# Elston Australian Large Companies A

January 2022

## Key Information

| | |
|---|---|
| APIR Code | ETL7541AU |
| Investment Manager | Elston Asset Management |
| Asset Class | Equity |
| Investment Style | Core / Style Neutral |
| Benchmark | S&P ASX 100 |
| Launch Date | 03/12/2018 |

| | |
|---|---|
| Number of Holdings | 20-25 |
| Minimum Investment Horizon | 7 Years |
| Management Fee | 0.33% |
| Performance Fee | 16.50% |

## Sector Allocation Exposure

| | |
|---|---|
| Banks | 12.77% |
| Materials | 12.73% |
| Energy | 11.07% |
| Consumer Staples | 10.98% |
| Real Estate | 8.59% |
| Health Care | 8.01% |
| Diversified Financials | 6.88% |
| Consumer Discretionary | 6.40% |
| Industrials | 4.61% |
| Communications | 3.91% |
| Utilities | 3.81% |
| Information Technology | 2.21% |
| Cash | 8.04% |

## Top Portfolio Holdings[1]

| | |
|---|---|
| WESTPAC BANKING CORP | 5.24% |
| AMCOR PLC | 5.19% |
| VANECK VECTORS AUSTRALIAN PROPERTY ETF | 4.94% |
| BHP GROUP LIMITED | 4.83% |
| BRAMBLES LIMITED | 4.61% |
| ANZ BANKING GROUP LIMITED | 4.46% |
| WOODSIDE PETROLEUM | 4.42% |
| RAMSAY HEALTH CARE LIMITED | 4.31% |
| ENDEAVOUR GROUP LIMITED | 4.15% |
| MACQUARIE GROUP LTD | 4.03% |

## Platforms Availability[2]

| |
|---|
| HUB24 |
| Macquarie Wrap |
| Netwealth |
| Praemium |

## Investment Objective

The portfolio aims to outperform the S&P/ASX 100 Accumulation Index by 2.0% p.a. (after fees) over rolling five-year periods.

## Investment Strategy[1]

This is an actively managed portfolio of predominantly Australian equities. In general, the portfolio will have a long-term average exposure of around 97% in growth assets and 3% in defensive assets, however the allocations will be actively managed within the allowable asset allocation ranges depending on market conditions.

## Designed for Investors Who

The portfolio is designed for investors seeking:
- long term capital growth above inflation;
- tax effective income growth;
- a non-index weighted portfolio construction; and,
- a minimum investment timeframe of seven years.

## Investor Philosophy

The Elston Asset Management investment philosophy incorporates the following values:
- Preservation of capital
- Long term focus
- Value and growth
- Genuine diversity
- Liquidity
- After tax management

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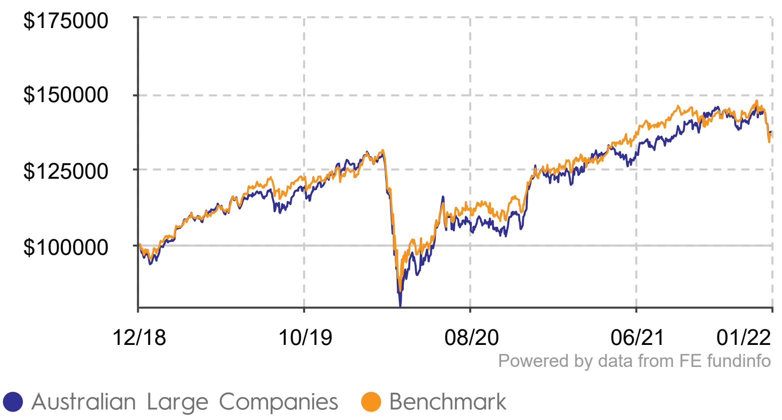
## Growth of $100,000 since inception³




| Performance | YTD | 1 Yr | 3 Yr | 5 Yr | 7 Yr | ITD |
|---|---|---|---|---|---|---|
| Australian Large Companies | -3.86% | 14.77% | 10.67% | - | - | 10.57% |
| Benchmark | -6.07% | 10.05% | 10.06% | - | - | 10.27% |

