



PacReef Income Today Portfolio

June 2021 Quarterly Review

Portfolio Performance

The PacReef Income Today Portfolio returned 8.54% compared to the benchmark ALL ORDINARIES (TR) return of 8.66% giving a relative performance of -0.12% for the period.

Performance to 30 June 2021

Return %	One Month	Three Month	Six Month	One Year	Three Year	Since Inception (9/04/2015)
Portfolio	4.39	8.54	13.85	28.64	11.37	5.92
Benchmark	2.56	8.66	12.58	30.24	10.29	8.18
Relative Performance	1.83	-0.12	1.27	-1.60	1.08	-2.26

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

Performance over the past Financial Year has been on almost par with the benchmark after factoring in Franking Credits which add an additional 1.25% to the return. Cash Income generated by the portfolio was up by 7.8% compared to the previous Financial Year, however the franking level dropped to 68.5% from 81%. This resulted in Gross Income increasing by 3.5%, which was above CPI.

The June quarter saw double digit returns achieved by almost 50% of holdings in the portfolio. Three of those holdings – Bravura Solutions; Propel Funeral Partners & Brickworks – returned more than 20% for the quarter. Complimenting these positive returns, those holdings that did deliver negative returns during the quarter had losses of less than 5% each.

In addition to the three holdings mentioned previously the greatest positive impact on the portfolio came from its holdings in Wesfarmers; Rural Funds and BWP Trust.

During the quarter the portfolio manager made the decision to remove its Capital Notes holdings from the portfolio, together with its holding in Link Administration Holdings. Additionally, the portfolio's holdings in Tabcorp, JB Hi-Fi and Event Hospitality & Entertainment were reduced.

Coles Group, Waypoint REIT and United Malt Group were added to the portfolio, while the exposures to Brickworks, Aurizon, Carsales.com, Rural Funds Group & BWP Trust were all increased.

Top 5 stocks by weight as of 30 June 2021

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

Market Outlook

FY22 has started in a similar manner to much of FY21. We are still experiencing lockdowns in our major cities, COVID-19 means that international travel is largely non-existent, and uncertainty remains. Economies opening overseas are a positive sign, however this needs to be seen in context of it comes with learning to live with COVID, not eliminating it.

Vaccination rates in Australia remain low by global standards, with Federal & State Governments insisting that they need to rise significantly before travel and business can return to anything near normal levels.

Despite all of this uncertainty world sharemarkets have continued to power forward fuelled by access to cheap debt and Government stimulus packages. Over the medium term there remains a risk of inflation rising and this could put pressure on central banks to lift interest rates earlier than they expect. With high levels of Government & household debt any increase in interest rates could have a significant impact on world economies and sharemarkets. This is not seen to be a short-term risk, even though here in Australia we have already seen fixed rate home loan rates increase.

IMPORTANT INFORMATION

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