IndexInvest Dynamic

PORTFOLIO MODELS – Quarter 2, 2020 Report

Market Review

It’s been a very strong quarter for equities and credit as central banks and governments provided enormous amounts of stimulus and economies started to reopen. However, some risks remain. First, central banks have been clear that they can only lend, not spend, and so won’t necessarily be able to save companies that face solvency concerns, rather than just liquidity concerns. Some companies will therefore still face administration, and we have unfortunately already seen some examples this quarter.

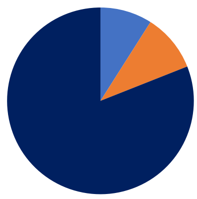
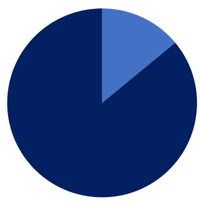
In addition, the virus has not been fully contained, nor a vaccine approved. In continental Europe, Australasia and some parts of Asia, including China, new infections have fallen to low levels and economies are reopening. In the UK, new infections have also continued to fall, albeit not to as low levels as in Europe. However, in the US, the number of new infections is rising again, while several emerging markets, including India and much of Latin America, have been unable to get the virus under control. Despite this risk around infection rates, US equities were up about 20% this quarter and emerging market equities were up 18%.

Another risk comes in the form of potential fiscal fatigue from governments, which could potentially roll back their fiscal stimulus too soon, before the virus has been fully contained and the economy and labour markets allowed to recover. In Australia, incomes have so far been supported by stimulus cheques and unusually generous unemployment benefits, which are due to expire at the end of September. If these benefits are not extended, many unemployed Australians could experience a significant reduction in their incomes in the last quarter of the year.

Overall, the market has rallied on the back of fiscal and monetary stimulus, combined with the reopening of economies. We believe the monetary support is here to stay, but there is a risk that fiscal stimulus may become less generous. Meanwhile, rising infection rates could lead to further social distancing measures being imposed or voluntarily adopted. We therefore favour a flexible and active approach to investing.

IndexInvest Dynamic Portfolio models - Holdings (%)

COVID-19 has, and likely will continue, to cause volatility in global economies and markets. Given the considerable uncertainty, IndexInvest investment managers may over-weight allocations to selected sectors and under-weight allocations to others. This is done to reduce the adverse effects such volatility has on a portfolio.

Portfolio Constituents & Weights - 30 June 2020		Balanced	Growth
			
Australian Equity		**9.00%**	**14.00%**
BEAR	Betashares Australian Equities Bear (Hedge Fund)	9.00%	14.00%
Australian Fixed Income		**10.00%**	**0.00%**
RSM	Russell Investments Australian Semi-Government Bond ETF	10.00%	0.00%
Cash		**81.00%**	**86.00%**
ISEC	iShares Enhanced Cash ETF	50.00%	50.00%
	Cash Account	31.00%	36.00%
International Equity		**0.0%**	**0.0%**
Property		**0.00%**	**0.00%**
International Fixed Income		**0.00%**	**0.00%**

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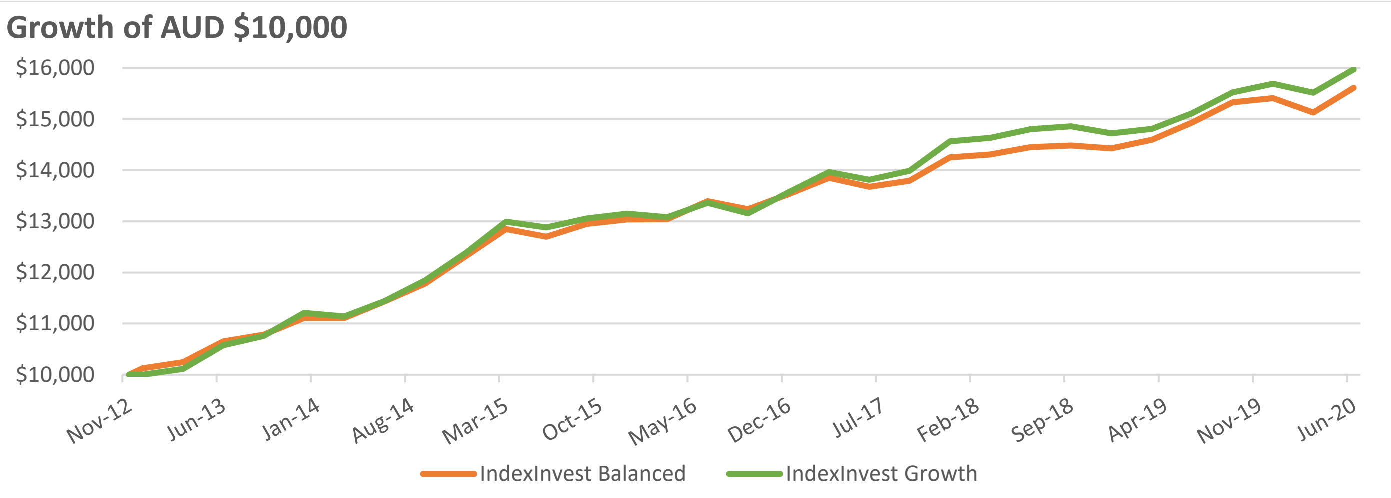
Quarterly Performance Commentary

