

Portfolio Overview

May Highlights

ALL **+10.80%**

RMD **+10.34%**

SUL **+8.15%**

May Lowlights

XRO **-6.35%**

NXT **-6.21%**

RHC **-5.67%**

May Update

By Rudi Filapek-Vandyck and the Vested Team,

An oft used expression is that bull markets climb a wall of worry.

Thus far, nothing has been able to stop the advance of equities post last year's initial covid-related panic.

The question if one should sell in May has been answered with yet another strong performance for the month, and that firm underlying trend has continued into June.

In a time when share market indices in the US as well as locally in Australia are setting new record high after new record high, this might be an opportune time to take a closer look at what has occurred at the individual stocks level.

Roughly speaking, we have stocks that are trading near all-time record highs in line with the ASX200 and a much larger group that is nowhere near its highest level in terms of share price.

This is not unusual. Bull markets do not equally stimulate all share prices to the same extent and there will always be leaders and laggards, in particular during times of unusual circumstances and exceptional interruptions and changes.

In our view, this observation once again highlights that stocks in general do not by default appreciate over time. Only a minority does.

When it comes to today's market leaders, those stocks that have followed the index towards a new all-time record high, we can clearly distinguish two separate baskets:

- Stocks that have consistently trended upwards over a prolonged period of time
- Stocks that have strongly rallied to new highs in the slipstream of the economic recovery that has occurred post global pandemic and the 2020 global economic recession

The Big Question mark that is currently dividing the international investment community is whether one basket should be prioritised over the other, and if so, for how long?

A third option is available for those investors who worry about elevated prices and that risk for a major correction; switch into cheaper-looking laggards.

The All-Weather Model Portfolio does not invest in short-term fly-by-nights or cyclicals, hence most stocks in that second basket are not a genuine option or focus.

Sure, if ever we would consider investing in banks we would zoom in on the two highest quality stocks in the sector, CommBank (CBA) and Macquarie Group (MQG), but maybe not at current share prices.

Incidentally, the fact that both CommBank and Macquarie shares are now trading above \$100 while share prices for other banks are still trading substantially below the highs recorded earlier in the two preceding decades once again highlights the importance of seeking out 'Quality', we believe.

We find vindication in the observation that numerous stocks we regard as High Quality, All-Weather Performers -the above-mentioned basket number 1- have managed to set new record highs recently, including Amcor (AMC), Ansell (ANN), ARB Corp (ARB), Cochlear (COH), REA Group (REA), ResMed (RMD), Wesfarmers (WES) and Woolworths (WOW).

In our view, the High-Quality label equally applies to Aristocrat Leisure (ALL), Breville Group (BRG), Charter Hall (CHC), Goodman Group (GMG) and Pro Medicus (PME).

All of these stocks are on our radar, and have been for many years. Most are currently held in the Portfolio.

Amidst heavy day-to-day volatility, as markets were not as yet fully comfortable with the outlook for inflation, the All-Weather Portfolio posted a gain of 2.78% in May.

The total monthly performance of the ASX200 Accumulation Index stopped at 2.33% in May, meaning the All-Weather Portfolio outperformed for the third month in a row, before fees.

For the Portfolio, Aristocrat Leisure, ResMed and Super Retail (SUL) delivered the largest positive contributions.

The largest negative contributor was Xero (XRO) with the Portfolio using the opportunity to increase its holding.

NextDC (NXT) and Ramsay Healthy Care (RHC) equally proved out of favour in May.

Weakness for both Xero and NextDC can be directly attributed to heavy selling in technology and growth stocks during the first two weeks in May while Ramsay Health Care raised fresh capital to pay for the next UK acquisition.

Change Of Risk-Assessment

Contrary to our intentions at the time, but the best performing stock in the Portfolio in April, Hub24 (HUB), is no longer held.

As we reported in last month's Portfolio update, Hub24 is currently enjoying exceptionally positive market momentum for its financial platform in Australia.

The Portfolio added Hub24 shares when they temporarily sold off earlier in the year and since witnessed a strong rally with Hub24 crowning itself the strongest performer in April.

