

OCT 2020 | Commentary

LEGG MASON MARTIN CURRIE ETHICAL VALUES WITH INCOME FUND

Investment objective

The Fund aims to provide an after tax income yield above the S&P/ASX 200 Index and to grow this income above the rate of inflation.

Performance (%)

	1 mth	3 mths	6 mths	1 year	3 years pa
Fund (net)	3.31	3.16	10.22	-15.23	-1.08

Fund details

Inception date	December 2015
APIR	SSB0064AU

Calendar year performance (%)

	2019	2018	2017	2016	2015
Fund (net)	21.45	-9.69	8.97	14.41	-

Next 12 months portfolio (%) - Forecast

Forecast dividend yield before franking	5.25
Forecast franked yield	6.65

The yield forecast for the next 12 months is calculated using the weighted average of broker consensus forecasts of each portfolio holding and research conducted by Legg Mason Asset Management Australia Limited and is gross of fees. Neither the yield forecasts nor past performance is a guarantee of future results.

Monthly review

What happened in the market?

The Australian equity market rose 1.9% in October (as measured by the S&P/ASX 200 Accumulation Index), with expectations of monetary policy easing and the reopening of Victoria outweighing concerns over the Northern Hemisphere's escalating COVID-19 crisis.

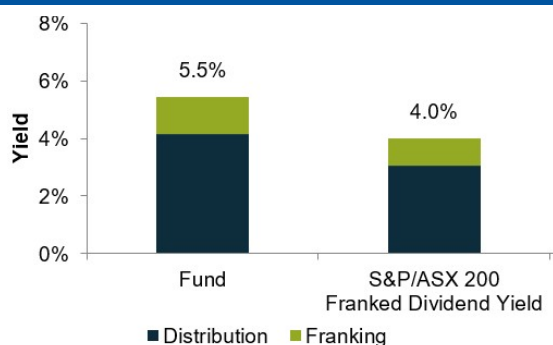
At the sector level, information technology was the best performer, with strong gains in Australia's software stocks unusually contrasting the fall in US software names. This was followed by banks, which were supported by the prospect of a loosening of responsible lending laws and a view that bad debts are likely not as bad as feared. Industrials were the weakest sector, with Aurizon Holdings a notable drag due to market talk around Chinese import restrictions on Australian coal.

What happened in the Fund?

The Fund was up 3.3% for the month of October. The Fund's allocation to banks and utilities were the top contributors to performance for the month, while industrials and consumer staples detracted for the month. At the stock level, Contact Energy and Nine Entertainment were the largest positive contributors, while Vicinity Centres and IOOF Holdings were the biggest detractors for the month.

The Fund is expected to provide a yield of 6.65% (grossed up for franking credits) over the next 12 months on a forward looking basis (refer to table above).

12 month yield comparison



Performance 1 year (gross) (%)

Distribution return ⁽¹⁾	4.15
Franking credit ⁽²⁾	1.31
Income return (pre fees and post tax)	5.45
Growth return (incl re-invested cap gains)	-18.64
Total return	-13.19

¹ Under FSC Standard 6 methodology, the Fund's Distribution return would have been 3.4%. The difference between this and the reported Distribution return is due to the exclusion of capital gains.² Franking credit is based on the Fund distribution and assumes a zero tax rate. It is not to be interpreted as the offset achieved by unitholders during this period. Past performance is not indicative of future performance.

These investment vehicles may have different risk profiles. Hence a direct comparison of yields may not be appropriate.

Past performance is not a reliable indicator of future performance.

Highlights

- Aims to deliver a high and growing income stream by investing in quality, ethically screened Australian listed companies
- Strong focus on income growth to protect purchasing power
- ESG factors provide a key input into stock selection, retention and realisation

About us

Franklin Templeton

Franklin Resources, Inc., is a global investment management organisation, operating as Franklin Templeton, which is headquartered in California. Franklin Resources, Inc., provides, through its subsidiaries, deep investment expertise across all asset classes - including equity, fixed income, and multi-asset solutions. Franklin Resources, Inc. is listed on the New York Stock Exchange and has employees in over 34 countries.

Martin Currie

Martin Currie, our global equity specialist manager, has had a presence in Australia since 1954. Today Martin Currie is a leading provider of active equity solutions in Australia, managing a growing suite of equity, multi-sector and tailored strategies across a common investment research platform.



Ratings

Qualitative



Meet the team

Martin Currie's investment process draws on a wide range of proprietary fundamental and quantitative research metrics. The Fund benefits from the close collaboration of the well-resourced and experienced team that includes Reece Birtles and Will Baylis.



Reece Birtles, CFA, GAICD
Chief Investment Officer
With firm since 1995



Will Baylis
Portfolio Manager

For enquiries, please contact Client Services team on 1800 679 541, email auclientadmin@leggmason.com or visit leggmason.com.au.

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