

Portfolio Overview

November Highlights

GMG +11.02%

CHC +10.91%

WOW +5.78%

November Lowlights

BAP -21.04%

IEL -10.49%

XRO -9.62%

November Portfolio Update

By Rudi Filapek-Vandyck and the Vested Team,

All-Weather Portfolio Performance in November

Back To Where We Started From!

As year-end approaches, it usually is a great time to take stock of what is and was, what could have been and what likely lays ahead for financial markets.

Never underestimate the potential for markets to surprise is an old, worn-out adage, but it in particular has shown its accuracy throughout the past two calendar years.

2020 seemed like the year of the first global pandemic in a hundred years, but it ultimately turned out the year of the quickest recovery from global recession ever witnessed.

2021 was to become the year that inflation came roaring back, but the ultimate result for equities has been far less straightforward, far less tangible than the average discussion on twitter would have us believe.

Investors only need to take a brief look at this year's share prices for banks, energy companies and gold producers to observe a true dog's breakfast of value traps, failed forecasts and misguided hyperbole.

This is not the time nor the place to engage in an in-depth debate about the roots, affects and sustainability of this year's price inflation, but suffice to say the All-Weather Model Portfolio has kept its focus on **Quality**, **Growth**, **Mega-trends** and **Disruption**.

At the end of October, the Portfolio finished off its eighth month of outperformance vis-à-vis the Australian market, having started off with two months of underperformance at the beginning of the new year.

Post-February, only September saw a larger retreat than the ASX200 Accumulation Index, with all other months recording better gains.

As the index closed the month with a small loss for the third consecutive month, the All-Weather Portfolio added 1.23% for a 12 months total return before fees of 23.30% (for a relative outperformance of 7.89% since December last year).

The Stocks That (out)Performed

Whereas portfolio rotation on the back of rapidly rising bond yields gripped equity markets until mid-March, company fundamentals have moved back to the front since.

It is thus no coincidence Charter Hall Group (ASX: CHC) crowned itself best performer in the All-Weather Portfolio over the past eight months.

The much larger Goodman Group (ASX: GMG) has equally been a great performer.

Both property developers annex funds managers are carried by strong tailwinds from low interest rates, a global search for yield/income and a re-rating for quality industrial assets.

Other strong performers have been Carsales (ASX: CAR), ResMed (ASX: RMD), TechnologyOne (ASX: TNE), IDP Education (ASX: IEL), Iress (ASX: IRE), Aristocrat Leisure (ASX: ALL) and Pro Medicus (ASX: PME).

For those readers who like numbers: Charter Hall shares fell noticeably during the first months of 2021 but have since risen by more than 50%.

Shares in IDP Education have risen some 47% over the period, while Pro Medicus added circa 44%.

Judging from that select list, it seems but fair to conclude there remains lots of life, and potential, in Mega-trends, new technologies and **Quality Growth**.

The return of inflation might reverse bond yield trends and central bank largesse in the year(s) ahead, but it most likely will not stop the strong, underlying upwards trend for the companies we like most on the ASX.

Inflation may well end up as but a temporary obsession for equity markets, but we should all be cognisant that it can make markets extremely volatile at times.

The manner in which the All-Weather Portfolio has dealt with such bouts of volatility has probably equally proven a decisive factor in 2021.

In brief: we have mostly ignored the recurring peaks in global threats and uncertainty, preferring to focus on the embedded Quality and defensiveness of the Portfolio overall.

Two exceptions have applied. At the beginning of the year, we increased the cash holding and changed focus for that part of the portfolio that pays (higher yielding) dividends.

In this context it is worth noting Telstra (ASX: TLS) has since inclusion proved one of the better performers in the portfolio rather than your typical REIT.

While Super Retail (ASX: SUL) has failed to fully live up to expectations, we equally note its performance has beaten the broader market while paying an above average yield.

In November, we once again anticipated higher volatility by raising the Portfolio's cash component, while at the same time selling out of Ramsay Health Care (ASX: RHC) and Bapcor (ASX: BAP).

The latter has been a great performer since we included it in the Portfolio in 2015, but ruckus between the CEO and the board has significantly lifted the risk profile.

Ramsay Health Care's glory time is well and truly behind it. We decided to stick with the operator of private hospitals as we saw it as a future beneficiary of post-pandemic recovery, but already it is clear that recovery won't be straightforward.

The result of the two additional sales is that the level of cash is higher than we intended -circa 24%- but we consider it as additional optionality for re-allocation.

Volatile November

November proved to be particularly volatile with the ASX200 Accumulation index by the end of the period falling -0.21% short to avoid a third consecutive negative month.

