

## Portfolio Overview

## October Highlights

IEL	+9.18%
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BAP	+7.87%
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SUL	+7.84%
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## October Lowlights

ANN	-6.64%
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TLS	-1.80%
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WOW	-1.78%
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## October All-Weather Portfolio Update

By Rudi Filapek-Vandyck and the Vested Team,

**October: The Comeback from September Weakness**

It was around this time last year that investors started to get excited about a potential end to global lockdowns and life 'beyond covid'.

Little did they know life without covid remains but a pipedream twelve months on and by now the general consensus globally is shifting to 'life with covid' – even if not everybody is on board yet.

The fastest recovery from the deepest recession in modern times quickly led to a new narrative dominating financial markets: the reflation trade.

Soon all investors could think of was inflation is coming, bond yields are back trending upwards, the future once again belongs to banks, energy producers and other cyclicals.

However, the year that followed next has not stuck with the script.

**Ups & Downs, Beneath the Surface**

Banks, other financials, energy producers, gold- and other miners, plus other cyclicals; the year past has witnessed rallies and retreats in relatively quick succession.

But you wouldn't know if you simply kept an eye on the major share market indices.

The answer lays within the multiple narratives that have been, and still are co-competing for investors' attention.

Financial markets love narratives behind which participants can unite but anno 2021 many of the competing narratives run in opposite directions, which easily explains the push & pull experienced for sectors and individual stock prices.

The meme of inflation and the reflation trade has to share the podium with global bottlenecks and restraints as the virus mutates and vaccine scepticism remains widespread.

Equally important: (most) central bankers are in no hurry to start tightening just yet lest today's main causes for inflation prove 'transitory'.

The return to pre-covid days is proving a lot more gradual and complicated than initially thought: consumers are changing their habits and preferences.

Can we truly experience the old 'normal' ever again?

Meanwhile, further impact from emerging megatrends remains ongoing, while climate change is becoming more tangible by the day, as is the call upon governments across the globe to take concrete, positive action.

Chinese leadership is changing the course of the country's path. Xi Jinping is the leader-for-life, with clampdowns on all-too-powerful technology companies, over-levered property developers and financial speculators.

China's pace of growth will never again be as high as it has been pre-GFC or pre-covid, and the risks are there for a worse-than-anticipated outcome.

What about the rest of the world? Growth is slowing. Inflation is eating into household budgets. More fiscal support seems untenable?

Share markets have been able to switch focus and jump from one narrative upon another, back and forth, without experiencing as much as a decent correction along the way.

Maybe the next bond market movement will simply trigger another momentum switch so that corrections only happen in individual stocks and sectors, but maybe not at the top-level?

Our conclusion from all of the above is that if ever there was a time when portfolio diversification is able to prove its value and importance, this year is it.

### The All-Weather Portfolio

The All-Weather Model Portfolio shuns your typical cyclical exposures, but most other ruling narratives are well-represented (or avoided in case of negative implications).

Portfolio performance in October was once again stronger than the broader market, continuing the relative outperformance post February during which September proved the sole exception thus far.

The All-Weather Model Portfolio returned 1.77% for the month; 1.87% above the slightly negative outcome for the ASX200 Accumulation Index.

If it hadn't been for that big market wide sell-off on the final day of the month...

It is not always clear exactly what causes share prices to move up and downwards in the short-term, but suffice to say: the persistent outperformance of the All-Weather Portfolio (bar one month) over the past eight months is one clear indication the inflation/reflation outlook is not as straightforward as many a market commentator is making it out to be.

No changes were made to the Portfolio, with many share prices that had weakened in September recovering swiftly in October.

In terms of top-performing holdings for the month, IDP Education (ASX:IEL) once again pulled ahead of the pack, having taken the top spot in the portfolio in two out of the last 10 months.

In October, IDP Education shares gained another +9.18%. In our view, the company combines several positive factors that have served it well in 2021:

- beneficiary of re-opening borders and economies;

- global market leader that is widening the gap with competitors as covid is making the strong stronger in the post-pandemic context;

- enjoys support from strong trend towards online and accessible education in developed countries like Australia.

