

EXCITING LIFE BORING MONEY

and not the other way around



Coronavirus vaccines

will continue to underpin the share market however the uptrend in prices will remain volatile as valuations look stretched.

In terms of fundamentals,

the Australian economy continues to recover, however, as we saw pre-Christmas, until enough people have been vaccinated, it is likely that we will see a stop start economy

Single country recoveries

have been stronger than expected and economic policymakers throughout the world want to cushion any economic slippage.

GLOBAL OVERVIEW

2020 was one of the most unpredictable years on record for financial markets. Global shares as measured by the MSCI World Index gained +14% for the year, rallying strongly after most central banks around the world

cut interest rates to record lows while also embarking on huge quantitative easing and other measures to ensure their banking systems held up in the face of the economic fallout and closure of many parts of the economy caused by the pandemic. Most governments around the world also embarked on massive fiscal programmes designed to cushion the economy from the impact of the shutdowns. I was fascinated when the economy was put to sleep and then awoken in what proved to be a deep but short nap (read recession). Even though both monetary and fiscal policy had the desired effect, we will begin to count the cost over the next three to five years. For now, news of a vaccine against COVID-19 was positive. In terms of fundamentals the Australian economy continues to recover however, as we saw pre-Christmas, until enough people have been vaccinated, it is likely that we will see a stop start economy.

The US saw a change in government following a disorderly exit by the Trump Administration and despite the threat of higher corporate taxes and an increase in the basic wage by the Biden administration, the share market remained focused on the vaccine rollout and the return to normal economic times. The profit reporting season in the United States has so far surprised to the upside and leading economic indicators such as the Markit service and manufacturing purchasing managers indexes which are based on five major surveys of new orders, stock levels, production, supplier deliveries, and employment (PMI) remained at levels indicating solid ongoing improvement. U.S. economic growth increased by 4%, following a 33% post-lockdown surge in the September quarter. Inflation remains benign and the message from the central bank is that policy will remain firmly accommodative.



Emmanuel Calligeris

Chairman of the CARE
Investment Committee

Despite the better health of the economy, China like the rest of the world, will remain dependant on a vaccine

In China, growth continued to recover with data showing that exports were strong and should remain so in the first half of 2021. Despite the better health of the economy, China like the rest of the world, will remain dependant on a vaccine as the renewed outbreak of coronavirus in January in the Hebei province and the lockdown of 22 million people was a reminder how quickly the situation can flare up. The flare-ups remain small compared with the devastation facing other countries but could still threaten to undercut the success the government had in subduing the virus.

The UK and Europe have found ways to cope with restrictions however the outlook remains for low growth in the short term. With rising numbers of Covid-19 cases in the last quarter of 2020, several eurozone countries were forced to tighten lockdown measures and extend them into the first quarter of this year whilst in the UK the Covid mutation has thrown a further spanner in the works. Manufacturing has remained relatively strong however, consumption spending will likely be weaker as bars and restaurants stay closed. Brexit is likely to have boosted exports as UK retailers built up inventories, however the reverse will be seen in the first quarter of 2021 as it will not be repeated. With the more contagious strain of Covid-19 now reaching the continent, the risk of a third wave in unfortunately, cannot be excluded and result in the recession continuing. The European Central Bank (ECB) has extended rather than increased its monetary stimulus into 2022 where it believes herd immunity will be reached thanks to a roll out of a vaccine.

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The CARE Investment Committee took the opportunity to rebalance the portfolios in line with market moves during the quarter. Having bought WDIV in the third quarter due to its underperformance, the Enhanced International shares portfolio was rebalanced away from WDIV and back towards Magellan in December. Within the Core portfolios, a small amount of VAS was sold also and rebalanced into property trusts. This proved to be a timely rebalance as property trusts performed relatively strongly following the portfolio moves. The Active portfolio was also rebalanced over the quarter. International shares, emerging market shares, Australian shares and global small company shares were all sold at the margin in favour of gold, as the shiny metal took a breather following its pandemic tailwind in early 2020. These rebalances are in line with the CARE Investment Philosophy that it is good practice to move back to the long-term strategic asset allocation of the portfolio when short term asset prices deviate from their long term expected returns.