The All-Weather Portfolio's top performer in November was Goodman Group with the shares jumping +11.02% over the period.

Goodman Group's comparative outperformance was spurred by the release of yet another strong quarterly update showing 12-month rolling like-for-like Net Property Income (NPI) growth of +3.1% along with a high occupancy rate of 98.4%.

Another standout performer for the month, yet again, was Charter Hall Group which rallied +10.91% since the start of the month.

Charter Hall equally upgraded FY22 earnings guidance which was released to market on the first on November. The upgrade

represents a minimum 36% growth rate compared to the FY21 OEPS (Operating Earnings Per Security) of 61 cents per security.

Last but not least, Woolworths Group (ASX:WOW) took the number three position with a bounce of +5.78% over November.

Woolworths' upswing is illustrative of the market-wide preference for consumer staples over banks and miners.

Woolworths also released positive first quarter sales results last month which showed an 7.8% increase in group sales versus the prior year.

The group also reported a 53.5% jump in eCommerce sales on the prior year, although customer satisfaction remained flat.

Readers should not read too much in the apparent losses that were booked throughout the month on holdings in IDP Education and Xero (ASX: XRO).

Both have served the Portfolio well and we believe both will continue to perform well, but with a lot more volatility along the way, as also seen in November.

All-Weather Stock of the Month

Stock of the month is Bapcor, which may seem a bit odd since we sold out of the stock and do not intend to return as a shareholder in the company.

Bapcor has been held in the All-Weather Portfolio since 2015, the first year of the company's ASX-listing which also marked the first year of the Portfolio's existence.

We always believed Bapcor, at that time trading as Burson Group, runs one of the most dependable and reliable businesses listed on the ASX, in particular the selling and distributing of car parts via wholesale channels in Australia and New Zealand.

The fact the share price has appreciated from \$2 at the time of listing to above \$8 earlier this year is sufficient evidence that owning Bapcor shares over the past six years has been, on balance, a big bonus for the Portfolio.

But one should never hesitate to re-assess when the context changes.

One unknown that has increasingly been on our mind is how this company will manage to adjust and adapt during a time when

electric vehicles seem increasingly ready to start impacting on the market and dynamics for fossil fuel driven cars.

Part of Bapcor's success to date has been driven by its highly regarded management under the leadership of CEO and managing director Darryl Abotomey.

That success story to date included a number of acquisitions, international expansion, and a restructuring of the logistics that support the business in Australia.

The abrupt earlier-than-scheduled departure of Abotomey caused alarm bells to ring, and we decided to sell all shares.

That was before more announcements were made that signalled the CEO was no longer in a position to communicate and work with the board.

As such we have been fortunate to avoid further losses as the share price has taken another leg lower following those announcements.

Of course, we didn't know what the exact situation was when the Portfolio sold out of Bapcor, but sometimes it's better to act decisively rather than hope for the best.

