

## Portfolio Overview

### March Highlights

ALL **+14.81%**

TLS **+9.32%**

TNE **+9.24%**

### March Lowlights

IEL **-12.66%**

PME **-8.16%**

NXT **-6.63%**

## March Update

By Rudi Filapek-Vandyck and the Vested Team,

The All-Weather Model Portfolio managed to outperform the broader market in March.

It was a welcome change after a few tough months in which rising bond yields and the market's obsession with banks and resources stocks put quality and structural growth companies in the 'best to avoid - for now' basket.

All it took was for bond yields in Australia and the US to stop rising. And for the Aussie dollar to retreat a little further from US80c.

Life can be tough for a strategy that does not rely heavily on banks and resources/cyclicals when those are the Go-To stocks to play the economic recovery post 2020 pandemic and recession.

Market sentiment dominates in the short term, and we firmly believe a number of long-term, structural growth companies are being mis-priced, but such is the force of short-term momentum.

Having said so, a relaxation in the over-riding macro-moves (bonds and currency) has allowed several portfolio constituents to make a swift come-back in March (see also further below).

As explained in earlier communication, the All-Weather Portfolio won't abandon its long-term mandate or strategy during shorter term challenges, but we did make an active decision to diversify away from last year's winners.

This has led to the portfolio inclusion of Super Retail and Telstra and the divestments of all A-REITs with the exception of Aventus Group.

Goodman Group and Charter Hall are not your typical REITs, and they remain both proudly held in the portfolio.

Several quality, structural growers have been added as share prices tumbled because of higher bond yields, a strong AUD and one-sided market momentum.

All of Ansell, Hub24, and IDP Education should have a bright future ahead, though volatility seems the key word to describe share price moves in the short term.

Healthcare posted a small recovery in March, but Technology as a sector did not, but the Portfolio should not be regarded as a leverage on both themes.

We do, however, continue to see a bright future for the likes of CSL, ResMed, Ramsay Health Care, Pro Medicus, Carsales, NextDC, REA Group, TechnologyOne and Xero.

The All-Weather Portfolio holds more than 12% in cash, which allows us to be ready for further opportunities as market volatility is likely to remain throughout the months ahead.

### **All-Weather Portfolio Performance**

March was off to a solid start which saw the portfolio appreciate by 3.13% for the month. Stocks such as Aristocrat Leisure, Telstra, TechnologyOne and Bapcor led the charge.

Both the ASX200 and the S&P500 in the US enjoyed a continued firm rally in share prices.

In regards to portfolio changes, March saw the portfolio cut all of its holdings in Fineos Corp (FCL), which had rallied hard but subsequently dropped considerably, vindicating the move.

The portfolio also increased its target allocation by 2% in Iress (IRE), IDP Education (IEL) and ResMed (RMD).

In an almost symmetrical contrast to February, the biggest loser for the month was IDP Education (IEL), which dropped 12.66% after reaching a top of \$28.41 per share in late February.

Pro Medicus was another company that performed poorly for the month, dropping 8.16% since the start of March.

On the first of April, the company announced it is looking to pursue an on-market share buy-back, underpinning the company's confidence in its bright future (and we agree).

In terms of top-performing companies, stocks like Aristocrat Leisure (ALL) shot up 14.81% after releasing its 2021 trading outlook at the AGM towards the end of February.

Another surprising front-runner for the month was Telstra (TLS), which was up by 9.32% following the announcement of its planned structural separation (this is the exact reason as to why Telstra is held in the portfolio).

This announcement released in March highlighted the company is preparing to split its core operations into four divisions, in order to maximise value creation for shareholders.

Telstra also announced it will be delisting from the Main Board of the NZX and opt for a sole listing on the ASX instead.

Lastly, TechnologyOne also saw a 9.24% rally in the month following an ongoing upbeat outlook provided by management at the AGM, as has become standard practice for this company over the past decade.

The AGM highlighted the company remains well positioned for continual long-term growth and that its gross profit margin increased by 29% during the covid period.

While monthly moves in share prices can be exciting as well as disappointing, it's good to keep in mind the All-Weather Portfolio makes deliberate choices with a (much) longer horizon in mind.

### **All-Weather Stock of the Month**

The All-Weather stock of the month for March was Aristocrat Leisure (ALL) which rallied 14.81% and reported generating \$1.6bn in bookings via Aristocrat Digital, up 31% PCP.