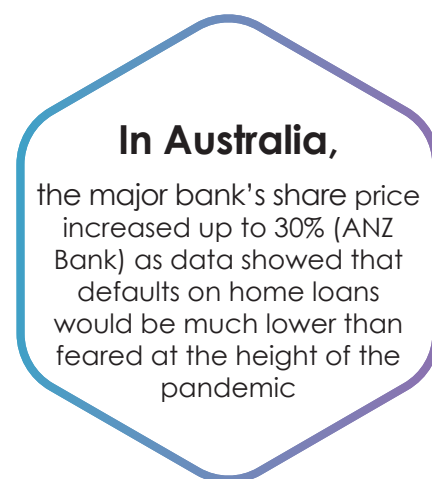
Over the quarter, the Australian share market ended 13.8% higher with the 1-year return 1.7%. Over 5 years, the market has returned 8.8%. This was captured in the Vanguard Australian Shares (VAS) exchange traded fund within the CARE portfolios. Banks, property trusts and resource and energy companies all performed well over the quarter. Unibail Rodamco (Westfield) increased 103% over the quarter. Much of the price action had to do with a short squeeze in the market for the shares but shows just how lopsided some share prices had become. The news that lockdowns would be lifted which would likely see consumers returned to shopping centres was the catalyst. The major bank's share price increased up to 30% (ANZ Bank) as data showed that defaults on home loans would be much lower than feared at the height of the pandemic and because of

the brighter employment picture. Energy companies performed well on the back of the higher oil price whilst materials companies increased because of the fiscal stimulus in China which saw the iron ore price reach USD160 per ton. It benefits the share prices of Fortescue Metals (+40.5%), RIO Tinto (+20%) and BHP (+17%). On the negative side of the ledger the share price of biotech company Mesoblast fell 56% over the quarter following its announcement that a potential treatment for COVID-19 will be wound up because of unexpectedly poor clinical data. This followed the announcement that a long-running trial into a heart failure treatment had failed to meet its primary objective.

Within the enhanced international shares portfolio there was a rotation back to share investments that pay a high proportion of their profits in dividends.

IPO, Chinese authorities said they would investigate the company for "suspected monopolistic conduct", key founder Jack Ma disappeared after criticising financial authorities, and the company's results for the September quarter displayed mixed results across segments. SAP dropped after Europe's largest software company lowered medium-term revenue and profit forecasts and its third quarter result fell short of expectations as cloud revenue growth slowed. RB, the manufacturer of Harpic, Dettol and Mortein (just to name a few) share price dropped on expectations that sales for its sanitary products would drop once the pandemic is brought under control.

The biggest contributors to the Magellan investment were the investments in Alphabet, Starbucks and Tencent Holdings. Alphabet rose after its Google subsidiary's advertising revenue showed a better-than



This was captured in the WDIV fund in the portfolio. Over the quarter the fund increased 8.58% thanks to holdings like Nokian Tyres in Finland and Canadian green energy producer Northland Power. Northland develops, builds, owns and operates power infrastructure assets in Canada, Europe and other selected global jurisdictions that produce energy using wind, natural gas, biomass, and solar technology. The company's share price increased 20% over the quarter. Computer hardware manufacturer Lenovo group, also a top 10 holding within the WDIV investment, its share price increased 43% over the quarter whilst Exxon Mobil increased 20% thanks to the increase in the oil price. Once again, the price movements show just how lopsided the market for companies with slow and steady growing profits, had become.

The Magellan investment returned -3.8% for the quarter and the manager underperformed the index by approximately -9.5% over the period. The portfolio's largest detractors were the investments in Alibaba Group, SAP and RB (Reckitt Benckiser). Alibaba dropped after its 33% owned Ant Group suspended its

expected rebound from the coronavirus-triggered slump and the US election outcome reduced the risk of a crackdown on Big Tech that would ensnare Google, which is already under anti-trust scrutiny by the US Department of Justice. Starbucks gained after the coffee chain, when announcing a smaller than-expected drop in same-store sales of 9% for the fourth quarter, signalled that the worst is past. Tencent climbed after its 28% increase in revenue for the first half from a year earlier, beat expectations.