An uplift in COVID-19 cases in the US, Victoria and a number of emerging markets through the second half of June, was not enough to deter investors as global markets continued their run of strong performance through June. Retail investors have bought $9 billion in shares since March and are largely responsible for the 30 per cent correction in the All Ordinaries Index. Surveillance by the Australian Securities and Investments Commission found the market had experienced a spike of new entrants and first-time investors over the same period, with trading accounts being opened at 3.4 times the usual rate, providing further evidence to the anecdotal data offered by commercial trading platforms. By contrast, institutional investors — represented by aggregate trading by clients of 10 elite investment banks, including UBS, Morgan Stanley, Goldman Sachs and Macquarie — were net sellers of $11 billion of shares over the same period.

As a result, equity markets recovered strongly during Q2, following a tumultuous first quarter. The MSCI World Index rallied by 19.4% (in USD terms), its strongest quarterly return since 2009, which marked a 38% claw back from its March low albeit the index remains 9% below its February high and is still down 5.8% year to date. Australian equities slightly underperformed global markets, producing a 16.5% return in the quarter. Government bond yields rose by 0.11% in Australia during the quarter, to end it at 0.87%. In other major markets like the US, Japan and Germany, government bond yields remain little changed from the previous quarter end. The strong performance of risk assets also flowed on to credit spreads, where both high yield and investment grade spreads tightened significantly through the quarter but remain higher than they were prior to the crisis as the prospect of default risk is expected to pick up in the second half of 2020.

Performance Details



Portfolio Performance Ending 30 June, 2020

Portfolio	3 Months	6 Months	1 Year	3 Years (p.a.)	Inception (p.a.)*
IndexInvest Dynamic Balanced	**3.18%**	**1.29%**	**4.54%**	**4.52%**	**6.12%**
Balanced Benchmark – CPI+2%	^	*1.35%*	*3.61%*	*3.79%*	*3.87%*
IndexInvest Dynamic Growth	**2.92%**	**1.79%**	**5.65%**	**4.96%**	**6.44%**
Growth Benchmark – CPI+4%	^	*2.36%*	*5.68%*	*5.86%*	*5.97%*

**Inception date: 27 Nov 2012.* *^ CPI data for formulating the benchmark is not available at time of writing.*

Risk Analysis

IndexInvest Dynamic	Balanced	Growth
Standard Deviation	3.36%	3.72%
Sharpe Ratio	1.54	1.48
Information Ratio	0.65	0.14
Sotino Ratio	5.72	6.42

**Risk free rate is assumed to be 2.5%*

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Important Information

Performance Data

The performance figures represent past performance of the model portfolios. Past performance is not indicative of future performance. Performance for periods longer than a year have been annualised and represent cumulative (i.e. compounded) returns. Performance is calculated to the last business day of the quarter. Performance does not include brokerage fees and commissions that may be incurred in the trading of securities within each model portfolio.

Performance figures include fund management fees and expenses of the ETFs included within a model portfolio and assume the reinvestment of distributions of any such ETF. Performance figures do not include investment management fees, if any, to be applied by IndexInvest. Performance returns do not reflect any management fees, transaction costs or expenses applied by product issuers.

Important Information

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