.5%), Payden Global Income Opportunities (+0.4%), the Alexander Fixed Income Fund (+0.3%) and CQS Credit Multi-Asset (+0.3%).



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### Portfolio Summary

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Unit Price at 30 September 2020 \$1.0560

	Asset Class Ranges & Current Allocations <sup>1</sup>	Current Exposure
Cash & Fixed Interest	15% - 60%	36.0%
Property	0% - 25%	11.2%
Equities	25% - 65%	35.4%
Alternatives	5% - 35%	17.4%

<sup>1</sup> 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. BetaShares Gold Bullion ETF
7. Bennelong Long Short Equity Fund
8. Lazard Global Equity Franchise Fund
9. Partners Group Global Multi Asset Fund
10. Payden Global Income Opportunities Fund

### Market Overview

Recently markets have taken a more optimistic outlook towards the US election, with initial concern around the election of Biden now switching to support if he were elected. Markets may be happy either way, so long as the result is clear and uncontested. For this reason, we believe that uncertainty regarding the election in the short term may give rise to volatility in equity markets. Ultimately, given the scale of stimulus that both presidential candidates are proposing, markets may continue to drive forward as they have done since April this year.

The other factor that has the potential to disrupt markets is surging COVID-19 case numbers in the US and Europe. The potential roll-out of a vaccine which, at this stage, looks to be towards December this year, will buoy sentiment and likely result in a cyclical 'risk on' rally which we believe could benefit those stocks and sectors that have under-performed during the rally so far.

