

Description

Proactive MFM Conservative is majority invested in assets which offer lower long term returns but are subject to less volatile market risk over the shorter to medium term. Its aim is to produce a return before tax but after investment costs over rolling eight-year periods which is equal to or better than inflation plus 2.5% p.a. It is suited to investors looking to minimise short-term fluctuation in values and the chance of capital loss at the expense of lower rates of long term return. In order to achieve more stable, conservative returns the portfolio is expected to have an average of 35% in growth assets over the longer term.

Commentary

This portfolio has been operating since September 2009 and has added value relative to its Long-Term Investment Objective (inflation plus 2.5% p.a.)

The portfolio is managed with a focus on:

- Long-term Strategic Asset Allocation (SAA) across the major asset classes which is the main driver of longer-term returns and achieving a margin over and above inflation. The SAA is normally reviewed annually together with a set of Asset Allocation Operating Ranges.
- Dynamic Asset Allocation, shifting the actual asset allocation within the ranges to reduce the volatility in returns in the portfolio caused by financial market instability. DAA is normally reviewed monthly but not necessarily changed. There may be several shifts happening within any given year.
- Adding value through sound selection of funds within each asset class using a well-developed investment process that employs quantitative analysis and selection criteria as well as the experience and expertise of the members of the Investment Committee using inputs from external expert sources.

International equities, as measured by the MSCI world index in Australian dollar terms, returned -0.50% while Australian equities as measured by the ASX200 returned +1.21%. Given the relative portfolio weightings to Australian and International equity holdings, these market conditions produced a positive portfolio return for December.

Calendar 2020 was the year everyone wanted to see end. The pandemic has been the defining event that we will remember our entire lives – not just because it supposedly “came out of nowhere”, but because it shook our confidence and proved to us that life is full of surprises and that nothing, least of all our prosperity and comfort, should be taken for granted.

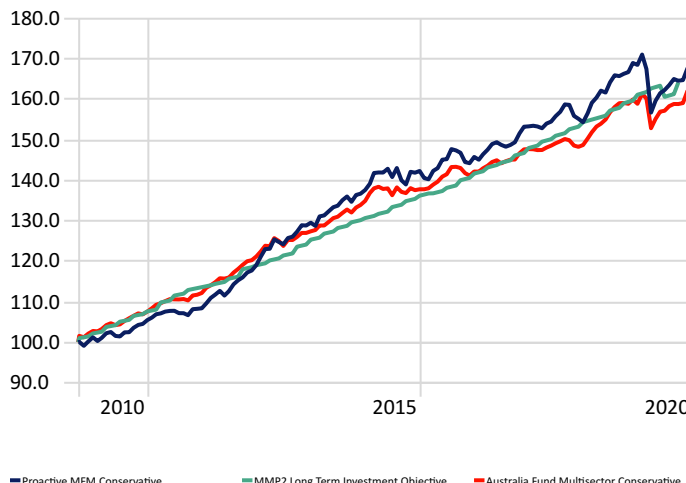
The pandemic closed down large segments of the global economy, confined many of us to our homes for weeks or even months on end, saw the disappearance of immigrants, tourists, and overseas students from Australian shores, and caused unemployment to rocket and economic activity and financial markets to collapse. There are likely to be longer term scars with a setback to globalisation, more social tensions, bigger government and public debt, massive money printing (risking higher inflation), faster embrace of technology, and more consumer caution. In Australia, we will see lower population growth (at least for the next year or two), and have already experienced growing tensions with our largest trade partner, China.

While share markets plunged in March in the early stages of the pandemic, they then progressively rebounded over the next three quarters thanks to massive fiscal stimulus and limited economic re-openings, low interest rates and bond yields that made shares look comparatively cheap. In the last two months, good news on vaccines has enabled investors to look forward to recovery in 2021. For those investors who stayed the course from the beginning of the year, there were double-digit gains from US and global equities and solid returns from bond markets. The MSCI World index was up 14%. The Australian ASX 200 Index had a flat annual return, held back by greater exposure to cyclical sectors. Japanese and European markets also generally underperformed.

The target allocations to asset classes and individual holdings were not changed in December. We are monitoring the situation very closely with a view to deploy some of the cash reserves and reposition the portfolios to benefit from the recovery.

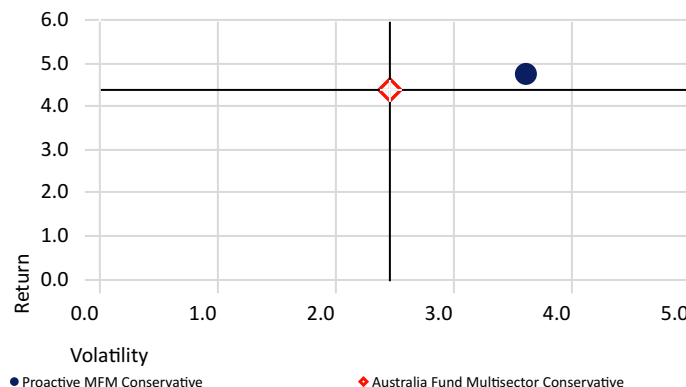
Cumulative Total Investment Return

Time Period: 24/09/2009 to 31/12/2020

**Return vs Volatility of Return**

Time Period: 1/10/2009 to 31/12/2020

Calculation Benchmark: MMP2 Strategic Benchmark

**Trailing Returns**

	Return	Std Dev	Sharpe Ratio
1 Month	0.56		
1 Year	0.06	7.95	0.01
3 Years	3.22	5.05	0.46
5 Years	3.45	4.31	0.52
Inception	4.75	3.61	0.65

The reported returns for the portfolio, since inception, are net of the underlying funds' investment costs as well as the Proactive management fee of 0.10% p.a.

Leading Contributors

Time Period: 1/01/2016 to 31/12/2020

	Weight	Return	Contribution
Hyperion Australian Growth Companies	7.02	100.86	8.67
Vanguard International Shares Index	10.89	50.67	6.74
AB Managed Volatility Equities	10.45	54.97	6.09
Vanguard International Shrs Idx Hdg AUD	2.37	39.39	5.17
Magellan Global Open Class	6.67	72.65	4.40
Vanguard Australian Shares Index	10.00	51.76	4.07

Trailing Contributors

Time Period: 1/01/2016 to 31/12/2020

	Weight	Return	Contribution
Fidelity Australian Opportunities	2.19	-10.88	-0.59
Magellan Infrastructure (Unhedged)	0.30	-4.69	-0.13
RARE Infrastructure Value Unhedged	0.49	-0.88	-0.08
AMP Capital Core Infrastructure A	2.20	-0.46	0.01
MFS Fully Hedged Global Equity Trust	0.63	0.41	0.05
Freehold AREITs & Listed Infrastructure	0.36	4.64	0.30

Asset Allocation Summary

	% Actual	% Long Term	% Minimum	% Maximum
Cash and equivalents	23.59%	30.00%	10.00%	80.00%
Fixed Interest	51.09%	35.00%	20.00%	80.00%
Property & Infrastructure	3.93%	10.00%	0.00%	15.00%
Australian Equities	8.15%	15.00%	0.00%	30.00%
International Equities	6.62%	10.00%	0.00%	20.00%
Alternative Equity Assets	6.62%	0.00%	0.00%	10.00%

Equity Regional Exposure

Portfolio Date: 31/12/2020