The Enhanced Australian Shares portfolio remained defensively positioned with a high cash weighting around 30%, reflecting the manager - Joseph Palmer and Sons' views of overall valuations which remain stretched for some companies including Afterpay. The fall in the oil price due to the pandemic saw the manager top up Woodside Petroleum in the portfolio in the third quarter which proved beneficial as the Woodside share price increased by 29.6% over the period. Spark Infrastructure was added to the portfolio with a subsequent reduction in cash holding by

the manager late in the quarter. The high cash holding over the year has been a drag on the performance relative to the ASX 200 benchmark however highlights the cautious (capital preservation) nature of the manager.

The actions of central banks to drive real (inflation adjusted) interest rates lower makes cash and government bonds less attractive. This is likely to be the status quo for quite a few years to come. Falling bond yields, the cumulative effect of past policy stimulus measures, the low level of energy prices, and high household savings rates in the U.S., China, and Europe (which indicate pent-up spending power) point to a sustained global economic recovery in the first half of 2021. To date, single country recoveries have been stronger than expected and economic policymakers throughout the world want to cushion any economic slippage. They remain focused on supporting a full recovery in employment. This is also the case in Australia where the Reserve Bank will likely keep rates suppressed for the next 3 years. This level of fiscal and monetary stimulus creates an economic backdrop that is unprecedented and highly accommodative. The stimulus has leaked into asset prices here as well with shares and property forging ahead. The promising Coronavirus vaccines will continue to underpin the share market however the uptrend in prices will remain volatile as valuations look stretched.



LEGEND

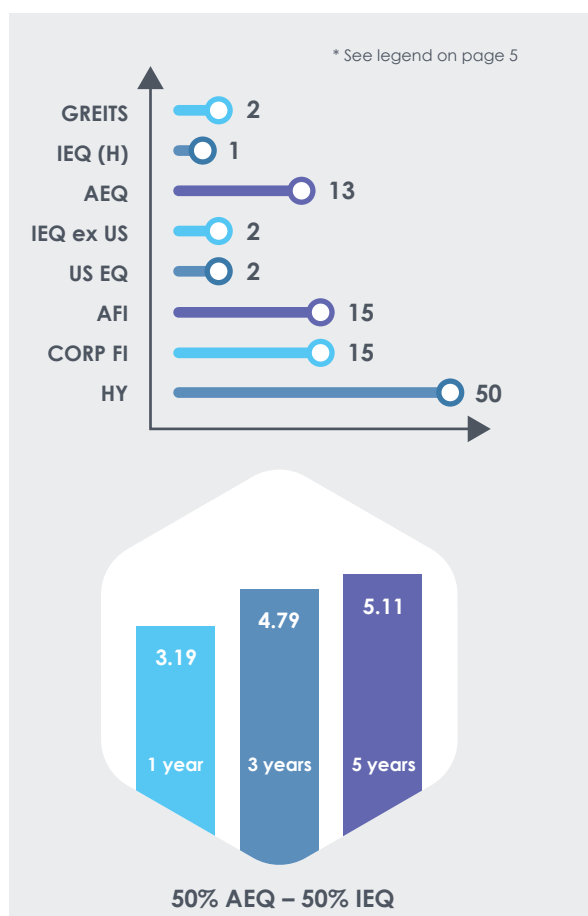
International Real Estate	GREITS	High Income	HY
International Shares (Hedged)	IEQ (H)	International Emerging Market Shares	IEM
Australian Shares	AEQ	International Small Companies Shares	Small Cap IEQ
International Shares (ex-USA)	IEQ ex US	Australian Fixed Interest	AFI
International Shares USA	US EQ	Australian Corporate Fixed Interest	Corp FI

* Returns are based on model portfolio, benchmark allocation & assumes investment over 1, 3 & 5 years ending December 2020. The E (enhanced) component is assumed to be 50% Australian Equities & 50% International Equities. Past Performance is not indicative of future performance.
 * The CARE portfolio Returns are before tax, Adviser fee, and Platform Fees however net of CARE Investment Committee Fee.
 * Returns are based on: C, A & E only – RESERVES is not factored into the return series.

