



PacReef Income Today Portfolio

March 2021 Quarterly Review

Portfolio Performance

The PacReef Income Today Portfolio returned 4.89% compared to the benchmark ALL ORDINARIES (TR) return of 3.61%, giving relative performance of 1.28% for the period.

Performance to 31 March 2021

Return %	One Month	Three Month	Six Month	One Year	Three Year	Since Inception (9/04/2015)
Portfolio	4.99	4.89	15.64	39.69	8.88	4.73
Benchmark	1.84	3.61	18.56	41.14	10.08	7.04
Relative Performance	3.15	1.28	-2.92	-1.45	-1.20	-2.31

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

After reaching a low point in late March 2020, the Australian sharemarket rebounded over the next 12 months to not only be 40% above its low but was also only 3% off its all-time high. Growth stocks have primarily driven this recovery, and our portfolio, despite its defensive nature, has largely managed to keep pace with the broader market.

During the quarter, 80% of the portfolio's holdings reported their interim profits. Dividends during the quarter were flat overall, which we consider a good result given the impact the COVID-19 pandemic continues to have on many industries. Despite the overall flat level income for the total portfolio, there was considerable variance between the individual securities.

Several of the holdings in the portfolio experienced significant reductions in the dividends they paid. These included Event Hospitality & Entertainment (dividend cut altogether), InvoCare (dividend reduced by 70%), Vicinity Centres (56% reduction) and Bravura Solution (down 53%). At the opposite end of the scale, we saw several holdings dramatically increase their dividends, including JB Hi-Fi (dividends increased by 82%), Propel Funeral Partners (50% increase), Wesfarmers (17% increase) and Carsales.com (14% increase).

During the quarter, over 50% of the total return was generated from just three holdings:

Tabcorp – on the back of the company receiving unsolicited offers to purchase part of the business.

Event Hospitality & Entertainment – as interstate travel and cinema attendance returned closer to normal.

JB Hi-Fi – COVID-19 sales boom resulted in the company being debt-free and almost doubling its interim dividend.

Top 5 stocks by weight as at 31 March 2021

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

Market Outlook

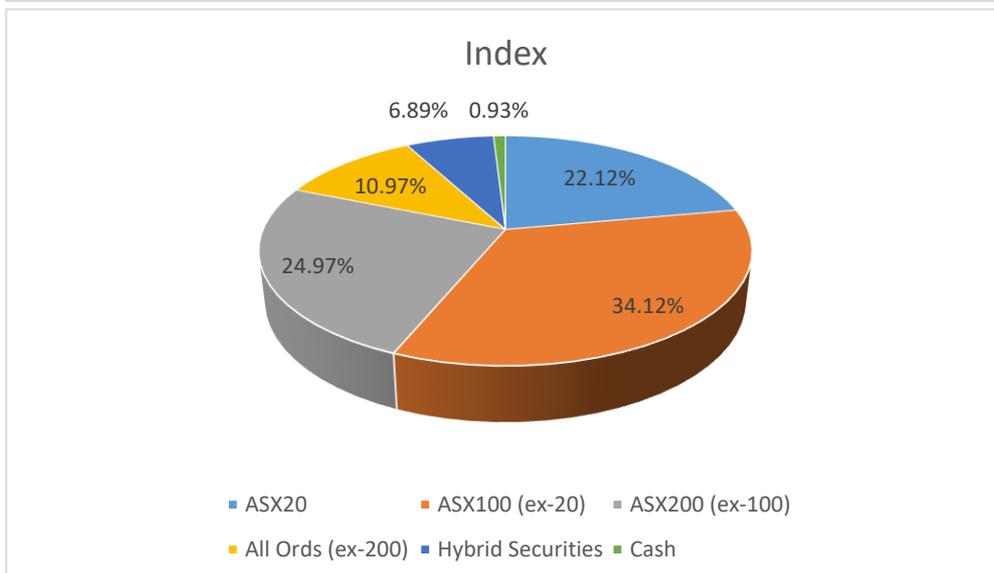
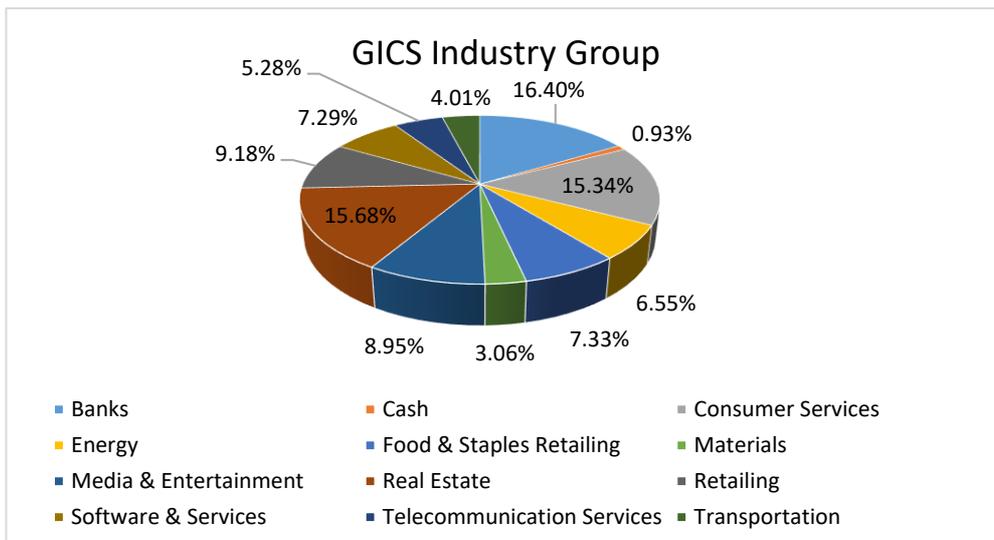
The biggest issue facing the world continues, not surprisingly, to be COVID-19. Vaccination of the population is being rolled out worldwide, resulting in significant drops in new cases in the UK and USA. Unfortunately, there appears to be a degree of complacency in several countries which have recorded spikes in recent cases, including France & Germany. Those spikes aside, we seem to be on the path towards returning to a standard world economy, although this will not happen in the short term.

As this happens, we should see a return to focusing on investment fundamentals which leads us to consider the influence of Central Banks on the current booming sharemarkets. Since the beginning of 2020, the four major central banks (Federal Reserve, Bank of Japan, Bank of England and European Central Bank) have injected US\$9 trillion into the world economy. This equates to the formation of an additional new economy equal to German & Japan combined. This has been an acceleration of the monetary program that they have been pursuing since the GFC.

This has largely resulted in sharemarkets worldwide experiencing sharemarket returns far above the economic growth achieved over the same period. Between 1 July 2008 and 31 December 2020, the UK had annualised Real GDP growth of just 0.53% but saw the stock market record growth of 2.42% (excluding dividends). In the US, the figures were 1.46% and 8.15%; respectively, Japan recorded 0.33% and 5.9% and Germany 0.78% and 6.42%.

The exception has been the Australian market. We have recorded Real GDP Growth of 2.15%, and our share market has performed mainly in line with this recording annualised growth of 2.26%. This provides a degree of confidence that where other countries are at risk of overheated sharemarkets experiencing a significant correction, this is less likely to be the case here in Australia.

Portfolio diversification as of 31 March 2021



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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