



# PRIDE ADVICE

## Pride Advice - AZ Sestante Balanced Managed Portfolio

Quarterly Report, September 2020

### Summary:

The quarter ending 30 September produced positive returns in the portfolio.

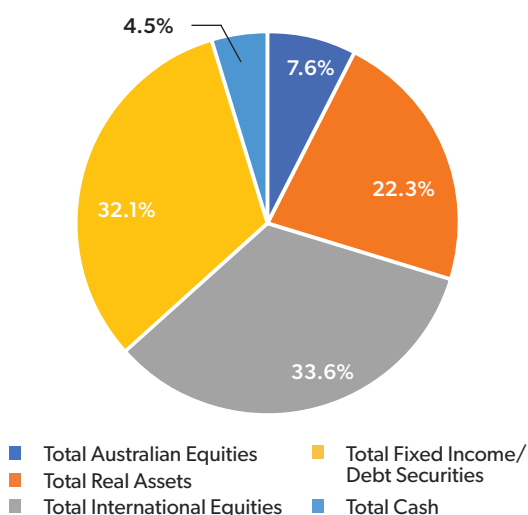
In a year of surprises, the quarter saw yet another anomaly - new all time highs in US markets in August - despite the backdrop of the worst economic conditions in a generation. August's market gains were offset by falls in September and as was the case in the previous quarter, central bank and fiscal initiatives at emergency settings offered markets with ample support during bouts of weakness.

Looking ahead, portfolios are positioned for a potentially bumpy fourth quarter which includes the US election and the northern hemisphere winter which is already seeing growing numbers of COVID infections.

### Portfolio objective:

To exceed the RBA Cash Rate plus 2.5% 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 70% in growth assets and 30% in defensive assets.

### Current Asset Allocation:



### Portfolio Performance:

	1 Month	3 Months	6 Months	12 Months
Portfolio	-0.74%	1.85%	6.57%	-3.37%

*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
- Portfolio Manager: AZ Sestante
- Portfolio availability: Hub 24, Xplore Wealth
- Structures: Super, Pension, Individual & SMSF accounts
- Benchmark: RBA Cash Rate plus 2.5%
- Portfolio cost: 0.454% (as at October 2020)

### Top Holdings:

Australian Equities (22.3% of portfolio):

Stock	% of Portfolio
SPDR S&P/ASX 200 Fund EFT	4.6%
CSL Limited	2.6%
BHP Billiton Limited	2.2%
VANECK Banks ETF	2.2%
SPDR S&P/ASX 200 Resources Fund ETF	1.7%

Largest Sector Holding (other sectors):

Sector	Asset	% of Portfolio
Real Assets	Vanguard Global Infrastructure Index Fund	7.0%
Int. Equities	Vanguard MCSI Index International ETF	10.6%
Fixed Income	Franklin Australian Absolute Return Bond Fund	14.7%



## Portfolio Transactions September Quarter

Positions in the healthcare sector were increased, with an additional investment in CSL, and new positions in Resmed (RMD) and Cochlear (COH). In international equities a position was initiated in the Asian technology sector, which complements a new position in ASX listed technology company Appen (APX). In resources, Rio Tinto (RIO) was added, and Brambles (BXB) increased in size. Broadly, these positions reflect the investment committee's preference for sectors that suit the current COVID economy - healthcare, technology, and resources.

## Market Review

US markets rallied to all time highs in August - erasing the US markets' losses from the start of the COVID selloff in just 181 days - a record for any comparable rebound. The US markets' new all time high was minted on the back of performance in five technology companies - Apple, Amazon, Facebook, Google and Microsoft, all of which feature in the Sestante portfolios through exchange traded funds (indeed, these assets are some of the largest holdings, albeit indirect, in the portfolios). In Australia, the weakest full year reporting season for stocks in the past decade wound down in August with very few major shocks. Where August produced solid performances, September proved to be bumpy for both Australian and US equity markets, albeit with a recovery by month end.

During the quarter the Australian dollar initially produced headwinds with a continuation of the previous period's rally. The appreciation in the AUD was tempered by quarter's end, with a 3% fall in the currency in September on expectations that Australia's RBA would cut interest rates by the end of 2020. On the rates front, there is no market expectation for a rise in rates for the foreseeable future. Whether the present day regime of interest rates at zero and epic government spending change the outlook for rates is a matter for a long way into the future.

## Market Outlook

With the US election close at hand, markets have entered 'stall phase'. The outcome of the election is pivotal to the pace at which a continuation of fiscal support for the US economy arrives, with any stalled electoral process potentially leading to delays to the next round of measures, which according to the US Federal Reserve Chair needs to be "robust". Portfolios are focused in relatively insulated industries (such as healthcare and technology), with quality assets an emphasis throughout. Any short term market fluctuations are seen by the investment committee as presenting an opportunity, with a continuation of fiscal stimulus in a 'whatever it takes' mindset from governments the base case for market support.

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