GPS CORE PORTFOLIO RETURNS TO THE 31st DECEMBER 2020

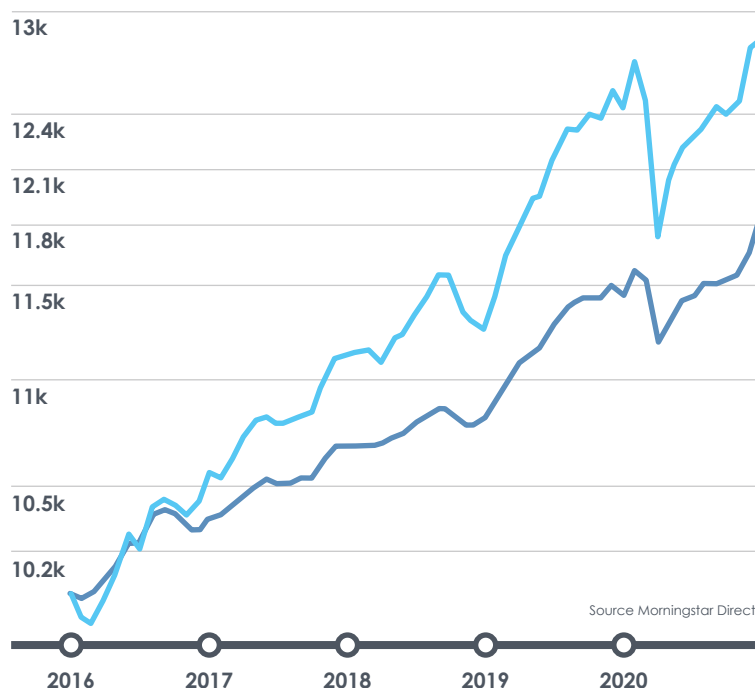
	1 Month	3 Months	6 Months	1 year	3 years	5 years
CORE Conservative	0.42	3.16	4.26	4.01	4.69	4.91
CORE Moderate	0.65	5.42	6.60	4.05	5.36	6.03
CORE Balanced	0.94	7.81	9.33	3.87	5.93	7.07
CORE Growth	1.11	9.86	11.72	3.14	6.46	7.94
CORE High Growth	1.35	12.24	14.28	2.52	6.89	8.78

YOUR CARE PORTFOLIO CONSERVATIVE



CARE CONSERVATIVE STRATEGY

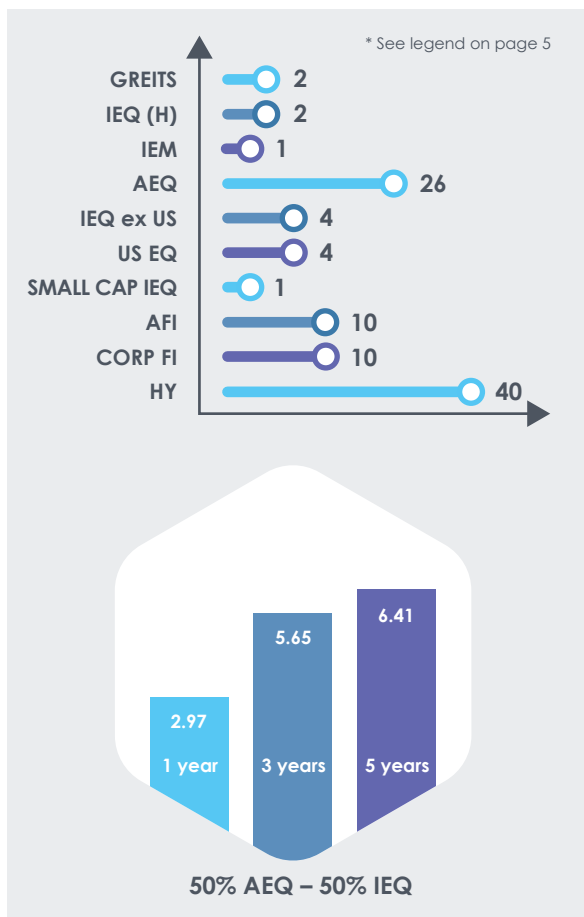
Growth of \$10,000 over 5 years to 31 December 2020