IDP Education shares have also once again proven that a seemingly elevated Price-Earnings (PE) ratio is no indication whatsoever about the future outlook.

We remain of the belief this company's future consists of high growth numbers, well above market average, and analysts elsewhere do not disagree.

Another stellar performer in October was car parts distributor Bapcor (ASX:BAP) with a net gain of +7.87%.

The many question marks about the exact impact from Electric Vehicles (EVs), and when, remain real, of course, but in the short term we maintain the view Bapcor operates one of the most dependable and resilient franchises among small cap companies listed on the ASX.

October's rally comes on the back of the release of the company's annual report, which showed the group has achieved a compounded annual revenue growth rate of 26% p.a. from FY14 to FY21.

In third position on the podium, Super Retail Group (ASX:SUL) shares jumped +7.84% in October.

The surge in share price coincided with the company's announcement in an October CEO presentation that group sales growth is up 22.2% PCP with 49.1% sales growth for the outdoor leisure BCF business.

Super Retail operates Super Cheap Auto, which competes with Bapcor in the consumer space, but is otherwise more of a traditional retailer.

Super Retail is in the Portfolio for its above-average dividend yield. Early in 2021 we formed the view that traditional income providers such as your typical bond proxies would find it tougher to perform in an environment of rising bond yields.

Among the Portfolio laggards in October, we find Ansell (ASX:ANN), Telstra (ASX:TLS) and Woolworths (ASX:WOW), respectively with losses of -6.64%, -1.80% and -1.78%.

#### All-Weather Stocks of the Month

All-Weather Stocks of the month are Goodman Group (ASX:GMG) and Charter Hall (ASX:CHC), even though other stocks in the Portfolio performed better in October, as well as since the start of the calendar year.

Both companies are among the most consistent performers on the ASX with both enjoying the benefits from exceptionally low bond yields and the global search for consistent returns through their respective funds management operations.

Eleven years ago, both Goodman Group and Charter Hall would be considered highly leveraged property developers that function as bond-proxies in the share market.

Both companies have since grown into prime examples of the changing landscape that has turned both into major beneficiaries of global megatrends such as online retailing.

Both share prices have consistently outperformed over a number of years and 2021 up until the 31<sup>st</sup> October has simply continued the positive trend.

Goodman Group shares are up 15.8%, dividends paid not included, and for Charter Hall the net gain is 17.8%, ex-dividends.

Those performances sound a lot less impressive than, for example, the 56% for Pro Medicus (ASX: PME) or the 50% for Aristocrat Leisure (ASX: ALL), but the symbolic importance is far greater.