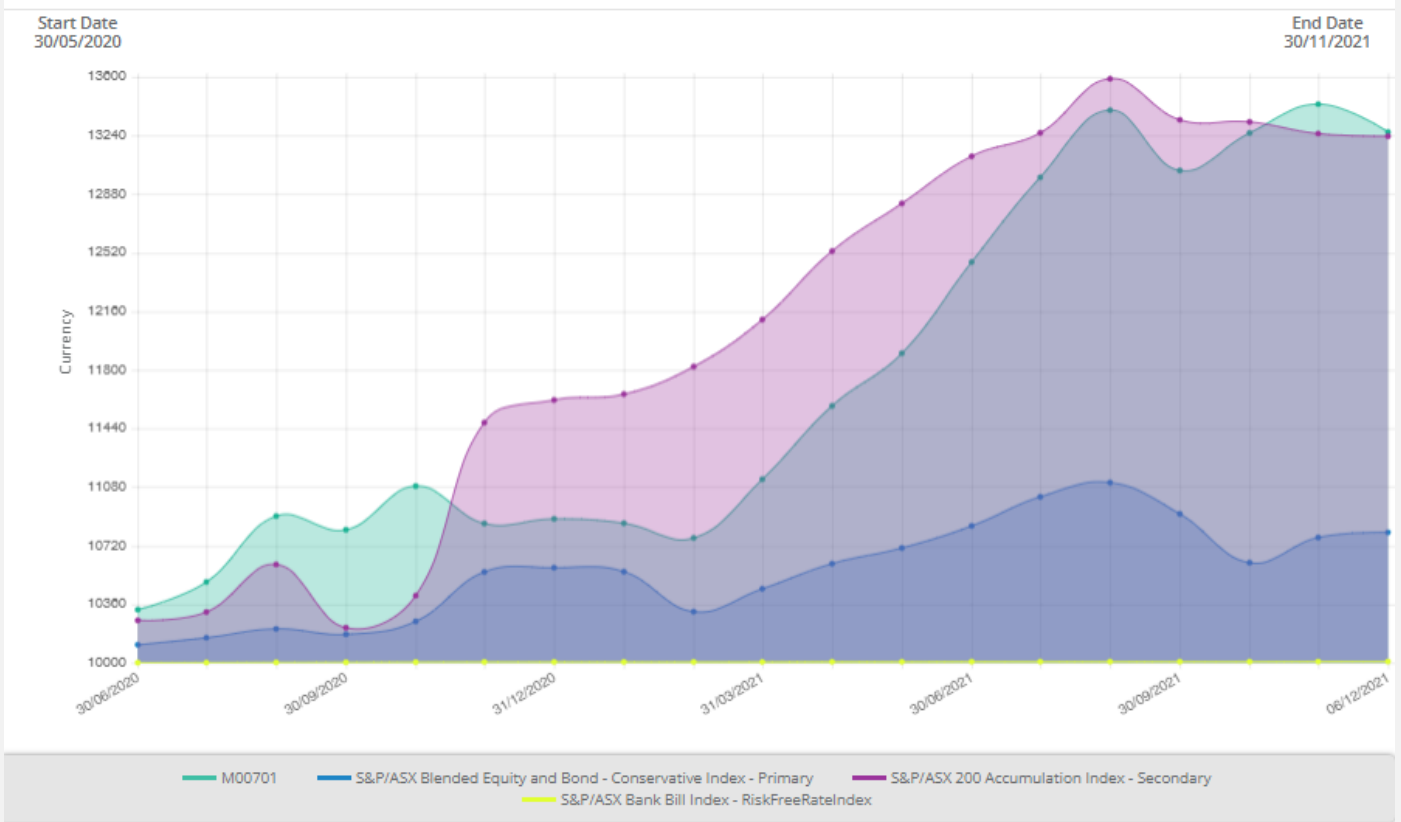
The moral of this story is that sometimes the decision to sell is as important as the decision to buy.

We now think there is a large cloud hanging over the company and it may not disappear anytime soon, even without the arrival of electric vehicles impact in Australia.

All Weather Portfolio Performance Since Transitioning to WealthO2

Period Ending 30/11/2021									
Name	Code	Type	1 mth	3 mths	6 mths	1 year	3 years	5 years	
All Weather Portfolio	M00701	Capital	1.23%	0.02%	12.26%	21.91%	-	-	
All Weather Portfolio	M00701	Income	0.00%	0.15%	0.43%	1.39%	-	-	
All Weather Portfolio	M00701	TR	1.23%	0.18%	12.70%	23.30%	-	-	
S&P/ASX Blended Equity and Bond - Conservative Index - Primary	CONSERVINDX	TR	1.30%	-3.19%	0.44%	1.85%	-	-	
S&P/ASX 200 Accumulation Index - Secondary	XJO	TR	-0.21%	-2.12%	3.64%	15.41%	-	-	
S&P/ASX Bank Bill Index - RiskFreeRateIndex	SPBDABBT	TR	0.01%	0.01%	0.02%	0.02%	-	-	