CARE Conservative (50%AEQ - 50%IEQ)
 Multisector Conservative Investor

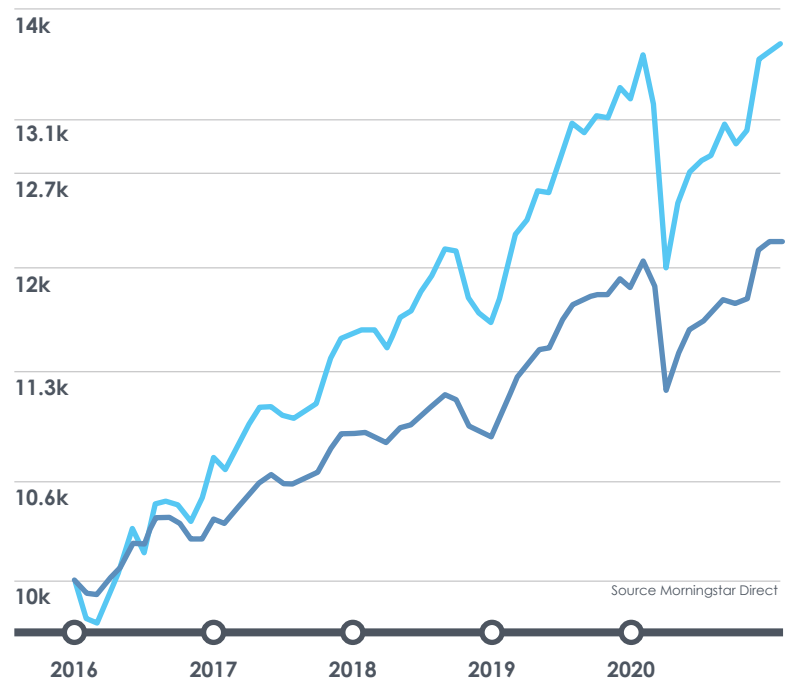
Total Return AUD 12.83K
 Total Return AUD 11.88K

YOUR CARE PORTFOLIO MODERATE



CARE MODERATE STRATEGY

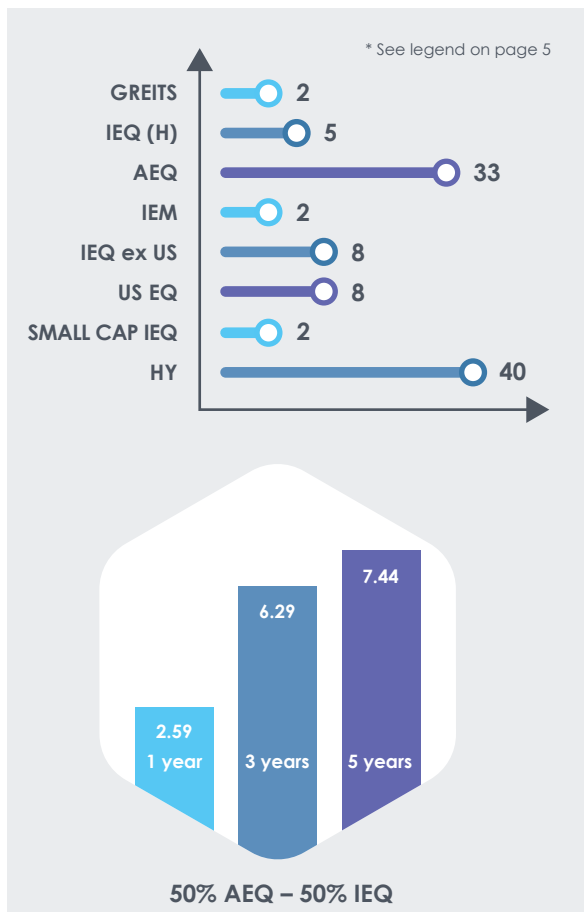
Growth of \$10,000 over 5 years to 31 December 2020