Although the stock performed well, management revealed that for FY20, revenue was down by 6%. The company also reported it had achieved an operating cash flow of over \$1bn, reflecting a 5.8% decrease PCP.

In addition, Aristocrat highlighted it would continue its D&D investment to drive sustained, long term growth, with investment levels potentially being slightly above historical levels on a percentage of revenue basis.

When assessing the Portfolio's performance (see next page) it's good to keep in mind the performance was significantly better than the broader market pre-November last year.

Over time, there will be periods when quality companies and structural growers are not the best performing parts on the ASX, and this is simply one of such periods.

All-Weather Cumulative Returns At 31/03/2021**			
<sup>a</sup> Portfolio Returns	All-Weather Portfolio	Benchmark* (^AXJOA)	Value Added
<b>1 MONTH</b>	3.13%	2.44%	0.69%
<b>3 MONTH</b>	2.15%	4.26%	-2.11%
<b>6 MONTH</b>	2.75%	18.54%	-15.79%

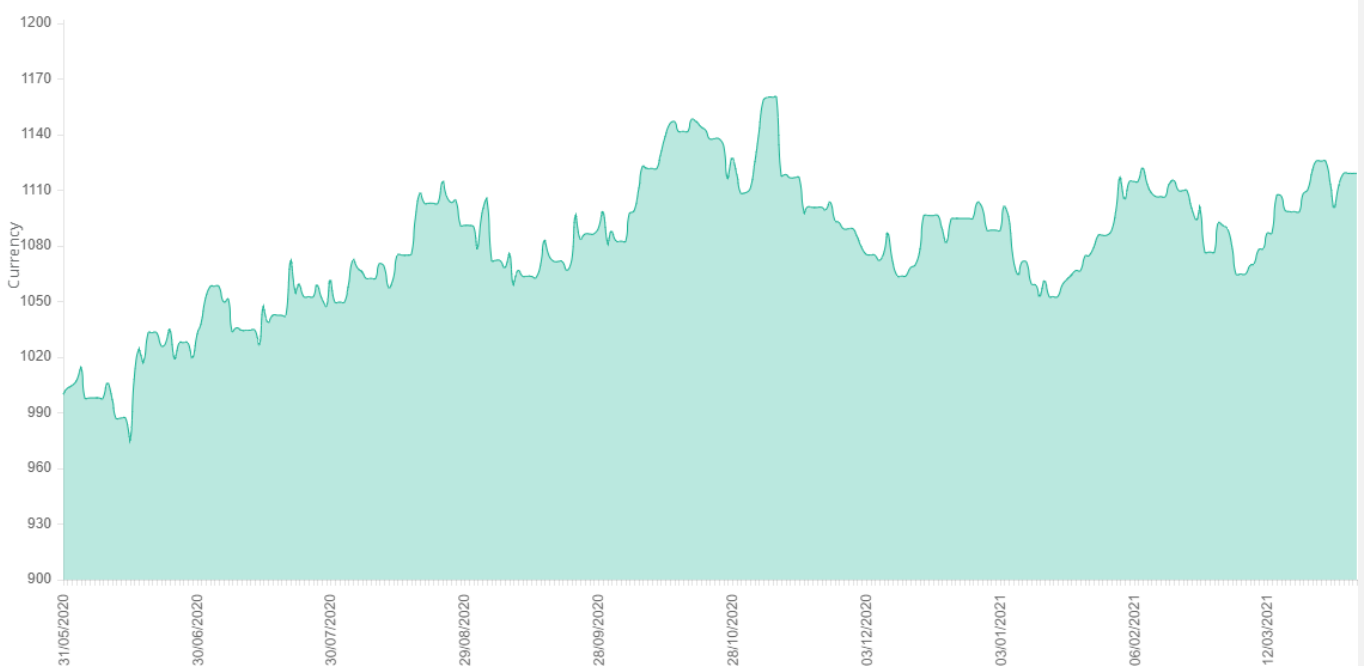
\*ASX 200 Accumulate Index

\*\*Returns unaudited and exclusive of fees and brokerage

<sup>a</sup> We are currently in the process of calculating longer-term performance metrics which has become trickier because of the switch in financial platforms since the All-Weather Portfolio started. The above statistics are from O2Wealth, which is the current platform.

## 52 WEEKS RANGE

FIRST PRICE AT 31/05/2020  
LAST PRICE AT 04/04/2021



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