

MAY 2021 | Commentary

LEGG MASON MARTIN CURRIE TACTICAL ALLOCATION FUND

Investment objective

The Fund aims to earn an after-fee return in excess of the Benchmark over rolling five-year periods.

Performance (%)						Fund details	
	1 mth	3 mths	1 yr	3 yrs pa	5 yrs pa	Inception date	September 1998
Fund (net)	0.67	2.84	8.07	6.86	7.79	Benchmark	50% S&P/ASX 200 Accumulation Index 50% Bloomberg AusBond Treasury Index
Benchmark	1.32	5.14	11.96	7.48	6.91	ISIN	AU60SSB01304
						APIR	SSB0130AU

Calendar year performance (%)					
	2020	2019	2018	2017	2016
Fund (net)	10.47	13.20	-1.62	8.19	10.70
Benchmark	3.85	15.47	1.19	7.63	7.31

Monthly review

What happened in the Fund?

The Fund was up 0.67% (net of fees) while the benchmark gained 1.32% in May. The Fund's relative underperformance was driven by the underweight to Australian Equity as the sector returned 2.34% (as measured by the S&P/ASX 200 Accumulation Index). During May, the allocations within the Fund remained largely unchanged. At the end of May, Australian Fixed Income is the largest allocation within the Fund (75%), with the balance split across Australian Equities (13%) and Cash (12%).

What happened in the market?

The Australian equity market rose 2.3% in May (as measured by the S&P/ASX 200 Accumulation Index), supported by a stimulatory Federal Budget and elevated commodity prices. Large cap and Value style stocks outperformed during the month, while high-yield and small cap stocks lagged.

At the sector level, banks were the best performer due to a robust May 2021 bank reporting season, during which the majors showed flat to positive revenue growth, costs flat to down, and large bad debt provision write-backs. Consumer discretionary was also strong. Information technology was the weakest sector, weighted down by the prospect of higher inflation and interest rates.

The Bloomberg Ausbond Composite Index returned 0.27% in May. Domestically, the federal budget included a substantial expansion of the budget in support of the recovery, including extensions of some existing business programs such as full expensing of depreciable assets and loss carry back provisions, in addition to personal income tax cuts. Primary issuance in the corporate and asset-backed security (ABS) sectors was light relative to recent months, with A\$1.67 billion issued by banks and non-bank financials, while only A\$1.5 billion of asset-backed securities were issued (which included an inaugural consumer receivable deal from WISR Freedom Trust). Spreads continued to grind tighter on corporate and ABS sectors but wound out a little on Semi government as well as supranational, sovereign and agency (SSA) sectors due to swap spreads widening versus government bonds. The Australian Dollar Trade-Weighted Index depreciated in May. The Australian dollar underperformed most of the major currencies apart from the US dollar and Japanese yen as export prices eased a little from recent highs, though they remain elevated.

Highlights

- A diversified portfolio of Australian equities, fixed income and cash designed to take advantage of relative asset class mispricing
- Tilted toward the relatively undervalued asset class in anticipation that it will outperform as it returns to assessed fair value
- Asset allocation switching provides another level of diversification in addition to the underlying equity and fixed income strategies

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 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.



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 Matthew Lambert and Reece Birtles.



Matthew Lambert
Portfolio Manager
With firm since 1997



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

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

Past performance is not a reliable indicator of future performance. Legg Mason Asset Management Australia Limited (ABN 76 004 835 849 AFSL 240827) is part of Franklin Resources, Inc. Any reference to 'Legg Mason Australia' or 'Martin Currie Australia' is a reference to Legg Mason Asset Management Australia Limited. 'Martin Currie Australia' is a division within Legg Mason Asset Management Australia Limited. Legg Mason Australia is the responsible entity of the Legg Mason Martin Currie Tactical Allocation Fund (ARSN 088 677 887)(Fund). Martin Currie Australia is the fund manager of the Fund. Before making an investment decision you should read the Product Disclosure Statement (PDS) for the Fund carefully and you need to consider, with or without the assistance of a financial advisor, whether such an investment is appropriate in light of your particular investment needs, objectives and financial circumstances. The PDS is available and can be obtained by contacting Legg Mason Australia on 1800 679 541 or at www.leggmason.com.au. This product has not been prepared to take into account the investment objectives, financial objectives or particular needs of any particular person. Neither Legg Mason Australia, nor any of its related parties guarantees any performance or the return of capital invested. Past performance is not necessarily indicative of future performance. Investments are subject to risks, including, but not limited to, possible delays in payments and loss of income or capital invested. These opinions are subject to change without notice and do not constitute investment advice or recommendation.