CARE Moderate (50%AEQ - 50%IEQ)
Multisector Moderate Investor

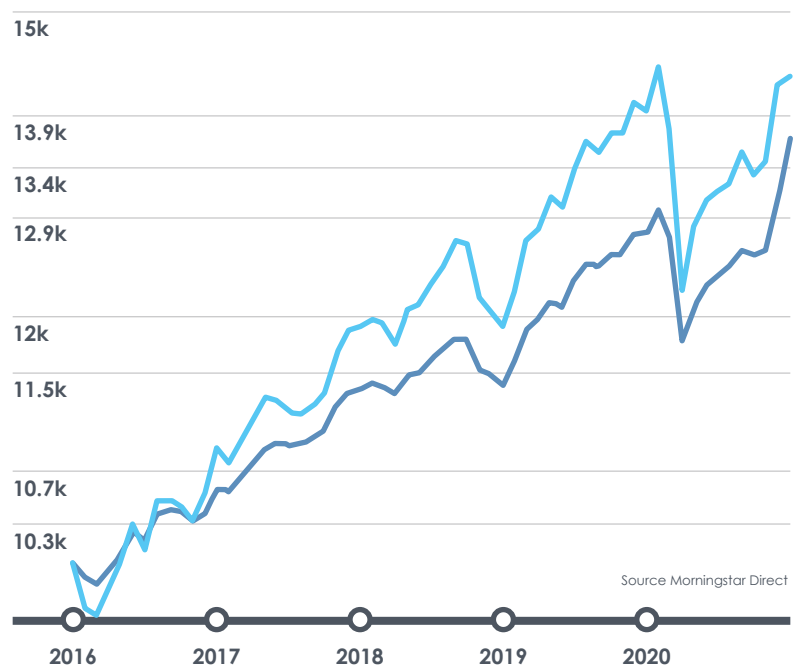
Total Return AUD 13.66K
Total Return AUD 12.2K

YOUR CARE PORTFOLIO BALANCED



CARE BALANCED STRATEGY

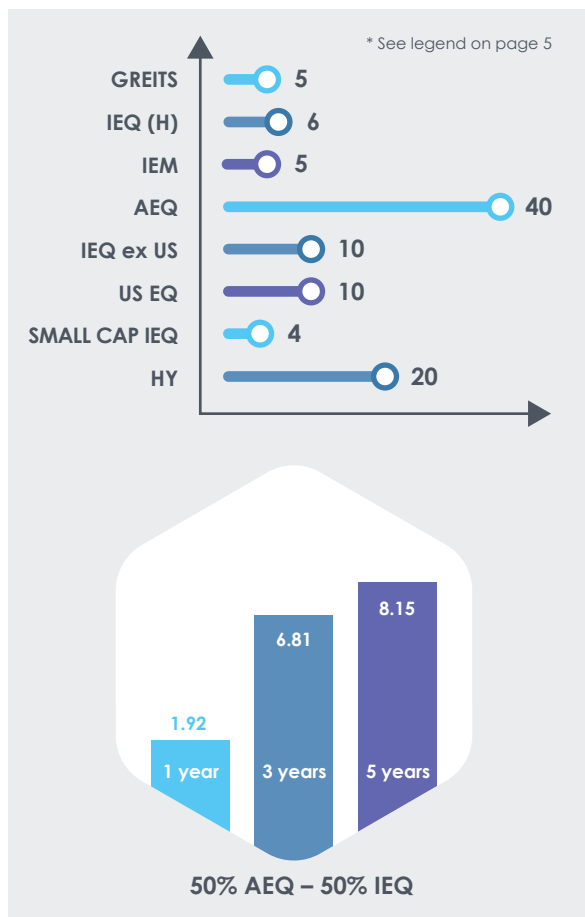
Growth of \$10,000 over 5 years to 31 December 2020