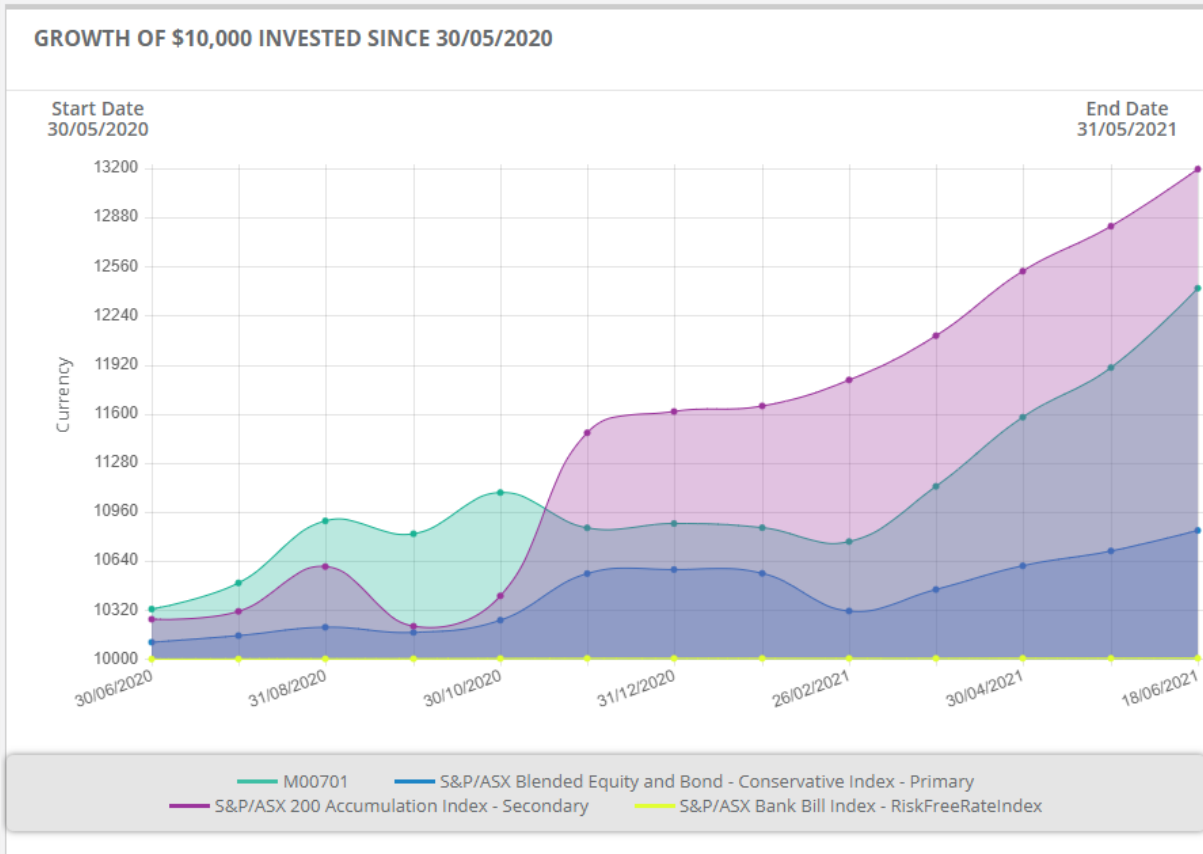
However, due to multiple changes currently dominating the advisory sector in Australia, it is our assessment that risks have increased for all participants in the sector, including outperformers like Hub24.

On this basis, we decided to sell all shares, secure the profits, and look for re-allocation into a lower risk opportunity.

We think we might have found such opportunity in Audinate Group (AD8).

All Weather Portfolio Performance Since Transitioning to WealthO2

Period Ending 31/05/2021									
Name	Code	Type	1 mth	3 mths	6 mths	1 year	3 years	5 years	
All Weather Portfolio	M00701	Capital	2.78%	10.27%	8.60%	16.15%	-	-	
All Weather Portfolio	M00701	Income	0.01%	0.24%	0.94%	2.46%	-	-	
All Weather Portfolio	M00701	TR	2.79%	10.51%	9.54%	18.61%	-	-	
S&P/ASX Blended Equity and Bond - Conservative Index - Primary	CONSERVINDX	TR	0.91%	3.80%	1.40%	7.06%	-	-	
S&P/ASX 200 Accumulation Index - Secondary	XJO	TR	2.33%	8.40%	11.57%	27.47%	-	-	
S&P/ASX Bank Bill Index - RiskFreeRateIndex	SPBDABBT	TR	0.00%	0.01%	0.01%	0.06%	-	-	