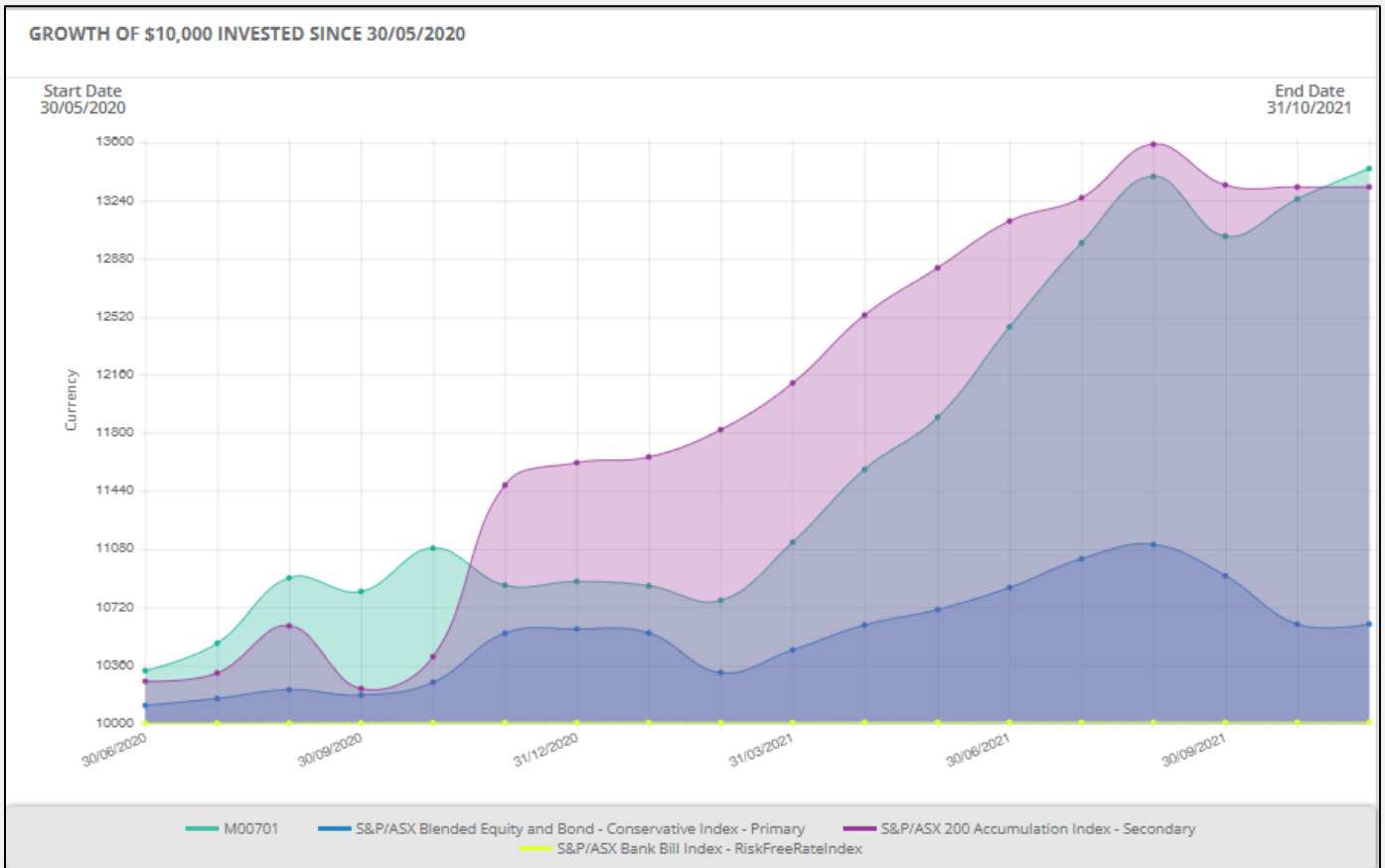
Once we identify the benefits and the beneficiaries of the strong underlying currents that are reshaping the global economy, we must have confidence that our reward as an investor can stretch a lot further than what might have occurred under more normal economic conditions in the past.

And that is a message that should be honoured, and explained, time and again.

A 'cheap' looking valuation is not always a guaranteed successful investment beyond the occasional rally, but combine Quality with a strong, lasting trend and it seldom is not.

**All Weather Portfolio Performance Since Transitioning to WealthO2**

Period Ending 31/10/2021								
Name	Code	Type	1 mth	3 mths	6 mths	1 year	3 years	5 years
All Weather Portfolio	M00701	Capital	1.77%	1.77%	13.98%	17.88%	-	-
All Weather Portfolio	M00701	Income	0.00%	0.32%	0.44%	1.39%	-	-
All Weather Portfolio	M00701	TR	1.77%	2.09%	14.42%	19.26%	-	-
S&P/ASX Blended Equity and Bond - Conservative Index - Primary	CONSERVINDX	TR	-2.75%	-3.67%	0.06%	3.52%	-	-
S&P/ASX 200 Accumulation Index - Secondary	XJO	TR	-0.10%	0.51%	6.25%	27.12%	-	-
S&P/ASX Bank Bill Index - RiskFreeRateIndex	SPBDABBT	TR	0.00%	0.00%	0.01%	0.02%	-	-



**PLEASE SEE THE NEXT PAGE FOR THE PRAEMIUM PLATFORM'S PAST PERFORMANCE**

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

<b>All-Weather Portfolio Performance on Praemium Platform (calendar years)</b>			
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