GROWTH OF \$10,000 INVESTED SINCE 30/05/2020



PLEASE SEE THE NEXT PAGE FOR THE PRAEMIUM PLATFORM'S 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

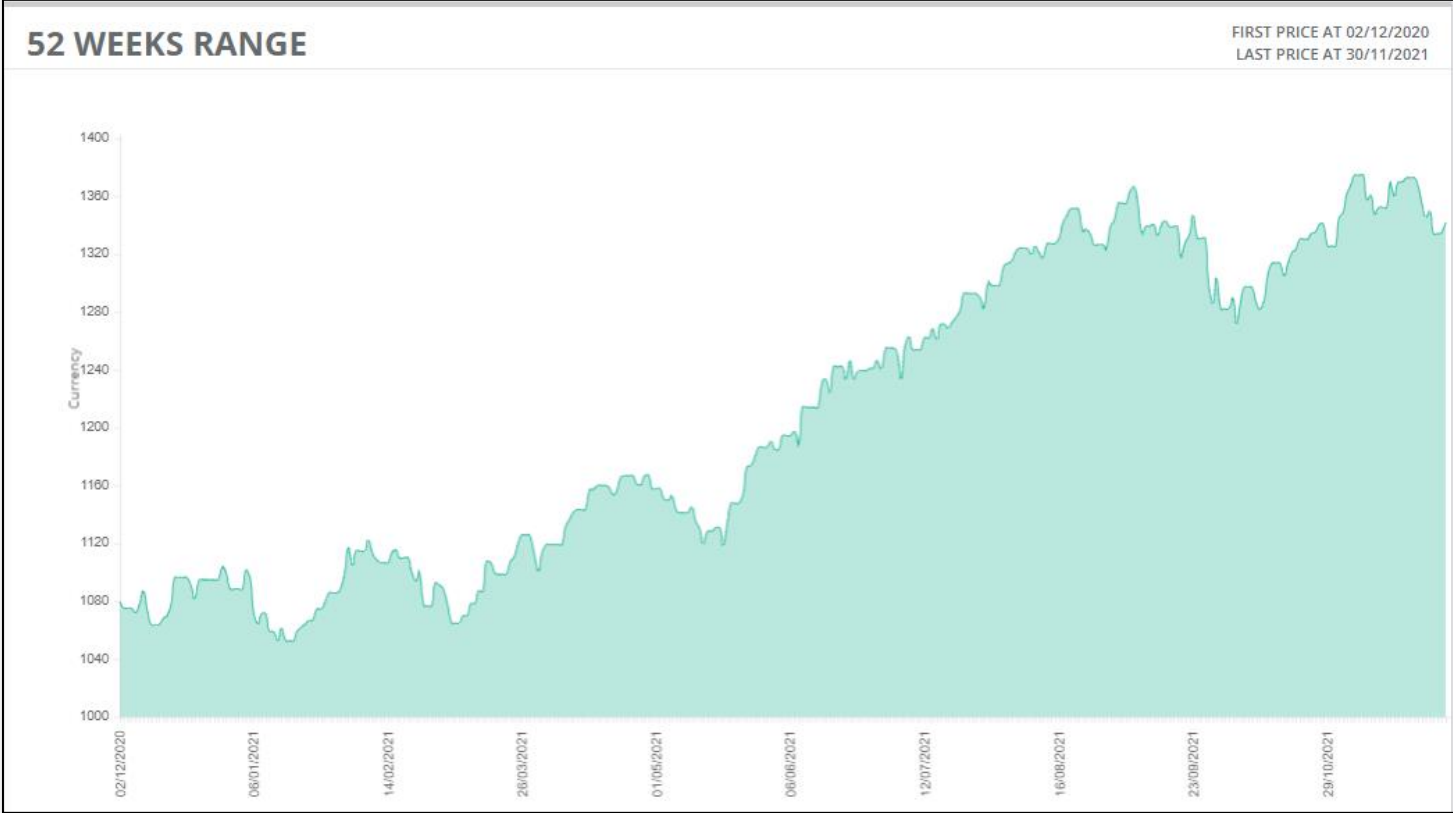
All-Weather Portfolio Performance on Praemium Platform (financial years July-June)			
Calendar Year	All-Weather Model Portfolio (%)	ASX200 Accumulation Index (AXJOA) (%)	Relative Performance (%)
FY16	14.4	0.56	13.84
FY17	3.16	14.09	-10.93
FY18	17.28	13.01	4.27
FY19	7.38	11.55	-4.17
FY20	5.64	-7.68	13.32

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. If you require more specific information on past platform performance, please send an email to your advisor.



Customer Notice

Vested Equities Pty Ltd holds an Australian Financial Services License 478987. All advice (if any) is general advice only. Your personal circumstances and financial objectives have not been taken into consideration. Accordingly you should consider if the advice is right for you. Past performance is not a reliable indicator of future performance. Please be aware that all investment and trading activity is subject to both profit & loss and may not be suitable for you. All advice and education content is of the nature of general information only and must not in any way be construed or relied upon as legal, financial or personal advice. No consideration has been given or will be given to the individual investment objectives, financial situation or needs of any particular person. The decision to invest or trade and the method selected is a personal decision and involves an inherent level of risk, and you must undertake your own investigations and obtain your own advice regarding the suitability of this product for your circumstances.

Important Disclosure: Vested Equities Pty Ltd, its directors, associates and employees advise that they may hold securities, may have an interest in and/or earn brokerage and other benefits or advantages, either directly or indirectly from client transactions arising from any information mentioned on this document. Directors, associates and employees of Vested Equities Pty Ltd from time to time may hold shares in the security/securities mentioned on this held within the all weather portfolio therefore, may benefit from any increase in the price of those securities.