PLEASE SEE THE NEXT PAGE FOR THE PRAEMIUM PLATFORMS PAST PERFORMANCE

All Weather Portfolio Performance Since on the Praemium Platform***

All-Weather Portfolio Performance on Praemium Platform (calendar years)			
Calendar Year	All-Weather Model Portfolio (%)	ASX200 Accumulation Index (AXJOA) (%)	Relative Performance (%)
2015	7.77	2.56	5.21
2016	4.52	11.8	-7.28
2017	14.43	11.8	2.63
2018	1.34	-2.84	4.18
2019	22.08	23.4	-1.32
30/06/2020	-1.73	-10.42	8.69

All-Weather Portfolio Performance on Praemium Platform (financial years July-June)			
Calendar Year	All-Weather Model Portfolio (%)	ASX200 Accumulation Index (AXJOA) (%)	Relative Performance (%)
FY16	14.4	0.56	13.84
FY17	3.16	14.09	-10.93
FY18	17.28	13.01	4.27
FY19	7.38	11.55	-4.17
FY20	5.64	-7.68	13.32

Average annual performance for the 5.5 years (Jan 2015 - June 2020)		
All-Weather Model Portfolio (%)	ASX200 Accumulation Index (AXJOA) (%)	Relative Performance (%)
8.51	5.99	2.52

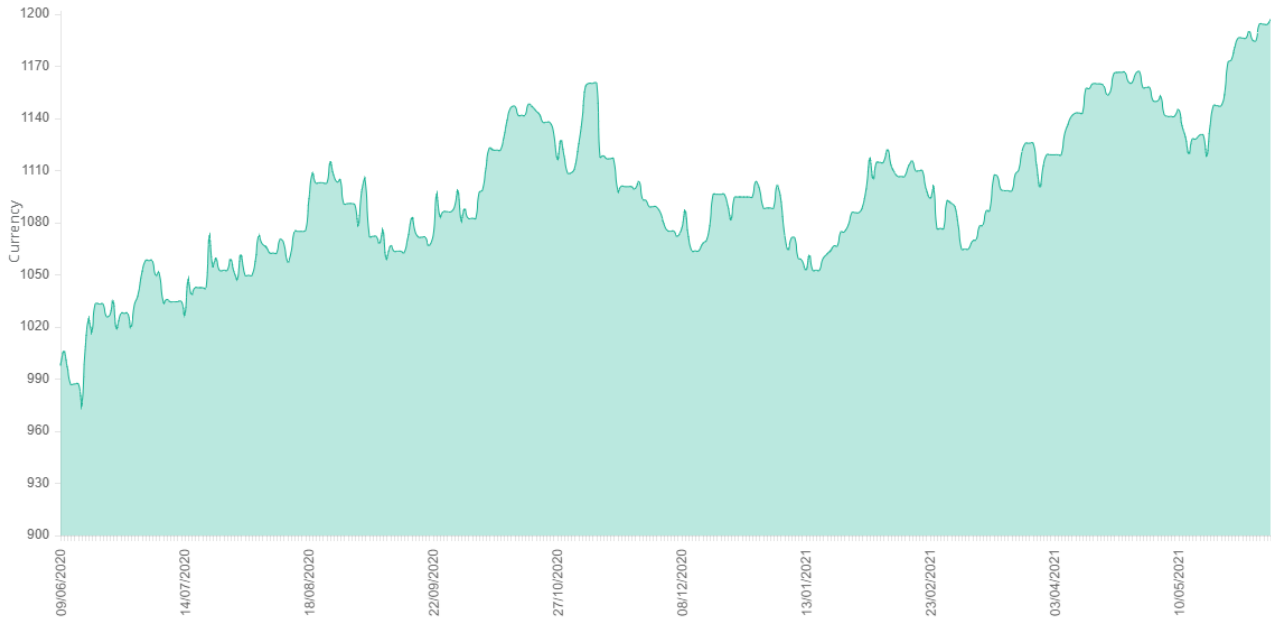
*ASX 200 Accumulate Index

**Returns unaudited and exclusive of fees and brokerage

***There is an overlapping time period between the Praemium platform and the Wealth O2 Platform.

52 WEEKS RANGE

FIRST PRICE AT 09/06/2020
LAST PRICE AT 07/06/2021



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