



PacReef Income Today Portfolio

September 2021 Quarterly Review

Portfolio Performance

The PacReef Income Today Portfolio returned 3.17% compared to the benchmark ALL ORDINARIES (TR) return of 2.05%, giving relative performance of 1.12% for the period.

Performance to 30 September 2021

Return %	One Month	Three Month	Six Month	One Year	Three Year	Since Inception (9/04/2015)
Portfolio	-0.03	3.17	11.98	29.50	11.07	6.19
Benchmark	-1.58	2.05	10.88	31.46	10.36	8.19
Relative Performance	1.55	1.12	1.10	-1.96	0.71	-2.00

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 ways, the September quarter reflected a return to the Australian market's more “normal” performance. It represents the first 12-month reporting period that does not include the COVID-19 crash of March 2020, when the S&P/ASX All Ordinaries Index fell over 30% in 30-days.

Most of the holdings within the portfolio made their annual profit announcement during the quarter. There were no significant surprises in the announcements, with most companies reporting profits in line with analyst expectations.

Significant events during the quarter included Soul Pattinson finalising its merger of Soul Pattinson with Milton Corporation and the internalisation of its management by Propel Funeral Partners. Both of these are seen as positive for the companies involved. Negatively, United Malt Group informed the market that it expected to incur up to \$ 22M in one-off provisions due to issues with customers in England and Asia.

Minor adjustments were made to the portfolio with a reduction to our holdings in Carsales.com and Event Hospitality & Entertainment being offset by the take-up of a rights issue by Rural Funds Group, increased holding in Brickworks and the addition of Chorus Ltd to the portfolio.

The portfolio was negatively impacted by falls in the value of its holdings in JB Hi-Fi, BWP Trust, Bravura Solutions and United Malt Group. Still, these were more than compensated for by its holdings in Soul Pattinson, Event & Carsales.com, each increasing in value by more than 15%.

Top 5 stocks by weight as at 30 September 2021

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

Market Outlook

During September, Australia's GDP growth estimate for next year was lowered by economists as they took into account the continued lockdowns in NSW and Victoria. With a pathway to the reopening of both of these economies now being laid out by their respective Governments, we anticipate that the potential exists for consumers to release significant spending power in coming months as household savings remain at elevated levels.

The RBA, like other central banks around the globe, continues to indicate that there will be no increases in official interest rates over the next couple of years. Concern exists that despite what is being said by the Central Banks, elevated inflation levels may require increases in official rates earlier than expected. Inflation is particularly a concern in the US, where the futures market is now pricing in two interest rate hikes during 2022.

In Australia, concern over the heated housing market has seen APRA direct the Banks to increase the affordability rate applied to borrowers to restrict lending levels and place a brake on house price growth. The wholesale interest rate market also sees increases in the cost of funds for Banks leading to rate rises in fixed rates, particularly those for 3-5 year periods.

The issues facing the Chinese property market have seen Iron Ore prices fall considerably as their Government applies pressure on developers to slow down construction as significant numbers of properties remain unoccupied at the moment. Estimates for the number of people that could be housed in these empty properties range from 80-240 million. With the Federal Government heavily reliant upon tax revenue from mining companies, a continued slowdown in the Chinese property market could place pressure on our Budget.

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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