## Portfolio update

- Portfolio changes were limited to re-weightings with the excess cash held (due to the sale of Sydney Airport previously) partially reduced and allocated to existing holdings Cochlear & Endeavour Group.
- The model portfolio (-3.9%) outperformed its benchmark (-6.1%), with stock selection and sector allocation both contributing to relative outperformance.
- The positive contribution from stock selection was primarily driven by positions within the Consumer Staples and Energy sectors. In terms of sector positioning, the overweight to Energy and Cash were the primary contributors.
- The top three positive contributors were from positions in Woodside Energy (+0.5%), Origin Energy (+0.4%), and Worley (+0.4%). The largest detractors were from being underweight BHP (-0.4%), the position in Wisetech (-0.4%) and from not owning Rio Tinto (-0.4%).
- The largest overweight positions on average compared to the benchmark were Amcor (+3.8%), Brambles (+3.8%) and Ramsay Health Care (+3.7%), while the largest underweights were due to not owning Commonwealth Bank (-9.0%), CSL (-6.9%) or National Australia Bank (-5.0%).

## Snapshot of the Month

- The S&P/ASX 300 Accum. Index finished down -6.5%, while the MSCI ACWI Ex Australia NR Index (A$) ended -1.8% lower.
- The A$ depreciated -3.1% against the USD, while on a trade-weighted basis it dropped by -3.0%.
- In fixed income, the Bloomberg AusBond Composite 0-5Yr TR Index finished -0.4% lower while the Barclays Global Aggregate TR Hedged Index finished down -1.6%.
- The best performing sectors domestically were Energy (+7.9%), Utilities (+2.6%) and Materials (+0.8%), while the worst performers were Consumer Staples (-9.6%), Health Care (-12.1%) and Information Technology (-18.4%).
- The best-performing stocks in the S&P/ASX 100 were AGL Energy (+14.6%), Rio Tinto (+14.3%) and Beach Energy (+14.0%). The worst performers were Reece Group (-22.8%), Xero (-23.8%) and Wisetech Global (-28.0%).
- After a solid start to the year, both equity and bond markets sold off as further hawkish comments by multiple central banks in response to persistently high inflation saw yields rise as investors priced in rate hikes. Global equities posted their worst month since the height of the initial wave of the pandemic. Sentiment was also dampened by rising tensions between Russia and the West over Ukraine. Across developed markets, the S&P 500 (-5.3%) suffered its worst monthly performance since March 2020, whilst Europe's STOXX 600 (-3.9%) fared little better. The NASDAQ (-9.0%) was one of the hardest hit major indices as rising interest rates brought into question the sustainability of richly valued technology stocks. Commodities were however a standout performer, managing to buck the negative trend - this led to commodity heavy equity markets like the UK (FTSE100: +1.1%) and Latin America (MSCI EM LatAm: +7.4%) outperform significantly. Strong commodity prices also contributed to emerging market equities (MSCI EM: -1.8%) outperforming their developed counterparts (MSCI DM: -4.9%).
- The local bourse underperformed its developed market peers, recording its worst start to the year since 2008. The Tech and Health Care sectors were hardest hit on aforementioned fears around the impact of rising rates on lofty valuations and the disruptive impacts on Covid including the unwind of enormous skews. Despite the surge in commodity prices (iron ore price up US$28 to US$144/Mt), the heavyweight Materials sector failed to offset the drag from the index's largest sector, Financials (-6.5%). Focus now shifts to the domestic reporting season with investors hoping for management teams to provide guidance on the impacts of public health regulations (I.e. shifting government regulations on mobility) and supply chain challenges (both cost and impact on ability to source inputs / ship output). Other key themes include cost inflation (particularly labour costs), M&A activity and dividends.

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2 Other fees and costs apply. To understand all the fees payable you must refer to the appropriate platform PDS.
3 Inception to date is 03/12/2018. The table above sets out the investment performance returns (AFTER investment management fees of 0.33%p.a., but BEFORE administration fees and taxes) for the managed portfolio. The performance returns have been calculated on a daily basis taking into account brokerage costs, and are accumulated for the relevant period. Returns from inception are shown as annualised if the period is over 1 year, or as total returns otherwise. Past performance is not a reliable indicator of future performance returns. Returns may differ between platforms due to fees or underlying holdings, please refer to the appropriate platform PDS for further information.
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