CARE Balanced (50%AEQ - 50%IEQ)
Multisector Balanced Investor

Total Return AUD 14.33K
Total Return AUD 13.68K

YOUR CARE PORTFOLIO GROWTH

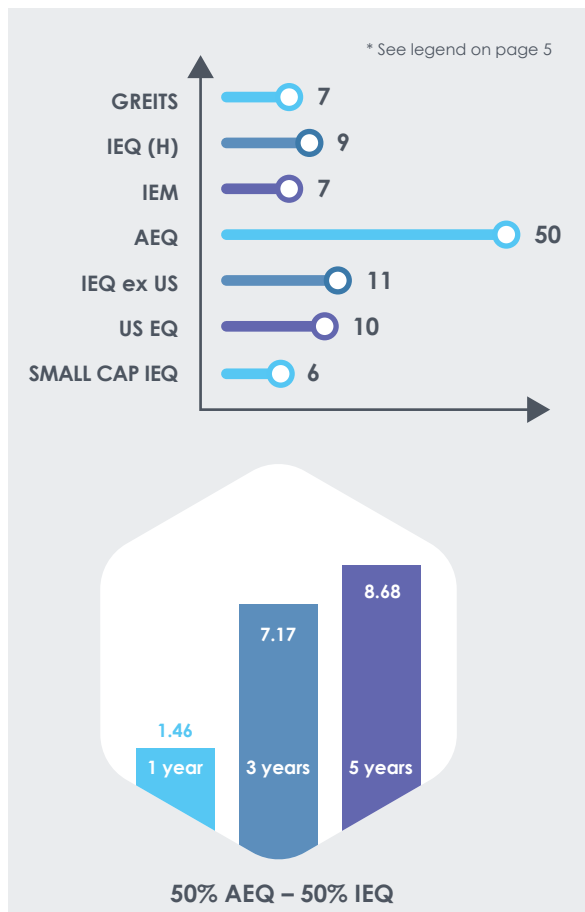


CARE GROWTH STRATEGY

Growth of \$10,000 over 5 years to 31 December 2020

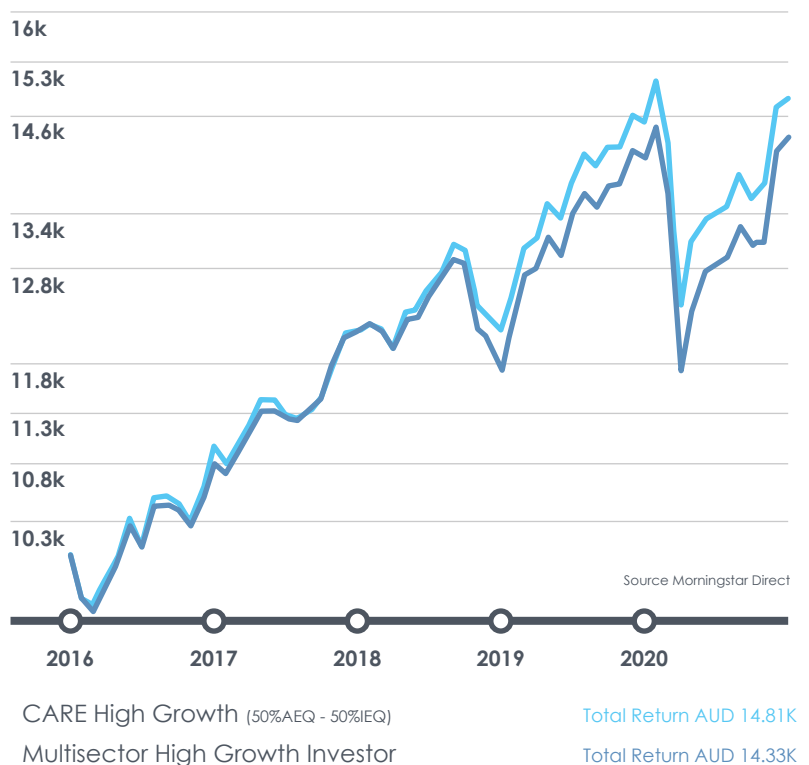


YOUR CARE PORTFOLIO HIGH GROWTH



CARE HIGH GROWTH STRATEGY

Growth of \$10,000 over 5 years to 31 December 2020



MEET

the CARE Investment Committee



Emmanuel Calligeris
BEC MBus (Finance)

Emmanuel is Chairman of the CARE Investment Committee. Emmanuel holds a degree in economics and previously had 20 years' experience as Chief Investment Officer for OnePath Investments (the investment arm of ANZ Bank) and was responsible for \$13 Billion of funds under management.



Rob McGregor
SIA (Aff) ADPF

Rob was a founder of GPS Wealth, developed the CARE Investment Philosophy over the last 15 years and successfully managed \$100m in clients' funds during the GFC.



Grahame Evans
GAICD DipSM MBA

Grahame is the Risk and Compliance member of the CARE Investment Committee. Grahame brings over 35 years of financial service industry experience.



Dr. Mark Brimble
BCom(Hons) PhD CPA FFin

Mark is an independent member of the CARE Investment Committee. Mark holds a doctorate in capital markets and is keenly interested in investor behaviour.

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