<b>All-Weather Portfolio Performance on Praemium Platform (financial years July-June)</b>			
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

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

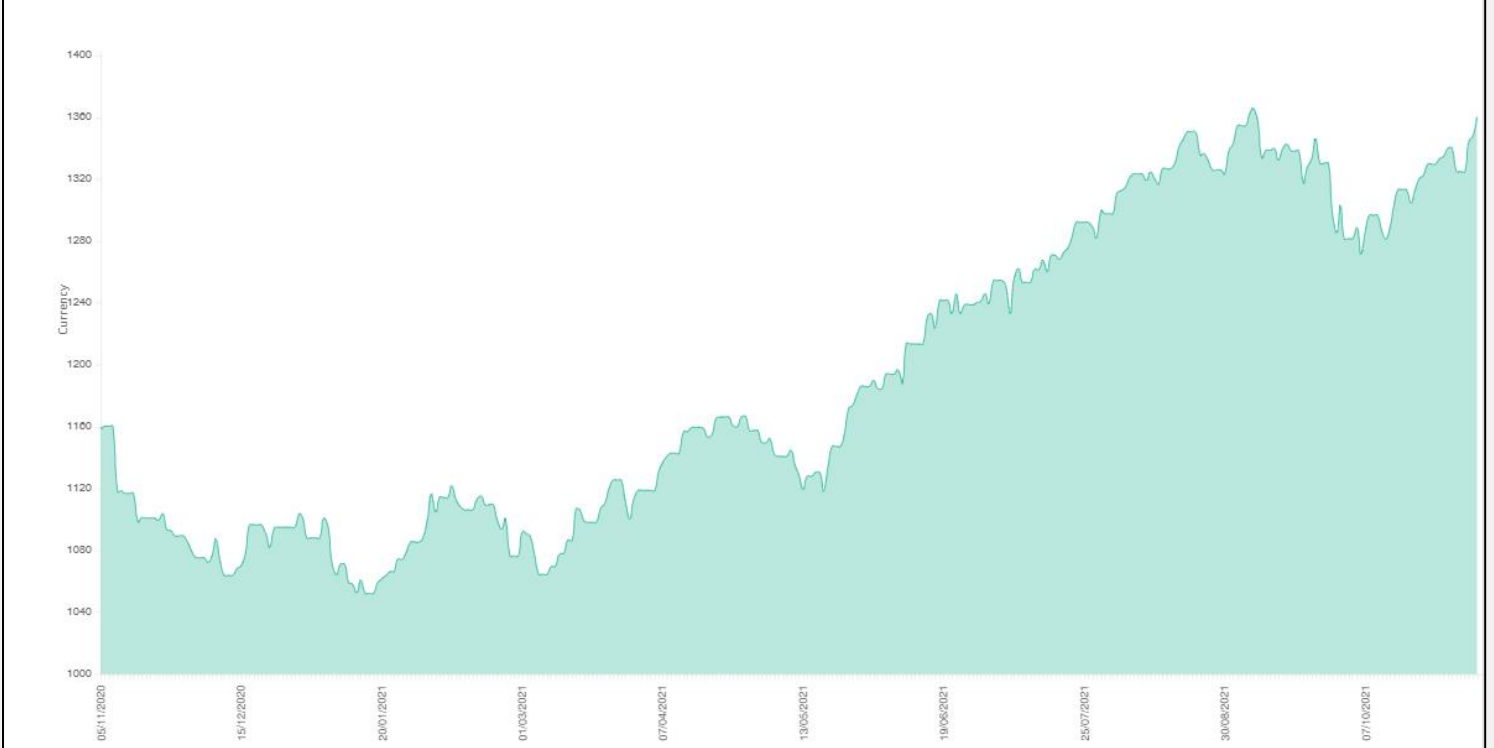
\*ASX 200 Accumulate Index

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

\*\*\*There is an overlapping time period between the Praemium platform and the Wealth O2 Platform. If you require more specific information on past platform performance, please send an email to your advisor.

### 52 WEEKS RANGE

FIRST PRICE AT 05/11/2020  
LAST PRICE AT 03/11/2021





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