



# PRIDE ADVICE

## Northstar Assertive Managed Portfolio

Quarterly Report, December 2021

### Summary:

The final quarter of 2021 capped a positive 12 months of returns despite the uncertain environment.

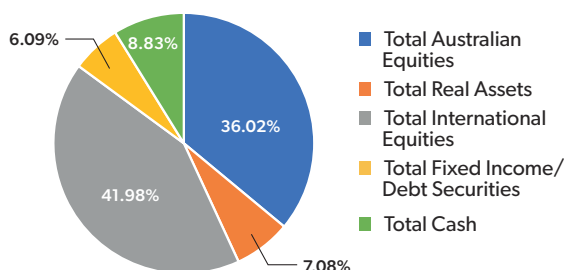
The emergence of the Omicron variant late November had an immediate negative impact on the price of many assets, and was countered subsequently with the traditional year-end rally for markets – with US equities ending the year by marking an array of new all-time price highs.

Outside the continuing impact of COVID, the market's key concern is stubbornly high levels of inflation, and the monetary 'tightening' including the probable raising of interest rates that will be required to resolve inflationary pressures. The adjustment to higher rates, when it arrives, will mark an important milestone in the COVID recovery, albeit it's likely to be accompanied by volatility. Despite uncertainty, markets are well positioned to weather the higher rates induced volatility that is expected in 2022 with solid corporate earnings and an economy that remains in reasonable condition.

### Portfolio objective:

To exceed the RBA Cash Rate plus 3% after fees. The portfolio is suited to investors seeking a diversified portfolio with exposure to growth and defensive assets with a moderate level of volatility. It targets 85% growth assets and 15% in defensive assets.

### Current Asset Allocation:



### Portfolio Performance:

	1 Month	3 Months	6 Months	12 Months	3 Years
Portfolio	2.20%	3.19%	4.53%	14.62%	11.91%

*These figures are a GUIDE ONLY. Portfolio performance figures are taken from Hub 24. These performance guides are provided prior to administration and advice charges, and after investment management and product costs. Every client portfolio varies in performance and is impacted by tax treatment, portfolio size, and timing of investing in the portfolio. Therefore, the indicated figures are an estimate.*

### Key Facts:

- Investment Committee: Pride Advice
- Inception: August 2018
- Portfolio Manager: AZ Sestante
- Portfolio availability: Hub 24, Xplore Wealth
- Structures: Super, Pension, Individual & SMSF accounts
- Benchmark: RBA Cash Rate plus 3%
- Portfolio cost: 0.542% (as at December 2021)

### Top Holdings:

Australian Equities (36.0% of portfolio):

Stock	% of Portfolio
VANECK Banks ETF	8.1%
CSL Limited	2.3%
BHP Billiton Limited	2.3%
iShares S&P/ASX 20 ETF	2.0%
Aristocrat Leisure Ltd	1.7%

Largest Sector Holding (other sectors):

Sector	Asset	% of Portfolio
Int. Equities	Vanguard International Shares ETF	10.1%
Fixed Inc.	Franklin Australian Absolute Return Bond Fund	4.8%
Real Assets	Martin Currie Real Income Fund	5.0%



## Portfolio Transactions December Quarter

New positions were added in consumer staples (Coles (COL) and Metcash (MTS)) displacing Consumer Discretionary (JB Hi Fi (JBH) and Harvey Norman(HVN)) positions. A rotation towards healthcare saw positions in Resmed (RMD) and Sonic Health (SHL) initiated, and profits taken through a partial disposal of CSL Limited (CSL) before the CSL position was replenished at lower prices. Real assets were topped up with the addition of the Martin Currie Real Income Fund and Vanguard Global Infrastructure Fund, tilting the portfolios to expected beneficiaries of expected higher rates which also included further resources exposure.

## Market Review

2021 saw asset class performances bifurcate based on a 'now' versus 'future' view of interest rates. On the positive, the year produced strong returns for the beneficiaries of record low interest rates (the 'now'), including Australian and International equities, and residential real estate with respective total returns for the Australian and US share indices of c. 17.5% and 23.5%, and Australian capital city house prices in excess of 20%.

In contrast to the interest rate winners, bonds, which are sensitive to rising interest rates (and tend to anticipate prices in the 'future'), navigated a difficult year in 2021 as they responded pre-emptively to the prospect of rising rates underpinned by inflationary pressures. In 2021, Australian government bonds returned ~ negative 3%, the biggest annual loss in over a decade, an unusual result for the normally stable asset class.

Heading into 2022, valuations for equities are slightly below fair value, with strong corporate earnings growth expected in and beyond 2022 bolstering a 'fair value' argument. For bonds, the internal view is that the worst of the price weakness is baked into current values, however the period of transition from 'no interest rates' to 'low interest rates' to come in 2022 is likely to see all asset classes experience periods of volatility.

## Market Outlook

The critical market question is whether inflation abates in the coming months as this will drive the pace and timing of interest rate rises which are widely anticipated in markets in 2022. If rates are increased too quickly, a fragile economic recovery will be quelled; if rates increases occur too slowly, inflationary headwinds may be dominant for years, akin to the 1970's. However the good news being signalled by the expected tightening cycle that an economic normalisation (albeit in a 'COVID normalised' world) is underway. Key economic indicators are favourable, and sentiment, a critical underpinning of normalisation, is improving with businesses looking to grow. Indeed, November saw the first wave of what is likely to be many corporate deals in the coming months, with abundant cheap funding and a strategic imperative to grow in the corporate sector after two lost years of growth due to COVID 19.

2022 may at times be bumpy but is expected to be net positive and set the stage for a strong rebound in future years.