



PacReef Income Today Portfolio

December 2020 Quarterly Review

Portfolio Performance

The PacReef Income Today Portfolio returned 10.25% compared to the benchmark ALL ORDINARIES (TR) return of 14.43%, giving relative performance of -4.18% for the period.

Performance to 31 December 2020

Return %	One Month	Three Month	Six Month	One Year	Three Year	Since Inception (9/04/2015)
Portfolio	0.39	10.25	12.99	3.05	5.78	4.07
Benchmark	1.75	14.43	15.69	3.63	7.43	6.69
Relative Performance	-1.36	-4.18	-2.70	-0.58	-1.65	-2.62

The table above sets out the investment performance returns (AFTER investment management fees, but BEFORE administration fees, performance-based fees and taxes) for the Portfolio. The performance returns have been calculated on a daily basis taking into account brokerage costs, and are accumulated for the period shown. Returns are shown as annualised if the period is over 1 year, or as total returns otherwise.

Quarterly Review

In the final quarter of 2020, the portfolio delivered good Capital Growth. Still, overall performance was adversely affected as the portfolio's income dropped by 34% compared to the previous corresponding period.

This fall in income was primarily due to lower interest rates affecting the return on the Capital Notes held in the portfolio and cuts in the dividends paid by National Australia Bank, Westpac and Vicinity Centres which reduced their dividends by 64%, 61% and 45% respectively. However, it was not all bad news on the income front with BWP Trust maintaining its distribution level and Rural Funds Group increasing its distribution by 4%.

New portfolio holdings, Brickworks and Soul Pattinson both continued their run of increased dividends. Brickworks has maintained or increased its dividends every year since 1976. Soul Pattinson remains the only ASX-Listed company to have increased its dividends every year for the past 20-years and has paid a dividend every year since listing in 1903.

During the quarter Link Administration Holdings was subject to non-binding takeover offers that saw the share price rise from \$3.70 to \$5.50 an increase of almost 50%. Unfortunately, these offers have not proceeded, and the share price has fallen back by 10-15% since the end of the quarter. Link is now pursuing the sale of its shareholding in PEXA.

Westpac & Vicinity Centres' reinstatement of dividends has seen their share prices increase by around 15% during the quarter. National Australia Bank also saw a 25%+ bounce in its share price as the fall out from the COVID-19 pandemic does not appear as bad as first expected.

Falls were recorded in two of the more recent additions to the portfolio – Aurizon Holdings & Bravura Solutions – during the period. These falls were 8% and 5% respectively making them the biggest drags on performance. Despite the falls in the share price we still remain confident that H1FY21 results will be in line with expectations.

Top 5 stocks by weight as at 31 December 2020

Company Name	Sector
JB HI-FI LIMITED ORDINARY	Consumer Discretionary
BWP TRUST ORDINARY UNITS	Real Estate
WESFARMERS LIMITED ORDINARY	Consumer Staples
SOUL PATTINSON (W.H) ORDINARY	Energy
TABCORP HOLDINGS LTD ORDINARY	Consumer Discretionary

Market Outlook

As we enter 2021, the global pandemic's impact is expected to recede and economic activity to increase. Consumer and business confidence is expected to recover quickly once the COVID-19 vaccines are rolled out and reach herd immunity levels, which is expected towards the end of 2021 in Western Nations. This increase in economic activity and confidence should be positive for investors.

In Australia, specific industries face short-term risks as they are exposed to the deteriorating China/Australia relationship. Longer-term, if this situation continues, it has the potential to effect Australia's economic growth prospects adversely.

Another issue that will face Global Equity markets during 2021 is the risk of inflation taking hold. With the election of Joe Biden as US President, it is expected that this will see huge stimuli packages that will see trillions of dollars extra pumped into their economy quickly. If inflation takes hold market interest rates could begin to increase, despite forecasts from Central banks that rates will remain low for the medium term.

IMPORTANT INFORMATION

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Financial commentary contained within this report is provided by PacReef Asset Management Pty Ltd (PacReef Asset Management Pty Ltd (ABN 95 601 146 525, AFSL 488045), who is the Portfolio Manager of this Portfolio.

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