



PRIDE ADVICE



Pride Advice - AZ Sestante Assertive Managed Portfolio

Quarterly Report, March 2021

Summary:

During the March quarter, US and various major global equity markets established new all time highs as the growing prospect of a post COVID economic rebound was priced into markets

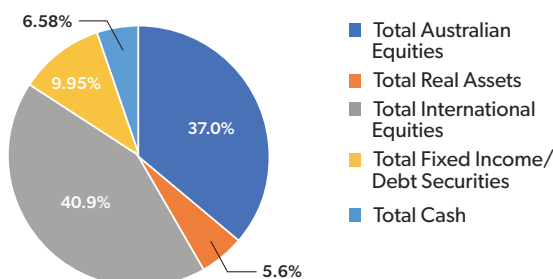
With expectations of stronger economic conditions ahead, bond markets have started to signal concerns that the present day regime of low and negative interest rates may not last forever - a story that is likely to become a recurring theme over the coming years. The immediate impact of this was felt across markets mid quarter, with a period of pronounced bond market weakness (rising rates generally devalue bonds) which spilled over to equity markets.

Short term, the investment committee is of the view that as long as the present cocktail of substantial government support and low interest rates prevail, economies and company earnings should continue to rebound on the back of improving sentiment. This sequence may be punctuated by periodic bouts of volatility prompted by a return of concerns about higher interest rates in the future.

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 45% growth assets and 55% in defensive assets.

Current Asset Allocation:



Portfolio Performance:

	1 Month	3 Months	6 Months	12 Months	Since Inception
Portfolio	2.36%	3.94%	12.06%	21.06%	7.09%

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: 0.598% (as at March 2021)

Top Holdings:

Australian Equities (36.9% of portfolio):

Stock	% of Portfolio
VANECK Banks ETF	9.7%
BHP Billiton Limited	3.4%
CSL Limited	3.3%
SPDR S&P/ASX 200 Resources Fund ETF	2.7%
Rio Tinto Limited	1.8%

Largest Sector Holding (other sectors):

Sector	Asset	% of Portfolio
Int. Equities	iShares S&P 500 AUD ETF	9.9%
Real Assets	Franklin Australian Absolute Return Bond Fund	5.1%
Real Assets	Vanguard Global Infrastructure Index Fund	4.5%

Portfolio Transactions March Quarter

In Australian Equities, bank exposure was increased during the quarter with selective top ups in individual holdings (NAB) and the sector ETF (MVB). Resources and selective industrials exposure was reduced early in the quarter with profit taking, with a rotation in listed property late in the quarter with the partial sale of Dexu (DXS) and sector ETF (SLF), which was offset by a purchase of Goodman Group (GMG). Growth was added in existing positions including Appen (APX) and Carsales (CAR). International equities exposure was further hedged (to approximately 50%) to offset the continued strength in the Australian dollar. The Franklin Global Growth fund was added to the portfolio mid quarter, enhancing growth and technology exposure across the portfolio.

Market Review

After a choppy start to the year, Australian shares tracked sideways until March where they rallied strongly. In contrast, US blue chips measured in the broad S&P 500 index, and particularly the tech heavy Nasdaq rallied strongly then abruptly sold off from mid February before staging an end of quarter recovery. The nominated cause for the selloff was that the nascent global economic recovery, underpinned by government spending, could lead to inflation - a higher inflationary environment is generally managed through higher interest rates - and higher rates weakens the price of most assets (especially bonds).

In response, following the February market swoon, a conga line of Central Bankers from around the world hosed down speculation about the prospect of interest rates rising, pointing out their commitment to the current era of low rates until economies show sustained growth and low unemployment post COVID. As a result, markets had settled by end of quarter, with equities staging a comeback, and bonds finding more calm conditions.

The very clear signal from this episode of volatility is that markets will remain focused on inflation concerns, where rising inflation could prompt an end to the current low interest rate environment.

Market Outlook

Multiple economic measures are signaling strongly improving conditions, or better than expected outcomes. Unemployment rates in many advanced economies have dropped materially from their 2020 highs, and with the COVID vaccine roll out progressing globally, and a more stable US political environment, the general expectation is for continued improvement in company earnings in 2021. This said, market valuations are approaching full, and further bouts of volatility similar to February are possible in the coming months.

In any case, the broader story is one of economic recovery, and these bouts of volatility which are likely to repeat throughout the next few years, will likely become value opportunities as the longer term story of earnings and economic recovery remains positive.